



BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

Lending / Financing to the Priority Sectors 2015-2016

BNM/RH/GD 029-2	Financial Sector Development Department / Islamic Banking and Takaful Department	Lending / Financing to the Priority Sectors 2015-2016	Page 1/11
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PART A: OVERVIEW

1. Interpretation.....	2
2. Policy Objective	2
3. Applicability.....	2
4. Legal Provisions	2
5. Effective Date	2

PART B: POLICY REQUIREMENTS

6. Lending / financing targets by banking institutions	3
7. Report Submission	4

Appendix I – Definition and Eligibility Criteria.....	5
Appendix II – Reporting Template for Submission of Targets.....	9
Appendix III – Reporting Template for Quarterly Submission of Achievements..	10

BNM/RH/GD 029-2	Financial Sector Development Department / Islamic Banking and Takaful Department	Lending / Financing to the Priority Sectors 2015-2016	Page 2/11
-----------------	---	---	-----------

PART A: OVERVIEW

1. Interpretation

- 1.1. The terms and expressions in this policy document shall have the same meaning assigned to them in the Financial Services Act 2013 (FSA) and Islamic Financial Services Act 2013 (IFSA) unless otherwise defined in this document.
- 1.2. “Banking institutions” refer to commercial banks and Islamic banks licensed under the FSA and IFSA.

2. Policy Objective

- 2.1. This policy document aims to ensure that the identified priority sectors, particularly small and medium enterprises (SMEs), including Bumiputera SMEs as well as purchasers of affordable houses, will continue to have access to financing at reasonable cost.
- 2.2. To support the Government’s agenda in promoting new growth areas, lending / financing to the following SME sub-sectors will be monitored individually:
 - (a) Green technology;
 - (b) Biotechnology; and
 - (c) Innovative sector.
- 2.3. Banking institutions are also expected to support start-up companies and assist SMEs to enhance their capabilities by offering loans / financing to enable SMEs to modernise their operations for higher productivity.
- 2.4. The price threshold for affordable housing has been increased to RM250,000 to reflect market conditions and support the Government’s affordable housing initiatives.

3. Applicability

- 3.1. This policy document is applicable to all commercial banks and Islamic banks licensed under the FSA and IFSA.

4. Legal Provisions

- 4.1. This policy document is issued pursuant to section 266(c) of the FSA and 277(c) of the IFSA.
- 4.2. This policy document supersedes BNM/RH/CIR 007-38: Circular on Lending to the Priority Sectors 2012/2013 issued on 12 July 2012.

5. Effective Date

- 5.1. This policy document is effective from 1 January 2015 until 31 December 2016.

BNM/RH/GD 029-2	Financial Sector Development Department / Islamic Banking and Takaful Department	Lending / Financing to the Priority Sectors 2015-2016	Page 3/11
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PART B: POLICY REQUIREMENTS

6. Lending / financing targets by banking institutions

- 6.1. Banking institutions are expected to internally set and submit to Bank Negara Malaysia (the Bank) their lending / financing targets for the following identified priority sectors:
- small and medium enterprises (SMEs) with at least 50% comprising Bumiputera SMEs; and
 - affordable housing below RM250,000 for the lower to middle income group.
- 6.2. While banking institutions are expected to lend / finance new growth areas and innovative industries, including start-up companies and SMEs who wish to modernise their operations, lending / financing targets need not be submitted to the Bank for these SME sub-sectors.
- 6.3. Please refer to **Appendix I** for the definition of the priority sectors and the eligibility criteria for purchase of affordable houses.
- 6.4. Kindly submit your institution's lending / financing targets for the 2015/2016 period to the respective departments in the Bank by 30 January 2015:
- (i) Commercial banks:
- Pengarah
Jabatan Pembangunan Sektor Kewangan
Tingkat 10A, Bank Negara Malaysia
Jalan Dato' Onn
50480 Kuala Lumpur
(Fax no: 03-2691 3661)
- (ii) Islamic banks:
- Pengarah
Jabatan Perbankan Islam dan Takaful
Tingkat 6A, Bank Negara Malaysia
Jalan Dato' Onn
50480 Kuala Lumpur
(Fax no: 03-2693 3826)

Details of the targets as well as the reporting template for submission of targets are provided in **Appendix II**.

BNM/RH/GD 029-2	Financial Sector Development Department / Islamic Banking and Takaful Department	Lending / Financing to the Priority Sectors 2015-2016	Page 4/11
-----------------	---	---	-----------

7. Report Submission

- 7.1. To enable the Bank to better understand the achievements of banking institutions in fulfilling their lending / financing targets, banking institutions are required to report their lending / financing:
- (a) to SMEs;
 - (b) to the agriculture sector, new growth areas and innovative industries, including start-up companies and SMEs modernising their operations; and
 - (c) for the purchase of affordable houses.
- 7.2. Although the price threshold of affordable houses has now been raised to RM250,000, there will be continued reporting of house purchases below RM100,000 as well as between RM100,000 and RM250,000.
- 7.3. Kindly submit the information to Jabatan Perkhidmatan Statistik via the Bank's secured online website (e-Survey) at <https://esurvey.bnm.gov.my> no later than 15 days after the end of every quarter.
- 7.4. Please refer to **Appendix III** for the Reporting Template for Quarterly Submission of Achievements (BNM/PSK/M9).

Definition and Eligibility Criteria

Appendix I

A. Loans / financing to Small and Medium Enterprises (SMEs)

Definition¹

(a) SMEs

An enterprise is considered an SME in each of the respective sectors based on the Annual Sales Turnover or Number of Full Time Employees as shown in the tables below:

In terms of Annual Sales Turnover; or

Size	Manufacturing (including Agro-Based) & Manufacturing-Related Services	Services and other sectors
Micro	Less than RM300,000	Less than RM300,000
Small	Between RM300,000 and less than RM15 million	Between RM300,000 and less than RM3 million
Medium	Between RM15 million and RM50 million	Between RM3 million and RM20 million

In terms of Number of Full-Time Employees

Size	Manufacturing (including Agro-Based) & Manufacturing-Related Services	Services and other sectors
Micro	Less than 5 employees	Less than 5 employees
Small	Between 5 and 75 employees	Between 5 and 30 employees
Medium	Between 75 and 200 employees	Between 30 and 75 employees

(b) Bumiputera SMEs

- Domestic business enterprise with 35% - 50% Bumiputera shareholding may be considered as a Bumiputera corporation provided the following conditions are met:
 - Chairman, CEO, managing director and more than 50% of the BoDs consist of Bumiputera individuals; and
 - More than 50% of the corporation's administration, supervisory and professional staff consists of Bumiputera individuals.

¹ Definition of SMEs is provided by SME Corporation Malaysia (revised in January 2014). Definition of SMEs in the mining and quarrying sector and construction sector are similar to the definition of SMEs in the services sector.

BNM/RH/GD 029-2	Financial Sector Development Department / Islamic Banking and Takaful Department	Lending / Financing to the Priority Sectors 2015-2016	Page 6/11
-----------------	---	---	-----------

(c) SMEs sub-sectors

(i) New growth areas

For purposes of this policy document, lending / financing to the following categories of SMEs is deemed to be fulfilling lending / financing to new growth areas:

Sub-sectors	Condition
Green technology	SMEs that have obtained a valid “ Green Project Financing Recommendation Certificate ” from Malaysian Green Technology Corporation (MGTC).
Biotechnology	SMEs that have obtained a BioNexus status from Malaysian Biotechnology Corporation (Biotech Corp).
Innovative	<ol style="list-style-type: none"> 1) SMEs with intellectual property (IP) rights <ul style="list-style-type: none"> ➤ Companies that have protected their invention via registering their IP with Intellectual Property Corporation of Malaysia (MyIPO) 2) SMEs that have obtained the 1-InnoCERT certification from SME Corporation Malaysia (SME Corp) 3) SMEs in Information Communications & Technology (ICT) that have obtained MSC-status from Multimedia Development Corporation (MDEC).

(ii) Agriculture sub-sector

- Agriculture, Hunting and Related Services Activities:
 - Growing of crops, market gardening and horticulture (of rubber paddy, oil palm, coconut and coconut products, cocoa, sugarcane, vegetables and horticulture, growing of other crops not elsewhere classified);
 - Livestock farming (agricultural and animal husbandry service activities except veterinary activities, mixed farming i.e. growing of crops combined with farming of livestock, hunting, trapping and game propagation including related service activities);
- Forestry, Logging and Related Services Activities;
- Fishing, Operation of Fish Hatcheries, Fish Farms and Services Activities Incidental to Fishing; or
- Other agriculture.

BNM/RH/GD 029-2	Financial Sector Development Department / Islamic Banking and Takaful Department	Lending / Financing to the Priority Sectors 2015-2016	Page 7/11
-----------------	---	---	-----------

(d) Start-up companies

- SMEs that have been in operation for less than 2 years.

(e) New loans / financing for modernisation purposes

- Loans / financing to enable SMEs to improve their productivity via modernising their operations, e.g. through adoption of technology.

(f) New loans / financing approved to SMEs

- Refers to the aggregate of:
 - (i) New loans / financing approved during the month to SMEs inclusive of individual businesses for the period 1/1/2015 – 31/12/2016 as defined below:

New Loans / Financing Approved to SMEs inclusive of Individual businesses =

New Loans / Financing Amount Approved to SMEs + New Loans / Financing Amount Approved to Individuals for Purchase of Fixed Assets Other than Land & Building +

New Loans / Financing Amount Approved to Individuals for Working Capital +

[New Loans / Financing Amount Approved to Individuals for Purchase of Transport Vehicles - New Loans / Financing Approved to Individuals for Purchase of Passenger Cars]

Note: Banking institutions are not required to report the above since the data are reportable via FISS.

B. Housing loan / financing

(i) Eligibility criteria

- The purchase price of the house as stated in the Sales and Purchase Agreement or the aggregate value of the land and the construction cost of the house to be built shall be as follows:
 - (i) Peninsular Malaysia: Not more than RM250,000.
 - (ii) Sabah and Sarawak: An additional 20% on the value of houses for Peninsular Malaysia.
- The applicant is a house buyer purchasing or constructing his house and the house must be owner-occupied.
- An application for a loan / financing to purchase or construct a second house would qualify provided that the first house has been disposed of and the house would be owner-occupied.
- A married couple shall be entitled to only one housing loan / financing.

BNM/RH/GD 029-2	Financial Sector Development Department / Islamic Banking and Takaful Department	Lending / Financing to the Priority Sectors 2015-2016	Page 8/11
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(ii) Ceiling interest rate

- For commercial banks: Maximum lending rate of 2.5% above the declared base rate.
- For Islamic banks: Maximum profit rate of 9%.

Reporting Template for Submission of Lending / Financing Targets for 2015/2016		
Name of Institution: _____		
Priority Sectors*		Period : 1/1/2015 to 31/12/2016
1. Lending / financing for purchase of houses below RM250,000	Total (units)	
2. Loans / financing targets to SMEs	Total	of which Bumiputera
a) Loans / Financing to SMEs (RM'000)		
b) Percentage of loans / financing to Bumiputera SMEs over total new loan / financing amount approved to SMEs (%)		%
<p>Date: _____ Authorised Signature : _____</p> <p style="padding-left: 150px;">Name : _____</p> <p style="padding-left: 150px;">Designation : _____</p> <p style="padding-left: 150px;">Contact No : _____</p> <p style="padding-left: 150px;">Email Address : _____</p>		
<p>Note: *Please refer to eligibility criteria in Appendix I</p>		

BNM/RH/GD 029-2	Financial Sector Development Department / Islamic Banking and Takaful Department	Lending / Financing to the Priority Sectors 2015-2016	Page 10/11
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Appendix III

Reporting Template for Quarterly Submission of Achievements

[To be submitted via the Bank's secured online website (e-Survey) at
<https://esurvey.bnm.gov.my> no later than 15 days after the end of every quarter]

Name of Institution: _____	Reporting period: _____
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Loans / financing to SMEs	January 2015 – March 2015	
	Total RM'000	Bumiputera RM'000
(a) New loans / financing approved to SMEs (inclusive of individual businesses during the quarter)		
(b) Loans / financing to SMEs rejected (inclusive of individual businesses during the quarter)		

Loans / financing to SME sub-sectors	January 2015 – March 2015	
	RM'000	
(a) Agriculture sector:		
▪ New loans / financing approved		
▪ Loans / financing rejected		
(b) New growth areas:		
(i) Green technology companies		
▪ New loans / financing approved		
▪ Loans / financing rejected		
(ii) Biotechnology companies		
▪ New loans / financing approved		
▪ Loans / financing rejected		
(iii) Innovative industries:		
1) SMEs with intellectual property (IP) rights		
▪ New loans / financing approved		
▪ Loans / financing rejected		
2) SMEs with 1-InnoCERT certification		
▪ New loans / financing approved		
▪ Loans / financing rejected		
3) SMEs with MSC-status		
▪ New loans / financing approved		
▪ Loans / financing rejected		
(c) Start-up companies		
▪ New loans / financing approved		
▪ Loans / financing rejected		
(d) Lending for modernisation purposes		
▪ New loans / financing approved		
▪ Loans / financing rejected		

BNM/RH/GD 029-2	Financial Sector Development Department / Islamic Banking and Takaful Department	Lending / Financing to the Priority Sectors 2015-2016	Page 11/11
-----------------	---	---	------------

Loans / financing for purchase of Affordable Houses	January 2015 – March 2015	
	RM'000	Units
(a) New housing loans / financing approved for purchase of houses costing RM100,000 and below		
(b) New housing loans / financing approved for purchase of houses costing between RM100,000 and RM250,000		

Rejection of loans / financing for purchase of Affordable Houses	January 2015 – March 2015	
	RM'000	Units
(a) Rejection of housing loans / financing for purchase of houses costing RM100,000 and below		
(b) Rejection of housing loans / financing for purchase of houses costing between RM100,000 and RM250,000		

Particulars of Respondent:
Name :
Designation:
Telephone number:
Email address:

Note:

- Lending / financing period: 1 January 2015 until 31 December 2016.
- Position as at the end of every month to be submitted to Jabatan Perkhidmatan Statistik, Bank Negara Malaysia via online e-Survey system on a quarterly basis. Submissions should reach the Bank no later than 15 days after the end of the quarter.
- The term “new housing loan / financing approved” is defined to mean a commitment made to an individual house buyer, where the individual house buyer has accepted in writing, the reporting institutions offer of a housing loan / financing, specifying all terms and conditions of the said loan / financing.