

Financial Services

Guidance document on Climate Change and Principle-based Taxonomy

On 30 April 2021, Bank Negara Malaysia issued a finalised guidance document for financial institutions to assess and classify economic activities which contribute to climate change mitigation and adaption.

Bank Negara Malaysia worked with the JC3 (Joint Committee on Climate Change) Risk Management Sub-Committee to enhance the guidance document, when it was still a discussion paper, upon receiving written feedback from financial institutions, asset management companies, rating agencies and non-governmental organisations.

The finalised guidance document seeks to:

- provide an overview of climate and its impact on businesses and households as well as the broader economy;
- introduce a principle-based taxonomy for financial institutions to assess and categorise economic activities to the extent to which the activities meet climate objectives and promote the transition to a low-carbon economy;
- facilitate standardised classification and reporting of climate-related exposures to support risk assessments at the institution and systemic levels, strengthen accountability and market transparency and encourage financial flows towards supporting climate objectives.

The guidance document also introduces a progressive system of transition categories (Climate Supporting, Transitioning and Watchlist) to acknowledge concrete transition efforts and commitments by businesses to adopt sustainable practices.

The following entities are subject to the guidance document:

- banks, investment banks, insurers and reinsurers licensed under the **Financial Services Act 2013**;
- Islamic banks, international Islamic banks, *takaful* operators and *retakaful* operators under the Islamic **Financial Services Act 2013**; and

Legal Updates

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- development financial institutions which are prescribed under the **Development Financial Institutions Act 2002**.

It may also be used by other financial sector stakeholders such as capital market players and intermediaries and analysts to guide investment and asset selection decisions, as well as rating agencies in rating decisions.

AML/CFT Compliance Officer Appointment Notification Method and Targeted Financial Sanctions Reporting Forms

Bank Negara Malaysia has issued a circular on 3 May 2021 to all reporting institutions (“RIs”) which are subject to the Anti-Money Laundering, Countering Financing of Terrorism (“AML/CFT”) and Targeted Financial Sanctions (“TFS”) for Designated Non-Financial Businesses and Professions (“DNFBPs”) & Non-Bank Financial Institutions (“NBFIs”) policy documents (“DNFBPs” and “NBFI PD”) indicating the following:

- the appointment of a compliance officer by RIs can now be made via filing of an online form.
- RIs which have previously notified Bank Negara Malaysia on the appointment of compliance officer need not resubmit its notification.
- RIs can now submit the forms, for purpose of targeted sanctions reporting, to a new email address as reflected in the revised forms in Appendices 6A, 6B, 7A and 7B of the DNFBPs and NBFI PD. The forms are also available [here](#).

An e-platform is also launched by Bank Negara Malaysia to host a repository of awareness video materials including all the AML/CFT Webinar applicable to RIs. However, access to this e-platform is limited only to the compliance officers whose appointment have been notified to Bank Negara Malaysia.

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FINANCIAL SERVICES MATTERS.**

Tax & Revenue

Income Tax

The **Income Tax (Deduction for Training Costs under the Professional Training and Education for Growing Entrepreneurs (PROTÉGÉ-Ready to Work (RTW)) Programme) Rules 2021** have been gazetted on 11 May 2021 and are deemed to have come into operation on 11 September 2019.

The following technical guidelines, which are only available in the Malay language, have been published on 28 April 2021 on the [Inland Revenue Board of Malaysia's official website](#):

- (i) [Garis Panduan Permohonan Untuk Kelulusan Ketua Pengarah Hasil Dalam Negeri Malaysia Di Bawah Subseksyen 44\(6\) Akta Cukai Pendapatan 1967 Bagi Tabung Pembelian Sekolah Agama;](#)
- (ii) [Garis Panduan Permohonan Untuk Kelulusan Ketua Pengarah Hasil Dalam Negeri Malaysia Di Bawah Subseksyen 44\(6\) Akta Cukai Pendapatan 1967 Bagi Tabung Pembinaan Sekolah;](#)
- (iii) [Garis Panduan Permohonan Untuk Kelulusan Ketua Pengarah Hasil Dalam Negeri Malaysia Di Bawah Subseksyen 44\(6\) Akta Cukai Pendapatan 1967 Bagi Tabung Sumbangan Wang Awam Sekolah.](#)

A practice note on [Layanan Cukai Ke Atas Cukai Muktamad \(Practice Note No. 1/2021\)](#) (available in Malay language only) has also recently been published on 3 May 2021 on the [Inland Revenue Board of Malaysia's official website](#).

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