



CONFIDENTIAL

Our Reference: JKAP7500/POL/5/3
28 December 2023

Chief Executive Officer
All approved insurance brokers
All approved takaful brokers
All approved insurance and takaful brokers

Y.Bhg. Dato'/Datuk/Tuan/Puan,

**Specification on Handling of Clients' Money and
Compliance with Bank Negara Malaysia's Requirements**

Based on the on-site examination conducted by Bank Negara Malaysia (BNM) on selected insurance and takaful brokers (ITBs) from 20th to 27th February 2023, it was observed that some ITBs have failed to ensure proper operationalisation of the requirements prescribed under section 137 of the Islamic Financial Services Act 2013 (IFSA) to maintain one or more accounts for their clients in a licensed Islamic bank separate from its own account. In particular, the ITBs did not ensure that takaful contributions paid by their clients were properly maintained in the ITBs' Islamic bank client account(s).

2. In view of the above and pursuant to section 123(1) of the Financial Services Act 2013 (FSA) and section 135(1) of the IFSA, BNM hereby specifies the following:

- i. ITBs shall ensure payments of takaful contributions by clients are made into the ITBs' Islamic bank client account(s) and proper measures are put in place to inform the clients to remit takaful contributions into the specified Islamic bank client account(s); and
- ii. If clients mistakenly pay their takaful contributions into the ITBs' conventional bank client account(s), ITBs shall, within three working days from the date of payment, remit the takaful contributions received back into the ITBs' Islamic bank client account(s). Consequently, the takaful contributions shall be remitted to takaful operators from the ITBs' Islamic bank client account(s).

Please note that the above specifications shall come into force on the date of this letter and shall be read together with sections 125 of the FSA and 137 of the IFSA.

3. Apart from the above, BNM also continues to observe failures by ITBs to fully comply with BNM's Guidelines - JPI:18/1997 on Insurance Brokers' Brokerage/Fee Sharing (the Guidelines) despite BNM's reminder letter to ITBs dated 15 July 2020, which highlights that the requirements in the Guidelines are still in-force.

4. Therefore, ITBs are **reminded** to ensure compliance with the Guidelines and the requirements specified in this letter, as well as all prevailing regulatory requirements including the Malaysian Insurance and Takaful Brokers Association (MITBA)'s Code of Ethics and Conduct as well as other rules issued by MITBA. In this regard, ITBs are required to submit a report to BNM within **two months** from the date of this letter on the actions taken to comply with paragraph two above along with a copy of relevant supporting documents.

5. Please note that BNM reserves the right to take the appropriate supervisory and enforcement actions against the ITBs for any serious or recurring non-compliances with BNM's requirements.

Please be informed of the above.

Yours sincerely,



(Mohd Nadzri Sulaiman)
for Director

Consumer and Market Conduct Department

80/92/0 MNS/AD

c.c. Director, Insurance and Takaful Supervision Department
Director, Financial Development and Innovation Department
Director, Islamic Finance Department