



**BANK NEGARA MALAYSIA**  
CENTRAL BANK OF MALAYSIA

**GUIDELINES ON  
THE ESTABLISHMENT OF  
INTERNATIONAL CURRENCY BUSINESS UNIT  
(TAKAFUL OPERATOR)**

**SEPTEMBER 2006**

# **GUIDELINES ON THE ESTABLISHMENT OF INTERNATIONAL CURRENCY BUSINESS UNIT (TAKAFUL OPERATOR)**

## **1. INTRODUCTION**

An International Currency Business Unit (ICBU) of a takaful operator is allowed to carry out non-ringgit composite (general and family) takaful business and re-takaful (Islamic reinsurance) business under the Takaful Act 1984 (TA) with non-residents in international currencies<sup>1</sup> 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**

A takaful operator which is registered under the TA is eligible to apply for approval to establish an ICBU.

## **3. SCOPE OF BUSINESS**

The non-ringgit composite (general and family) takaful and re-takaful (Islamic reinsurance) business in international currencies does not involve the following:

- Property which at the time of the making of such contract is situated in Malaysia or is in transit to or from Malaysia;
- A ship or an aircraft registered in Malaysia and all liabilities arising from the operation of such ship or aircraft;

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

- The life or any contingency related to any person who, at the time of the making of such contract, is a resident; or
- A risk of any nature in respect of any person who, at the time of the making of such contract is a resident.

While the ICBU is freely allowed to deal with non-residents, the ICBU is also allowed to carry out non-ringgit composite takaful and re-takaful business with any resident who has been permitted under the current foreign exchange administration policies to transact in such non-ringgit transactions.

#### **4. STRUCTURE**

The ICBU is required to meet the following structure framework:

- A dedicated division to carry out takaful and re-takaful businesses in international currencies of the ICBU;
- The division should be headed by a senior management officer of the takaful operator; 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 takaful 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

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