

Financial Services

Exposure draft issued by Bank Negara Malaysia

Bank Negara Malaysia (“BNM”) had issued an exposure draft on:

- a) [Islamic Banking Window](#) (“IBW ED”) for public feedback by 31 March 2024. The IBW ED:
 - sets out BNM’s proposed enhancement to the Guidelines on Skim Perbankan Islam to reflect authorisation, prudential and operational regulatory requirements applicable to domestic and overseas Islamic Banking Window based on relevant changes in legislative and regulatory requirements.
 - when it becomes a policy, it will supersede the existing Guidelines on Skim Perbankan Islam.
 - when it becomes a policy, it will apply to (i) banks and investment banks licensed under the **Financial Services Act 2013** which are approved under section 15 thereof; and (ii) prescribed development financial institutions which are approved under paragraph 33B(1)(b) of the **Development Financial Institutions Act 2002**, to carry on Islamic Banking Window operations.
- b) [Currency Processing Business](#) for public feedback by 15 March 2024. Pursuant to the exposure draft, when it becomes a policy:
 - it specifies the regulatory requirements which must be adhered to by a registered currency processor to promote prudent practice, professionalism, integrity, accountability and transparency, as well as to recommend best practices to be followed.
 - it will apply to persons registered under subsection 26(1) of the **Currency Act 2020** to carry on currency processing business.

Legal Updates

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Shearn Delamore & Co
7th Floor

Wisma Hamzah Kwong-Hing,
No 1, Leboh Ampang
50100, Kuala Lumpur, Malaysia

T: 603 2027 2727

F: 603 2078 5625

info@shearndelamore.com

www.shearndelamore.com

[Linkedin](#)

Revised Policy Documents on AML/ CFT/ CPF and TFS

BNM issued the revised versions of the:

- [Policy Document on Anti-Money Laundering \(“AML”\), Countering Financing of Terrorism \(“CFT”\), Countering Proliferation Financing \(“CPF”\) and Targeted Financial Sanctions \(“TFS”\) for Financial Institutions](#), which came into effect on 6 February 2024.
- [Policy Document on AML, CFT, CPF and TFS for Designated Non-Financial Businesses and Professions and Non-Bank Financial Institutions](#), which came into effect on 6 February 2024 save for the provisions relating to CPF (which will be on a date specified by the competent authority).

Securities Commission Malaysia introduces the Focused Scope Assessment

On 6 February 2024, the Securities Commission Malaysia (“SC”) announced the implementation of a Focused Scope Assessment (“FSA”) for new eligible Capital Market Intermediaries (“CMIs”) and Recognised Market Operators.

Eligible CMIs include (i) persons carrying on the regulated activity of advising on corporate finance, investment advice, financial planning and fund management in relation to boutique portfolio management, respectively; (ii) digital asset custodian; and (iii) venture capital and private equity.

The FSA, which takes effect on 6 February 2024, is introduced through amendments to the Guidelines on Recognised Markets.

According to the SC, the FSA is intended to assess operational and regulatory readiness more efficiently, reducing the time to market from over six months to three months.

Guidelines on Categories of Sophisticated Investors

On 5 February 2024, Schedules 5, 6 and 7 of the **Capital Markets and Services Act 2007** (“CMSA”) were amended by the Capital Markets and Services (Amendment of Schedules 5, 6 and 7) Order 2024, as follows:

- Part I of Schedule 6 and 7 to the CMSA which previously set out the categories of sophisticated investors were removed.
- references to “*sophisticated investors*” in Schedule 5 to the CMSA was amended and replaced with the words “*as determined by the [SC] in any guidelines issued under section 377 of the [CMSA]*”.

Consequential to the amendment, the SC issued the Guidelines on Categories of Sophisticated Investors which came into effect on the same day. The categories of sophisticated investors remain substantially the same save for High-Net Worth Individuals which was expanded. The references to “*sophisticated investors*” in other guidelines issued by the SC have also been replaced accordingly.

New guidelines by Labuan Financial Services Authority

The Labuan Financial Services Authority have issued the following guidelines which will come into effect on 1 January 2025:

- a) [Guidelines on Technology and Cyber Risk Management for Labuan Banking and Insurance Business](#) which:
 - sets out the minimum prudential standards to be observed by LFIs, as specified below.
 - is applicable to LFIs which are (i) Labuan banks, investment banks, insurers and reinsurers licensed under the **Labuan Financial Services and Securities Act 2010** (“LFSSA”); (ii) Labuan Islamic bank, Islamic investment banks, takaful and *retakaful* operators licensed under the **Labuan Islamic Financial Services and Securities Act 2010** (“LIFSSA”).
- b) [Guidelines on Travel Rule for Labuan Digital Financial Services](#) which sets out the regulatory requirements in respect of digital asset transfers involving a Labuan Reporting Institution undertaking digital financial services.

A “*Labuan Reporting Institution*” for the purposes of this guideline is:

- Labuan banks, investment banks, money brokers licensed under the LFSSA.

- Labuan exchanges and payment systems established under the LFSSA.
- Labuan Islamic bank, Islamic investment banks, Islamic money brokers licensed under the LIFSSA.
- Labuan payment systems established under the LIFSSA.

Any person failing to comply with any of these Guidelines may be subject to enforcement actions by the Labuan Financial Services Authority.

CONTACT US FOR FURTHER INFORMATION REGARDING FINANCIAL SERVICES MATTERS.

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