



GUIDELINES ON STANDING FACILITIES

**BANK NEGARA MALAYSIA
KUALA LUMPUR**

**APRIL 2004
(REVISED MAY 2012)**

FOREWORD

Bank Negara Malaysia (BNM), through the Monetary Policy Committee, announces its monetary policy stance through the level and changes in the overnight policy rate (OPR). In this regard, the implementation of monetary policy targets the overnight interbank rate to fluctuate within a corridor around the OPR. Interbank Institutions would transact among themselves at rates within this corridor to meet their overnight liquidity needs before utilising BNM's standing facilities. The corridor is transparent to the Interbank Institutions and revised in line with any changes in the OPR.

2. BNM's standing facilities are introduced to ensure that overnight interbank rates trade within this corridor by providing a lending / funding facility and a deposit / acceptance facility at the upper (ceiling rate) and lower limit (floor rate) of the corridor respectively.

3. The revised version (May 2012) expands the list of eligible collateral, and sets out the operational procedures relevant to these eligible collateral to ensure the efficiency of the standing facilities operations.

4. The usage of BNM Standing Facilities confirms that the user has read, understood and agreed to the terms and conditions set out herein.

For any clarification on the Guidelines, enquiries can be directed to:-

Pengarah
Jabatan Operasi Pelaburan dan Pasaran Kewangan
Bank Negara Malaysia
Jalan Dato' Onn
50480 Kuala Lumpur
(u.p. Seksyen Perlaksanaan Dasar Monetari)

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PART I

GENERAL

1.0 Introduction

- 1.1 The Guidelines on Standing Facilities (Guidelines) is issued pursuant to
- (a) section 126 of the Banking and Financial Institutions Act 1989 (BAFIA);
 - (b) section 53A of the Islamic Banking Act 1983 (IBA); and
 - (c) section 95 of the Central Bank of Malaysia Act 2009
- as updated, revised, replaced from time to time, and aims to provide a uniform set of rules to Interbank Institutions in using the Standing Facilities.
- 1.2 The Guidelines shall be effective from 11 May 2012.
- 1.3 Any part of these Guidelines and Appendices may, from time to time, be varied, added or revoked at the absolute discretion of BNM.

2.0 Coverage

- 2.1 This Guidelines is applicable to all Interbank institutions and should be read in conjunction with:-
- (a) Participation and Operation Rules for Payments and Securities Services
 - (b) Operational Procedures for Real Time Electronic Transfer of Funds and Securities (RENTAS)
 - (c) Operational Procedures for Securities Services
 - (d) ACI Model Code with Malaysia's local addendum; and
 - (e) Any other rules, guidelines, codes and directives issued by BNM and/or MyClear from time to time.

3.0 Interpretations

Unless the context otherwise requires, the following expressions shall bear the following meanings hereby respectively assigned to them, namely:-

“**BNM**” means Bank Negara Malaysia, a body corporate which continues to exist under the Central Bank of Malaysia Act 2009;

“**Business Day**” means any calendar day from Monday to Friday except a public and bank holiday in all places relevant for the settlement and clearing of the applicable Eligible Securities and Eligible Currencies under these Guidelines;

“**CBCA**” shall have the meaning assigned to it in Appendix IV;

“**Ceiling Rate**” refers to the upper limit of the Corridor at which BNM will lend to Interbank institutions under the Lending / Funding Facility;

“**Corridor**” refers to the operating band around the OPR in which the overnight interbank rate is allowed to fluctuate;

“**Deposit / Acceptance Facility**” means the placement of Ringgit Malaysia by the Interbank Institution as set out in Part III on an overnight basis with BNM subject to the terms and conditions set out in these Guidelines;

“**Eligible Currencies**” means the currencies listed in Appendix I, paragraph 3;

“**Eligible Securities**” means the securities listed in Appendix I, paragraphs 1 and 2;

“**EMEAP**” means the Executives’ Meeting of East Asia-Pacific Central Banks;

“EMEAP Members” means the central banks and monetary authorities who are members of EMEAP which include Australia, China, Hong Kong, Indonesia, Japan, Malaysia, New Zealand, Philippines, Singapore, South Korea, and Thailand;

“Fitch” means Fitch Ratings;

“Floor Rate” refers to the lower limit of the Corridor which is the rate at which excess funds are placed by the Interbank Institutions with BNM under the Overnight Deposit Facility;

“GMRA Agreement” refers to the Global Master Repurchase Agreement, an international standard repurchase agreement prepared by The Securities Industry and Financial Markets Association (SIFMA) as entered into between BNM and an Interbank Institution. In case of conflict between the GMRA Agreement and the Guidelines, the Guidelines shall prevail;

“Guidelines” means these Guidelines on Standing Facilities;

“Interbank Institutions” means interbank institutions which are approved participants of the wholesale interbank market;

“International Rating Agencies” means for purposes of these Guidelines, Fitch, Moody’s and S&P;

“ISDA Agreement” refers to a master agreement governing over-the-counter derivatives transactions prepared by the International Swaps and Derivatives Association as entered into between BNM and an Interbank Institution. In case of conflict between the ISDA Agreement and the Guidelines, the Guidelines shall prevail;

“Lending / Funding Facility” means the lending / funding facility as set out in Part II provided by BNM to meet temporary liquidity needs of Interbank Institutions subject to the terms and conditions set out in these Guidelines;

“Margin” means the initial margin imposed by BNM to Interbank Institutions on the Eligible Securities for the Lending / Funding Facility;

“Moody’s” means Moody’s Investor Services, Inc;

“MyClear” means Malaysian Electronic Clearing Corporation Sdn Bhd, a wholly owned subsidiary of BNM incorporated in Malaysia under the Companies Act 1965;

“Overnight Collateralised Murabahah Arrangement” means the sale and purchase of commodity on a deferred payment basis pursuant to a collateralised murabahah arrangement entered into between BNM and an Interbank Institution, subject to these Guidelines, where applicable;

“Overnight Currency Swap Arrangement” means the purchase by an Interbank Institution on an overnight basis of an agreed amount of Ringgit Malaysia from BNM against the sale of an agreed amount of Eligible Currencies by an Interbank Institution to BNM with an agreement to reverse the transaction on the next Business Day, as governed by the ISDA Agreement if applicable, subject to other terms and conditions set out in these Guidelines;

“Overnight Repurchase Agreement” means the outright sale of Eligible Securities to BNM by the Interbank Institution on an overnight basis with the agreement to buy back the Eligible Securities on the next Business Day, as governed by the GMRA / SBBA Agreement as the case may be and subject to terms and conditions set out in these Guidelines;

“**RENTAS**” refers to the Real Time Electronic Transfer of Funds and Securities operated by MyClear on behalf of BNM.

“**S&P**” means Standard & Poor’s Rating Service, Inc;

“**SBBA Agreement**” means the Sale and Buy Back Agreement as entered into between BNM and an Interbank Institution. In case of conflict between the SBBA Agreement and these Guidelines, these Guidelines shall prevail;

“**SSDS**” in relation to RENTAS means Scripless Securities Depository System. The SSDS effects and records the transmission of scripless securities between RENTAS members; and

“**Standing Facilities**” means both the Lending / Funding Facility and Deposit / Acceptance Facility offered by BNM under these Guidelines;

PART II

LENDING / FUNDING FACILITY

4.0 Lending / Funding Facility

4.1 The Lending / Funding Facility may be provided by BNM to Interbank Institutions through the following:-

- (a) Overnight Repurchase Agreement;
- (b) Overnight Collateralised Murabahah Arrangement;
- (c) Overnight Currency Swap Arrangement; or
- (d) Any such arrangement that BNM may agree to from time to time.

4.2 Securities that qualify for the Overnight Repurchase Agreement and Overnight Collateralised Murabahah Arrangement are:

- a. Ringgit denominated Eligible Securities as listed in Paragraph 1, Appendix I; and

- b. Non-Ringgit denominated Eligible Securities as listed in Paragraph 2, Appendix I.

The operational procedures relevant to all Overnight Repurchase Agreements and Overnight Collateralised Murabahah Arrangement are as set out in Appendix III.

- 4.3 Currencies that qualify for the Overnight Currency Swap Arrangement are as listed in Paragraph 3, Appendix I. The operational procedures relevant to all Overnight Currency Swap Arrangements are as set out in Appendix III.
- 4.4 Provided however, if an Interbank Institution enters into an Overnight Repurchase Agreement, Overnight Collateralised Murabahah Arrangement or an Overnight Currency Swap Arrangement pursuant to a CBCA, Appendix IV shall apply.

5.0 Margin Requirements

- 5.1 An appropriate margin will be imposed on Eligible Securities in calculating the net price as follows:-

$$\text{Net price} = \left\{ \frac{100 - \text{Margin}}{100} \right\} \times \text{Market price (clean price)}$$

The applicable margin can be varied or changed at the absolute discretion of BNM.

- 5.2 The margin requirements for Eligible Securities are set out in Appendix II.

6.0 Penalty

- 6.1 Notwithstanding anything in these Guidelines, GMRA / SBBA Agreement, ISDA Agreement, Overnight Collateralised Murabahah Arrangement or any other agreement or arrangement between BNM and an Interbank Institution, if such Interbank Institution fails to perform its obligations under these Guidelines or fails to comply with any part of these Guidelines in any way

whatsoever, BNM retains the absolute right and discretion to impose any or all penalties listed in Appendix V.

7.0 Interest /Profit Terms

- 7.1 The interest / profit rate on the Lending / Funding Facility will be fixed at the Ceiling Rate. Upon announcement of a change in the OPR, the new ceiling rate will be effective accordingly.
- 7.2 The interest / profit rate is calculated as a simple interest / profit rate with day-count convention of “actual/365”.

PART III

DEPOSIT / ACCEPTANCE FACILITY

8.0 Deposit / Acceptance Facility

- 8.1 Interbank Institutions can use the Deposit /Acceptance Facility to place overnight Ringgit excess funds with a minimum amount of RM 5 million with BNM.
- 8.2 The operational procedures relevant to Deposit / Acceptance Facility are as set out in Appendix III.

9.0 Interest / Hibah Terms

- 9.1 The interest rate on the deposit facility will be fixed at the Floor Rate. The interest is payable upon maturity of the deposit and is calculated as a simple interest rate with day-count convention of “actual/365”. Upon announcement of a change in the OPR, the new Floor Rate will be effective accordingly.
- 9.2 Where the Acceptance Facility is placed under an Islamic arrangement, any hibah paid will be at the absolute discretion of BNM.

No collateral will be given by BNM to the Interbank Institutions under the Deposit / Acceptance Facility.

PART IV

ACCESS TO STANDING FACILITIES

10.0 Access Conditions

- 10.1 The Standing Facilities are available to all Interbank Institutions on a daily basis.
- 10.2 However, in order for BNM to process the request for the Standing Facilities, Interbank Institutions must submit their request to BNM by contacting BNM dealers at Seksyen Perlaksanaan Dasar Monetari, Jabatan Operasi Pelaburan dan Pasaran Kewangan within the time stipulated in Appendix III and Appendix IV accordingly.
- 10.3 The Interbank Institution requesting for the Standing Facilities will bear any cost incurred for extension of RENTAS closing time.
- 10.4 Subject to the terms and conditions in these Guidelines, there is no limit to the amount an Interbank Institution may deposit / place under the Overnight Deposit / Acceptance Facility. However, under the Lending / Funding Facility, the amount borrowed is subject to sufficient underlying Eligible Securities.
- 10.5 BNM may revise the terms and conditions in these Guidelines to meet the overall objective of BNM's monetary policy stance.

Eligible Securities

1. Ringgit denominated Eligible Securities that qualify for the Lending / Funding Facility are:-

- (a) Securities issued by Government of Malaysia;
- (b) Securities issued by Bank Negara Malaysia;
- (c) Securities issued by EMEAP-member governments;
- (d) Securities issued by non-EMEAP member governments with minimum investment grade international ratings of Baa3, BBB- , whichever lower, as defined by Fitch, S&P and/or Moody's;
- (e) Securities with explicit guarantee by the Malaysian Government or EMEAP-member governments or non EMEAP-member governments with minimum investment grade international ratings of Baa3, BBB- , whichever lower, as defined by Fitch, S&P and/or Moody's;
- (f) Securities issued by multilateral development banks or multilateral financial institutions with AAA international rating, as defined by Fitch, S&P and Moody's;
- (g) Securities issued by non-resident with AAA domestic ratings and minimum investment grade international ratings of Baa3, BBB- , whichever lower, as defined by Fitch, S&P and/or Moody's;
- (h) Private Debt Securities with AAA domestic ratings as defined by RAM and MARC; and
- (i) Other securities that may be specified by BNM from time to time.

2. Non-ringgit denominated Eligible Securities that qualify for the Lending / Funding Facility are:

- (a) Securities issued by Government of Malaysia ;
- (b) Securities issued by EMEAP-member governments in, USD, GBP, EUR, JPY and the respective home currencies;
- (c) US Treasury Securities and UK Gilts;

- (d) Securities issued by multilateral development banks or multilateral financial institutions with AAA international rating as defined by Fitch, S&P and Moody's, and securities issued by International Islamic Liquidity Management Corporation (IILM);
provided that the securities above are issued in USD, GBP, EUR or JPY;
- (e) Home currency sovereigns issues of countries which BNM has signed CBCA; and
- (f) Other securities that may be specified by BNM from time to time.

Provided that subject to paragraph 1 and 2 above, such "securities" shall mean scripless securities, straight bonds, zero coupon bonds, floating rate bonds and discount papers unless otherwise specified by BNM.

Eligible Currencies

3. The Eligible Currencies that qualify for the Overnight Currency Swap Arrangement are:
- (a) Home currencies of countries BNM has signed the CBCA with, such as the Singapore dollar and the Thai baht; and
 - (b) such other currencies that may be specified by BNM from time to time.

Provided that the swap rate to be applied to the Overnight Currency Swap Arrangement will be based on:

- i. the ringgit Ceiling Rate;
- ii. zero funding cost of the foreign currency; and
- iii. the prevailing spot foreign currency exchange rate as determined by BNM.

Margin Requirements

For **ringgit** denominated Eligible Securities, the following margins will apply:

Issuer / Securities	Margin (%)				
	0 - 1 yr	1 - 3 yr	3 -5 yr	5 - 10 yr	>10yr
Government of Malaysia Bank Negara Malaysia	0.50	1.00	2.00	3.00	5.00
Other Governments					
• AAA, AA, A	0.50	1.00	2.00	3.00	5.00
• BBB+, BBB, BBB-	5.50	6.00	7.00	8.00	9.00
Issuer with explicit guarantee from Government of Malaysia, EMEAP countries and countries with minimum investment grade international ratings with both AAA domestic ratings and minimum investment grade international ratings	2.50	3.00	4.00	5.00	6.00
Multilateral Development Bank (MDB) Multilateral Financial Institutions (MFI)	2.50	3.00	4.00	5.00	6.00
Private Debt Securities (only AAA domestic ratings)	6.00	7.00	8.00	9.00	10.00

For **non-ringgit** denominated Eligible Securities, a 2% additional margin will be imposed over and above the margins listed in the table above.

For any Eligible Securities not listed above, the margins will be as determined by BNM.

Operational Procedures for Standing Facilities

A. Operating Hours for Standing Facilities

1. Deposit / Acceptance Facility

1.1 For **Deposit / Acceptance facility**, the following timeline must be adhered to:

Utilisation of Deposit / Acceptance Facility	Cut-off Time
Request to BNM to use Standing Facility	5:30 pm
Transfer of cash to BNM	6:00 pm

2. Lending / Funding Facility

2.1 For **ringgit** denominated Eligible Securities the following timeline must be adhered to:

Utilisation of ringgit securities	Cut-off Time
Request to BNM to use Standing Facility	5:30 pm
Transfer of securities to BNM	6:00 pm
BNM lends to Interbank Institution upon receipt of securities (DvP)	6:00 pm

2.2 For **non-ringgit** denominated Eligible Securities and Eligible Currencies held by the Interbank Institution, the following timeline must be adhered to:

Utilisation of non-ringgit securities / currencies	Cut-off Time
Request to BNM to use Standing Facility	2:00 pm
Transfer free of payment (FoP) of securities/currencies to BNM	3:30 pm
BNM lends to institution upon receipt of securities /currencies	5:00 pm

B. Request for Standing Facilities

1. Interbank Institutions may use Form 1 to submit standing facilities requests.

Introduction

- 1.0 The purpose of cross border collateral arrangements (CBCA) is to set out the framework agreed to between BNM and other foreign monetary authorities or central banks which are aimed at enhancing liquidity facilities to local financial institutions in the respective countries.

- 2.0 Appendix III shall be applicable to an Interbank Institution:
 - 2.1 which utilises BNM's Lending / Funding Facility under the Guidelines; and
 - 2.2 the collateral, in the form of security or cash, is provided by a third party interbank institution in a foreign jurisdiction where BNM has entered into a bilateral CBCA Agreement with.

- 3.0 This Appendix forms an integral part of the Guidelines and must be complied with by Interbank Institutions. Usage of Lending / Funding Facilities pursuant to a CBCA confirms that the Interbank Institution has read, understood and complied with all the provisions set out below.

Definition and Interpretation

- 4.0 For purposes of this Appendix, the following expressions shall bear the following meanings:-
 - 4.1 **“Approved Foreign Jurisdiction”** means the jurisdiction of the Approved Monetary Authority or Central Bank;

 - 4.2 **“Approved Monetary Authority or Central Bank”** means the foreign monetary authority or central bank which has entered into a CBCA with BNM;

- 4.3 **“CBCA”** refers to cross border collateral arrangements, between BNM and an Approved Monetary Authority or Central Bank which are aimed at enhancing liquidity facilities for Interbank Institutions and the local Interbank Institutions in the Approved Foreign Jurisdiction;
- 4.4 **“CBCA Eligible Currency”** means only the lawful currency of the Approved Foreign Jurisdiction;
- 4.5 **“CBCA Eligible Securities”** mean securities issued both by the government of and the Approved Monetary Authority or Central Bank in the Approved Foreign Jurisdiction and denominated in the lawful currency of the Approved Foreign Jurisdiction. The CBCA Eligible Securities shall be as listed in the bilateral CBCA Agreement between BNM and the Approved Monetary Authority or Central Bank and in the event of inconsistencies, the listed securities in the bilateral CBCA Agreement shall prevail;
- 4.6 **“Provider”** shall mean the third party interbank institution in an Approved Foreign Jurisdiction which is regulated and holds a cash and securities account with the Approved Monetary Authority or Central Bank in that Approved Foreign Jurisdiction;

Terms and Conditions

- 5.0 Appendix III shall be applicable to an Interbank Institution which intends to utilise the CBCA to obtain liquidity from BNM as an extension of Lending / Funding Facilities under the Guidelines.
- 6.0 The Interbank Institution shall enter into with BNM:
- 6.1 Overnight Repurchase Arrangements;

- 6.2 Overnight Collateralised Murabahah Arrangement;
- 6.3 Overnight Currency Swap Arrangements;or
- 6.4 Any such arrangement that BNM may agree to from time to time

Provided that “Eligible Securities” and “Eligible Currency” shall be replaced with “CBCA Eligible Securities” and “CBCA Eligible Currency” respectively.

- 7.0 The Interbank Institution shall make and enter into all the necessary arrangements with a Provider to source and obtain CBCA Eligible Securities or CBCA Eligible Currency as the case may be.
- 8.0 The Interbank Institution shall ensure that the Provider transfers the CBCA Eligible Securities or CBCA Eligible Currency into BNM’s securities or cash account, as the case may be, held with the Approved Monetary Authority or Central Bank in the Approved Foreign Jurisdiction where the Provider is incorporated, formed or established or has business operations.
- 9.0 The Interbank Institution shall obtain written confirmation from the Provider that there shall be no claim whatsoever, direct or indirect, pertaining to transactions under the CBCA between BNM and the Provider and that nothing in this Guidelines intend to confer any rights whatsoever to the Provider.
- 10.0 The Interbank Institution shall indemnify BNM in any event of a claim or action threatened or brought against BNM by the Provider pursuant to these Guidelines.

Operating Hours for Lending Facilities under the CBCA

11.0 For **non-ringgit** denominated Eligible Securities and Eligible Currencies under the CBCA, the following timeline must be adhered by the Interbank institution:

(i) CBCA with Singapore

Utilisation of CBCA	Cut-off time
Interbank Institution (MY) requests to BNM to use Standing Facility	4:00pm
Provider (SG) to transfer securities/SGD to BNM's account with MAS free of payment.	5:00 pm
Upon confirmation from MAS, BNM to disburse ringgit to Interbank Institution (MY)	6:00 pm
<i>Overnight</i>	
Interbank Institution (MY) to pay second leg proceed to BNM	10:00am
Upon confirmation from BNM, MAS will return securities/SGD to Provider (SG)	11:00 am

Settlement Failure Penalty

1. Failure by an Interbank institution to place deposits / acceptance with BNM under the Standing Facilities, BNM may impose a penalty calculated as follows:

$$\mathbf{0.50\% \times MYR \text{ Deposit amount} \times (\text{No of days} / 365 \text{ days})}$$

2. Failure to deliver, sell, buy or transfer the Eligible Securities as required under the Standing Facilities, BNM may impose a penalty calculated as follows:

$$\mathbf{0.50\% \times MYR \text{ Funding amount} \times (\text{No of days} / 365 \text{ days})}$$

3. Failure to deliver, sell, buy or transfer Eligible Currencies as required under the Standing Facilities, BNM may impose a penalty calculated as follows:

$$\mathbf{0.50\% \times MYR \text{ Funding amount} \times (\text{No of days} / 365 \text{ days})}$$

(Please use institution's letter head)

Standing Facility Form

To: _____ Date: _____

1. Transaction details

Type of Transaction Direct Borrowing Lending Acceptance Funding

Organisation ID _____ Tenure _____

Value Date _____ Maturity Date _____

Total Nominal Amount _____ Rate (%) _____

2. Only applicable for Lending and Funding Standing Facility:

Stock Code	Clean Price	1st Leg Proceeds	2nd Leg Proceeds
TOTAL			

3. Only applicable for foreign currency collateral:

Fx conversion rate : _____

Settlement : RENTAS EUROCLEAR CLEARSTREAM OTHERS
Please specify: _____

 (_____)
 (Authorised Dealer)

 (_____)
 (Authorised Signatories)
 (Affix Company Seal or Stamp)