

## Financial Services

### Licensing Framework for Digital Insurers and Takaful Operators

Bank Negara Malaysia (“BNM”) has finally issued its [policy document](#) on the licensing framework for digital insurers and takaful operators (“DITOs”) which will come into effect on 2 January 2025.

Pursuant to the policy document, DITOs need to, among others:

- develop strong value propositions to serve the unserved and underserved market, provide competitive offerings and enhance consumer experience via the adoption of advanced digital technology and innovative business models.
- develop a clear and comprehensive seven-year business plan for BNM to assess the viability of the applicant’s business strategies, its ability to deliver the intended value propositions, and determine whether the applicant has adequate financial, managerial and organisational resources in place to support its operations.
- ensure that its distribution channels are innovative to promote inclusive protection and promote operational efficiencies.

The application period will commence 2 January 2025 to 31 December 2026 and BNM has indicated that the number of licences will no longer be limited to five only.

### Guidelines on the Establishment of Labuan Islamic Digital Bank under Sandbox Regulatory Requirements

On 1 July 2024, the Labuan Financial Services Authority issued the [Guidelines on the Establishment of Labuan Islamic Digital Bank under Sandbox Regulatory Requirements](#) (“i-BOX”).

# Legal Updates

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Pursuant to the i-BOX guidelines:

- BOX is part of LFSA’s initiatives under Islamic Digital Asset Centre (“IDAC”) which was launched in 2022.
- BOX allows Labuan Islamic digital bank to operate under a sandbox environment for a period of three (3) to five (5) years with the objective to promote both financial inclusion and Islamic social finance.
- a successful applicant is accorded with certain incentives and exempted from certain requirements, such as the statutory requirement to provide a copy of audited balance sheet for each of the three financial years immediately preceding the date of licence application.
- eligibility to participate in the i-BOX should not be interpreted as authorisation for the applicant to commence operations. This stage serves as a preliminary assessment on the suitability of an applicant to participate in the i-BOX.

## Guidance for financial influencers (“Finfluencers”)

The [Guidance Note on Provision of Investment Advice](#) has been updated by the Securities Commission Malaysia (“SC”) on 18 July 2024. The new update is intended to address the growing popularity of finfluencers promoting capital market products and services on social media.

The SC has clarified that in certain circumstances, finfluencers may be conducting regulated activity which requires a licence from the SC under the **Capital Markets and Services Act 2007**. For instance, a licence is required when finfluencers expects commission or reward in exchange of provision of financial insight or recommendation which promotes capital market products and services to his followers.

Finfluencers should take note that the carrying on of an unlicensed regulated activity is an offence under the **Capital Markets and Services Act 2007**. On conviction, such person may be liable to a fine not exceeding RM10 million or imprisonment not exceeding 10 years or to both.

## Documents issued by the Labuan Financial Services Authority

The Labuan Financial Services Authority has issued the following documents recently:

- (a) [Labuan International Business and Financial Centre Sustainability Taxonomy \(“LiST”\)](#).

- LiST was developed to promote sustainable initiatives and Environmental, Social and Governance (“ESG”) related activities in the Labuan international business and financial centre.
  - to ensure close alignment to the national policy, LiST has been modelled against similar established sustainability frameworks incorporating the approaches adopted by BNM in its Climate Change and Principle-based Taxonomy as well as SC’s Principles-Based Sustainable and Responsible Investment Taxonomy for the Malaysian Capital Market
- (b) on 21 June 2024, a [Guidance Note on Red Flag Indicators for Labuan Digital Financial Services](#) which is applicable to Labuan reporting institutions undertaking digital financial services including dealing with digital assets. The foregoing mentioned Labuan reporting institutions are required to establish internal criteria based on the red flag indicators to identifying and reporting activities involving digital assets.
- (c) an [exposure draft](#) on its guidelines on credit token business including Islamic credit token business. The guidelines, when it comes into effect, will set out the regulatory requirements which must be complied by an applicant who intends to apply for a licence to conduct credit token business or Islamic credit token business.

## Ruling on Implementation of New Features of Sell and Buy Back Agreement by Shariah Advisory Council of BNM

The Shariah Advisory Council of BNM has issued a ruling on implementation of new features of Sell and Buy Back Agreements (“SBBA”) which will come into effect on 30 June 2025.

This ruling will apply to:

- banks licensed under the **Financial Services Act 2013** and approved under subsection 15(1) thereof to carry on Islamic banking business;
- Islamic banks licensed under the **Islamic Financial Services Act 2013**; and
- prescribed institutions approved under the **Development Financial Institutions Act 2002** to carry on Islamic financial business.

## Policy document on currency processing business

The [new policy document](#) on currency processing business will come into effect in two stages:

- save for Parts C and F, on 1 July 2024; and
- for Parts C and F, respectively, on 1 January 2025.

The policy document sets out the regulatory requirements which a currency processor registered under the **Currency Act 2020** must adhere to in order to promote prudent practice, professionalism, integrity, accountability and transparency.

## New policy document on claim settlement practices

BNM has issued a [new policy document](#) on claim settlement practices which sets out the minimum standards on handling and assessing general insurance and general takaful claims which must be met by licensed insurers carrying on general business and licensed takaful operators carrying on general takaful business as well as registered adjusters.

The policy document will come into effect on 2 January 2025 save for paragraphs:

- 10.26 to 10.28;
- 11.16 to 11.18;
- 12.1 to 12.13;
- 14.1 to 14.5;
- 14.11 to 14.26;
- 15.1 to 15.27; and
- 16.1 to 16.6,

which will come into effect on 1 January 2024.

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