



BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

Capital Funds for Islamic Banks

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PART A OVERVIEW

1 Introduction

Policy objective

- 1.1 Minimum capital funds requirements are introduced as an important entry and on-going requirements to ensure a banking institution maintains a minimum size of capital to operate and perform its intermediation function effectively.
- 1.2 This policy document sets out:
 - (a) the minimum capital funds that must be maintained by a banking institution; and
 - (b) components of capital funds.

2 Applicability

- 2.1 This policy document is applicable to a licensed Islamic bank pursuant to section 10 of the Islamic Financial Services Act 2013 (IFSA), except for licensed international Islamic banks^{1,2} (referred to as “Islamic bank”).

3 Legal provisions

- 3.1 The requirements in this policy document are specified pursuant to section 12 and section 57(2)(f) of the IFSA.

4 Effective date

- 4.1 This policy document comes into effect on 3 May 2017.

5 Interpretation

- 5.1 The terms and expressions used in this policy document must have the same meanings assigned to them in the IFSA, unless otherwise defined in this policy document.
- 5.2 For the purpose of this policy document—
“S” denotes a standard, obligation, requirement, specification, direction, condition and any interpretative, supplemental and transitional provisions that must be complied with. Non-compliance may result in enforcement action;

¹ Except for licensed international Islamic banks, where the requirement on minimum paid-up capital and net working funds is stipulated in paragraph 5 of Guidelines on International Islamic Bank.

² For the avoidance of doubt, this policy document is not applicable to:

- Banking institutions carrying on Islamic banking business under section 15 of the Financial Services Act 2013 in accordance with the Guidelines on Skim Perbankan Islam; and
- International Currency Business Units (ICBUs) in accordance with the Guidelines on the Establishment of International Currency Business Unit (Islamic, Commercial and Investment Banks).

“G” denotes guidance which may consist of such information, advice or recommendation intended to promote common understanding and sound industry practices which are encouraged to be adopted;

“Capital funds” shall be the sum of:

- (a) Paid-up Ordinary Shares;
- (b) Paid-up Preference Shares;
- (c) Retained Earnings; and
- (d) Other disclosed reserves.

PART B POLICY REQUIREMENTS

6 Minimum capital funds requirements

- S** 6.1 An Islamic bank is required to maintain at all times, a minimum capital funds of RM300 million as prescribed in the *Islamic Financial Services (Minimum Amount of Capital Funds or Surplus of Assets over Liabilities) (Licensed Person) Order 2013*³ pursuant to section 12(1) of the IFSA.
- S** 6.2 In addition to the minimum capital funds requirements, an Islamic bank must also comply with the minimum regulatory capital requirements as set out in the *Capital Adequacy Framework for Islamic Banks (Capital Components)* and *Capital Adequacy Framework for Islamic Banks (Risk-Weighted Assets)*.

7 Other regulatory requirements

- S** 7.1 Any change in the paid-up ordinary shares or preference shares of an Islamic bank is subject to prior written approval of the Bank.

³ P.U.(A) 209/2013