



BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

**GUIDELINES ON
THE ESTABLISHMENT OF
INTERNATIONAL TAKAFUL OPERATOR**

SEPTEMBER 2006

GUIDELINES ON THE ESTABLISHMENT OF INTERNATIONAL TAKAFUL OPERATOR (ITO)

1. INTRODUCTION

An International Takaful Operator (ITO) is allowed to carry out non-ringgit composite (general and family) takaful business and re-takaful (Islamic reinsurance) business in Malaysia under the Takaful Act 1984 (TA) with non-residents in international currencies¹ other than Malaysian ringgit. The ITO is a resident for the purpose of foreign exchange administration policies. The ITO 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 applicant is required to meet the following eligibility criteria:

- It is a well established and reputable licensed financial institution;
- Adopts the international insurance practices set by the International Association of Insurance Supervisors or any other international standard-setting body, or adopts any other international best practices in the financial services related industry;
- Regulated and supervised by a competent home regulatory authority;
and
- Possesses a sound track record.

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

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;
- 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 ITO is freely allowed to deal with non-residents, the ITO 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. GOVERNING LEGISLATION, CAPITAL REQUIREMENT & REGISTRATION FEES

For the purpose of conducting the takaful and re-takaful business in international currencies, the ITO is required to be registered under the TA either as an incorporated entity or as a branch.

Incorporated entity:

- meet the minimum paid-up capital of RM10 million; and
- pay an annual registration fee of RM5,000.

Branch:

- meet the minimum net working fund of RM10 million; and
- pay an annual registration fee of RM5,000.

5. SUBMISSION REQUIREMENTS

The applicant is required to submit an application to BNM in the prescribed Form ITO. The submission should include the following:

- Audited financial statements for the last two years;
- 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;
- A memorandum of association and articles of association or other instrument under which the applicant is incorporated, duly certified by a statutory declaration by a director of the applicant;
- Letter of awareness from the home regulatory authority which supervises the applicant;
- Letter of undertaking from the parent company to be furnished to BNM; and
- Any other information which is required by BNM.

6. OPERATION REQUIREMENTS

Upon issuance of the registration, the ITO 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
MALAYSIA

Tel : 60 3 2698 8044

Fax: 60 3 2693 3826