Effective Date
13-Jan-2010

Applicability
All Islamic banks

Summary
This circular prohibits Islamic banks from making specific/ restricted and loss-bearing fund placement with parent banking institutions.

Issuing Department
Islamic Banking and Takaful Department
1. APPLICABILITY...........................................................................................................................................1

2. EFFECTIVE/ ISSUANCE DATE..................................................................................................................1

3. LEGAL PROVISION....................................................................................................................................1

4. DIRECTIVE..................................................................................................................................................1
1. **APPLICABILITY**

The circular is applicable to all Islamic banks licensed under Section 3(4) of Islamic Banking Act 1983 (IBA).

2. **EFFECTIVE/ ISSUANCE DATE**

13 January 2010.

3. **LEGAL PROVISION**

This circular is issued pursuant to section 53A of the IBA.

4. **DIRECTIVE**

4.1 With effect from 9 November 2009, Islamic banks are not allowed to make specific/restricted and loss-bearing fund placement\(^1\) with the parent banking institution\(^2\). While existing placements, if any, are allowed to be continued, they shall not be rolled over upon maturity.

4.2 This policy measure is intended to promote the Islamic bank’s further expansion using its own funds and prohibits Islamic banks from funding parent banking institutions.

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\(^1\) Refers to placement of investment/deposit based on Islamic banking concept such as Specific Investment Account.

\(^2\) Notwithstanding this circular, any form of placement to conventional parent banking institutions is prohibited as these institutions do not conduct Islamic banking business.