



BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

**GUIDELINES ON
THE ESTABLISHMENT OF
INTERNATIONAL CURRENCY BUSINESS UNIT
(ISLAMIC BANK)**

SEPTEMBER 2006

GUIDELINES ON THE ESTABLISHMENT OF INTERNATIONAL CURRENCY BUSINESS UNIT (ISLAMIC BANK)

1. INTRODUCTION

An International Currency Business Unit (ICBU) of an Islamic bank is allowed to conduct a wide range of Islamic banking business under the Islamic Banking Act 1983 (IBA) with non-residents in international currencies¹ other than Malaysian ringgit. The income arising from the transactions of the ICBU is eligible for full tax exemption accorded under the Income Tax Act 1967 for ten years from the year of assessment 2007. These Guidelines will be effective from 15 September 2006.

2. ELIGIBILITY

An Islamic bank which is licensed under the IBA is eligible to apply for approval to establish an ICBU.

3. SCOPE OF BUSINESS

The range of Islamic banking business in international currencies includes:

- commercial banking business;
- investment banking business; and
- other banking businesses in Malaysia, as may be specified by Bank Negara Malaysia (BNM).

The aforesaid businesses include dealing in international currencies, taking deposit, providing financing facility, providing investment banking services, investing in securities and properties.

¹ International currencies as appeared in this set of Guidelines refer to all foreign currencies excluding the currency of Israel.

Notwithstanding that, the ICBU is also allowed to carry out businesses in accordance with the BNM's foreign exchange administration policies.

4. STRUCTURE

The ICBU is required to meet the following structure framework:

- A dedicated division to carry out Islamic banking business in international currencies of the ICBU;
- The division should be headed by a senior management officer of the Islamic bank; and
- The division should maintain separate accounts from the Malaysian ringgit transactions of the entity.

5. SUBMISSION REQUIREMENTS

The applicant is required to submit an application letter to BNM together with a business plan that outlines, among others:

- Objectives and types of banking business;
- Target markets and business operations; and
- Risk management plan and the reporting control.

6. OPERATION REQUIREMENTS

Upon approval, the ICBU is required to comply with such guidelines, circulars or directives on prudential, regulatory, reporting or other requirements as issued by BNM from time to time.

7. CORRESPONDENCE

All correspondence should be addressed to:

Director
Islamic Banking and Takaful Department
Bank Negara Malaysia
Jalan Dato' Onn
50480 Kuala Lumpur

Tel : 60 3 2698 8044

Fax: 60 3 2693 3826