

Financial Services

New Insurance Guidelines issued by Bank Negara Malaysia (“BNM”)

On 13 February 2023, BNM issued two new policy documents relating to insurance business:

- (a) [universal life business](#) which applies to insurers licensed under the **Financial Services Act 2013** to carry on life business.

A “*universal life policy*” is a contract of insurance on human life or an annuity where the benefits are, wholly or partly, to be determined by reference to a non-unitised account, and the value of which is related to (i) the income from property of any description or (ii) the market value of such property.

The policy document sets out the regulatory requirements relating to, among others, the corporate governance in the management of such business and the disclosure requirements to promote transparency to universal life policy owners.

- (b) [investment-linked business](#) which:

(i) applies to:

- insurers licensed under the **Financial Services Act 2013** which offer, market or sell investment-linked policies; and
- takaful operators licensed under the **Islamic Financial Services Act 2013** which offer, market or sell investment-linked *takaful* certificates.

(ii) supersedes the following policies with effect from 13 February 2013:

- Investment-linked Business policy document issued on 11 January 2019; Specifications relating to Product Illustration Rate for Investment-Linked (“IL”) Insurance Policy/*Takaful* Certificate under the Policy

Legal Update

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- Document on Investment-linked Business issued on 7 October 2020; and
- Specification pursuant to Sections 47, 123 and 143 of the **Financial Services Act 2013** and Sections 57, 135 and 155 of **the Islamic Financial Services Act 2013** in respect of the Investment-linked Business Policy Document issued on 22 March 2021.

(iii) sets out, among others, the requirement to obtain approval before any entity set out in (i) above can carry out investment-linked business and the ongoing obligations which such entity must comply with.

Exposure draft on Fair Treatment of Vulnerable Consumers

An [exposure draft on Fair Treatment of Vulnerable Consumers](#) was issued by on 28 February 2023 for feedback by 14 April 2023.

Pursuant to the exposure draft, BNM:

- (a) defines “*vulnerable consumers*” as a financial consumer who has:
 - (i) the capacity to make his or her own financial decisions but may face challenges in accessing financial services or may require assistance to engage in financial services; has a low ability to withstand financial shocks;
 - (ii) is experiencing or has experienced adverse life events resulting in temporary or long-term financial hardship;
 - (iii) has an inadequate level of financial literacy or experience in using financial services or products, or poor language skills.
- (b) intends to set requirements and its expectations for the financial service providers (as defined therein) to observe, to provide the appropriate support to vulnerable consumers, consistent with fair treatment outcomes.

Exposure draft on Quality and Integrity of Currency

BNM is inviting feedback to its [exposure draft on Quality and Integrity of Currency](#) by 30 April 2023.

The exposure draft, when it comes into effect:

- (a) will apply to:
 - (i) banks licensed under the **Financial Services Act 2013**;
 - (ii) Islamic banks licensed under the **Islamic Financial Services Act 2013**;

- (iii) prescribed institutions under the **Development Financial Institutions Act 2002**;
- (iv) licensees under the **Money Services Business Act 2011**; and
- (v) currency processors registered under the **Currency Act 2022**,

collectively, the Applicable Entities.

(b) will set out:

- (i) the criteria in determining the quality of currency note and currency coin in circulation;
- (ii) the standards to be adhered by the Applicable Entities in processing currency note and currency coin, including recirculation to the public;
- (iii) the standards to be adhered by the Applicable Entities when dealing with suspected counterfeit Malaysian currencies;
- (iv) the requirements for the Applicable Entities to record, report suspected counterfeit Malaysian currencies, including the timeline pursuant to which a police report has to be made; and
- (v) the need to have competent staff to calibrate and attest the currency processing machines.

(c) supersedes:

- (i) Guidelines on Quality Standards for Malaysian Currency issued on 1 September 2006;
- (ii) Guidelines on Handling of Suspected Counterfeit Malaysian Currency Notes issued on 2 September 2014; and
- (iii) Guidelines on the Treatment of Unfit, Mutilated, Defaced and Fraudulently Tampered Genuine Banknotes by Commercial Banks issued on 15 September 2009.

Exposure draft on Electronic Know-Your-Customer (“e-KYC”)

An [exposure draft relating to e-KYC](#) was issued by BNM on 23 February 2023. The deadline to provide any feedback on the exposure draft is 2 May 2023.

In this exposure draft, BNM intends to introduce, among others:

- (a) the definitions of “*legal person*” and “*authorised person*”;
- (b) the regulatory requirements relating to identification and verification through e-KYC for legal persons;

- (c) examples of verification methods to establish business legitimacy.

When it comes into effect, this document will supersede the policy document on e-KYC policy document issued on 30 June 2020.

Frequently-Asked-Question on subsection 87(2) of **Labuan Companies Act 1990**

The Labuan Financial Services Authority has issued a [Frequently-Asked-Question on subsection 87\(2\) of the Labuan Companies Act 1990](#) on 24 February 2023 (the FAQ).

Subsection 87(2) of the **Labuan Companies Act 1990** relates to the requirement for all Labuan Companies to appoint a resident director (which may be a person of any nationality and/or residing at any place in the world).

The FAQ sets out, among others, the criteria of person that can be appointed as a resident director and the consequence for failure to comply with subsection 87(2).

The regulator has also indicated that the deadline to comply with subsection 87(2) was 9 February 2023. However, a Labuan company may apply for an extension of time by indicating the reason(s) it could not meet the deadline. It is the regulator's discretion whether to grant the extension of time.

Revised Guidelines on Sustainable and Responsible Investment Funds

The Securities Commission Malaysia has issued a revised [Guidelines on Sustainable and Responsible Investment Funds](#) which came into effect on 17 February 2023. The regulator revised the guidelines to provide a comprehensive framework on the regulatory requirements on sustainable funds.

The revisions include, without limitation:

- (a) the disclosure and reporting requirements for a fund seeking to qualify as a sustainable and responsible investment fund ("SRI Fund").
- (b) incorporation of requirements set out in the the ASEAN SRF Standards in Malaysia for an SRI Fund to qualify as ASEAN Sustainable and Responsible Fund.
- (c) the requirement for an SRI Fund to primarily invest in securities which are in accordance with its policies and strategies, with a minimum asset allocation of at least two thirds of its net asset value. There is also an obligation to disclose how the policies and strategies are being measured and monitored throughout the lifecycle of an SRI Fund, including the due diligence carried out to ensure the

underlying instrument's compliance with such policies and strategies of the SRI Fund.

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