



**TAKAFULmalaysia**

**SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD  
[198401019089 (131646-K)]**

**AND**

**SYARIKAT TAKAFUL MALAYSIA AM BERHAD  
[201701032316 (1246486-D)]**

**(Collectively referred to as “STMKB GROUP”)**

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**FIT AND PROPER  
POLICIES AND PROCEDURES  
FOR DIRECTORS  
OF  
STMKB GROUP**

## Version Control

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The table below shows version control for this document.

No	Date	Description	Current Version
1.	11 May 2022	Fit and Proper Policy for Directors following separation of policies between employees, Directors and Shariah Advisory Body pursuant to Bursa's new requirements via Enhanced Directors Amendments issued by Bursa Malaysia on 19 January 2022	1.0

**SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD GROUP**  
**Fit and Proper Policy and Procedures for Directors**

**INTERPRETATION**

BNM	:	Bank Negara Malaysia
Board	:	Board of Directors
NRC	:	Nomination and Remuneration Committee
STMAB	:	Syarikat Takaful Malaysia Am Berhad
STMKB	:	Syarikat Takaful Malaysia Keluarga Berhad
STMKB GROUP	:	STMKB, STMAB and any of its subsidiary companies

**TRACKING OF REVIEW THE POLICY**

<b>NO</b>	<b>PREPARE/REVIEW BY</b>	<b>APPROVED DATE</b>
1	Corporate Affairs	5/2022 Board meeting held on 11 May 2022

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## **1. Purpose**

The primary objective of this Policy is to ensure that Directors in Syarikat Takaful Malaysia Keluarga Berhad (“STMKB”) and its subsidiary, Syarikat Takaful Malaysia Am Berhad (“STMAB”) (hereinafter collectively referred to as the “STMKB Group”) including all other subsidiaries (if any), have the appropriate qualities, competencies and experience that will allow them to carry out their roles and act with integrity, credibility and competency.

## **2. Scope**

2.1 This Policy specifies:-

- i. Roles and Responsibility of the Board and NRC of both STMKB and STMAB.
- ii. The minimum factors that required to be considered in assessing whether or not fit and proper criteria for Directors have been met.

2.2 This Policy is owned by Corporate Affairs.

## **3. Guidelines, Policies and Acts related to this Policy**

- i. Companies Act 2016
- ii. Islamic Financial Services Act (IFSA) 2013
- iii. Main Market Listing Requirements of Bursa Malaysia Securities Berhad
- iv. Malaysia Code on Corporate Governance 2021 (MCCG 2021)
- v. BNM/RH/PD 028-76 – Online Submission of Applications and Notifications (eAPPS) to Bank Negara Malaysia via FI@Kijangnet
- vi. BNM/RH/PD 030-3 - Anti-Money Laundering, Countering Financing of Terrorism and Targeted Financial Sanctions for Financial Institutions (AML/CFT and TFS for FIs)
- vii. BNM/RH/PD 029-9 Corporate Governance
- viii. BNM/ RH/GL 018-05 Guidelines on Fit and Proper Criteria
- ix. Term of Reference of NRC of both STMKB and STMAB
- x. Board Charter of STMKB and STMAB
- xi. BNM/RH/CIR 010-3 Revised BNM/APP and BNM/DIR Application Forms and Statutory Declaration Form

## **4. Directors of STMKB Group**

4.1 Directors of the STMKB Group is defined as members of the Board of STMKB, STMAB and any of its subsidiary companies

## **5. Roles and Responsibilities**

5.1 Board and NRC

The Board and NRC are directly responsible for conducting assessments and making decisions on appointment of Directors. NRC is chaired by an Independent Director.

5.2 Corporate Affairs shall facilitate all necessary acts to meet such requirements regarding all Directors.

## **6. Policies and Procedures Guiding Principles**

6.1 This Policy shall be assessed and approved by the Board of STMKB.

6.2 This Policy is applicable across the board of STMKB Group.

6.3 This Policy shall be periodically reviewed by Corporate Affairs and be tabled to the Board of STMKB for any change to ensure their relevance and alignment with the STMKB Group's needs and structure as well as material changes in the business and risk profile and strategies.

## 7. Assessment, Monitoring and Reporting Requirements

### 7.1 Overview of Procedures

#### 7.1.1 Appointment of Directors

The Board and NRC must assess each person who is nominated as a candidate for Director and determine whether they are satisfied that the person is fit and proper to be and act as Directors, or such other positions as may be defined by BNM from time to time.

Appointment of a candidate as Director is subject to prior approval of BNM.

Processes involved:

- i. Potential Director shall complete BNM Application Form, Statutory Declaration ("SD") and Declaration Form for Key Responsible Person and return duly completed forms together with copy of Identity Card to Corporate Affairs;
- ii. Attestation of SD by Commissioner of Oaths and Conducting of Bankruptcy Search;
- iii. Corporate Affairs will key in all requisite information based on BNM Application Form via KijangNet; and
- iv. Submission by Corporate Affairs of original documents in hardcopy to BNM as well as online submission via KijangNet.

The effective date of appointment as Director would be decided by the Board upon receipt of approval from BNM.

Fitness and propriety of the Director must be:-

- i. Based on objective criteria, merit and with due regard for diversity in skills, experience, age, culture background and gender;
- ii. Assessed by the Board and NRC prior to their initial appointment/reappointment;
- iii. Conducted at least annually or whenever NRC and/or the Board become aware of information that may materially compromise Director's fitness and propriety.

### 7.2 Assessment of Fitness and Proprietary

#### 7.2.1 For a Director to be regarded as Fit and Proper:-

The Board and NRC must be satisfied that the person:-

1. Has satisfied all the requirements of the fit and proper criteria and minimum assessment factors as outlined in **Appendix 2**.
2. Has satisfied all the fit and proper checks outlined in item 7.2.3 below.
3. Is competent to perform the duties of the Director position as guided by STMKB and STMAB's Board Charter, Term of Reference ("TOR") of NRC as well as duties under Sections 65, 66 and 67 of the IFSA 2013. (Please refer to Appendix 3.)

4. Compliance with provisions under BNM's Policy Document on:-
  - I. Corporate Governance (BNM/RH/PD 029-9) as per Appendix 3; and
  - II. Fit and Proper Criteria (BNM/RH/GL 018-5).
5. Name Screening against Dow Jones Database to implement extra care in respect of business relationships and transactions with persons (including legal person) who may pose higher money laundering or terrorism financing activities (ML/TF) to STMKB and STMAB (Based on Anti-Money Laundering & Counter Financing of Terrorism (AML/CFT) Policy).
6. Achieved better credit health through CTOS checking to maintain a record of historical information about Director's credit experience to assess the creditworthiness and repayment capabilities of individuals or business companies.
7. The competency assessment may include: Directors' Performance Evaluation which assess board structure, operation, roles and responsibilities and self/peer assessment.
8. An interview session with NRC, and thereafter with the Board (if deemed necessary)
9. Signing of Declaration Form for Key Responsible Person as per **Appendix 1**.

7.2.2

All Directors, prior to or on appointment and then annually or whenever the STMKB Group becomes aware of information that may materially compromise a person's fitness and propriety, must complete and sign a declaration as per **Appendix 1** to the effect that they remain Fit and Proper person as defined in the regulations and this Policy.

7.2.3 Fit and Proper Checklist

A schedule of checks to be undertaken and declarations to be obtained for fit and proper assessment purposes may include the following:

Director	Checklist
<b>Director</b>	<p><b>Upon Appointment and Reappointment</b></p> <ol style="list-style-type: none"> <li>1. BNM Application Form and Declarations (including financial standing, conducted by BNM), Director is required to disclose all information on financial obligations in Section 14 of BNM's Application Form as BNM will cross check all the information provided in BNM's form with CCRIS report.</li> <li>2. Fit and Proper Person Declaration (<b>Appendix 1</b>),</li> <li>3. Acknowledge the terms of appointment/reappointment,</li> <li>4. CTOS checking,</li> <li>5. Bankruptcy status i.e. individual and company.</li> <li>6. Name Screening under AML/CFT.</li> </ol>

Director	Checklist
	7. Public/Website search if necessary to consider any adverse information.  8. Any other checks as deemed fit by STMKB Group.
	<b>Annual Assessment</b>  1. Annual Assessment on the effectiveness of the Board.  2. Fit and Proper Person Declaration.  3. Any other checks as deemed fit by STMKB Group.

7.2.4 Corporate Affairs is responsible to conduct checks on Directors including from independent sources, searches, questionnaires and declarations.

### 7.3 Documentation and Confidentiality

7.3.1 Appropriate documentations for each fit and proper assessment must be kept confidential and will be retained to demonstrate the fitness and propriety of STMKB Group's current and past Directors. Fit and proper documentations to be retained comprise the following:-

Documentation	Renewal Term	Method of Retention
Fit and Proper Declaration	Annually, upon appointment and reappointment	File in Individual Director's file
Checks on: (i) CTOS (ii) Bankruptcy status (iii) Name Screening under AML/CFT	Upon appointment and reappointment	
BNM Application and Fit and Proper Declaration Forms	Upon appointment and reappointment	
Annual Assessment on the effectiveness	Annually	
Acknowledge the terms of appointment/reappointment	Upon appointment and reappointment	

7.3.2 Documentations on initial assessment or annual assessment of a person for Director's position will be retained for a period of seven (7) years from the date the person ceases to be Director within STMKB Group.

7.3.3 Corporate Affairs is responsible for retaining the abovementioned documentations.

### 7.4 Notification and Reporting

#### 7.4.1 Policy Awareness

All Directors must be given a copy of this Policy and are required to sign a declaration that they have read and understood the Policy and agree to comply with its requirements on an on-going basis.



#### 7.4.2 Appointment/Reappointment

Based on BNM's approval letter, Corporate Affairs must inform BNM within 14 days upon appointment/reappointment of Director via letter as well as KijangNet. In case of reappointment, application to BNM must be submitted three (3) months prior to expiry of Director's existing term as stated in Paragraph 7 of Appendix 3 Corporate Governance.

#### 7.4.3 Notification to BNM on Cessation of Director

7.4.3.1 Under Section 71 of IFSA, Corporate Affairs must inform BNM within seven (7) days upon cessation of Director via letter as well as via KijangNet.

7.4.3.2 In compliance with Paragraph 10.13 of Corporate Governance, the written approval of the BNM must be obtained before:-

- (i) Removal an independent director;
- (ii) Resignation of independent director.

#### 7.4.4 BNM's Inspection

Corporate Affairs will upon request by BNM, provide the following details relating to Directors, as appropriate:-

7.4.4.1 Fit and Proper Policy and Fit and Proper Declaration by Directors;

7.4.4.2 List of Directors; and

7.4.4.3 Documentation of fit and proper assessment for respective Director.

If there are any additional information that are required by BNM, the Corporate Affairs shall on best effort basis obtain the information from the Directors and/or other reliable sources.

### **8. Managing Unfit and Improper**

- 8.1 Non-fulfilment with the requirements of this Policy by any Director may deem the Director as unfit and/or improper for the Director to carry out his/her roles and responsibilities.
- 8.2 The Board and NRC, have the authority to exercise their discretion in circumstances where there is evidence that a Director is unfit and/or improper to perform his/her roles and responsibilities.
- 8.3 A Director who is considered to be unfit and/or improper will be provided an opportunity to submit additional information in support of his/her fit and proper assessment.
- 8.4 Where significant reliance is placed on information that is obtained from the person being assessed, and that information is material to the determination of the person's fitness and propriety, NRC is expected to take reasonable steps within permissible written laws to verify the information against independent sources
- 8.5 In determining whether a person meets the fit and proper requirements, the considerations set out in this Policy should be assessed individually (according to their relative importance) as well as on cumulative basis. Failure to meet one (1) indicator may not, on its own,

necessarily mean failure to meet the fit and proper criteria. In exercising any discretion, NRC must ensure that the objectives of this Policy are upheld. The discretion will be exercised, taking into account factors such as:-

- (i) Position and role of the Director in STMKB Group.
- (ii) Materiality of the breach.
- (iii) Elapsed time since the breach.
- (iv) Repetition or duration of the behaviour that resulted in the breach.
- (v) Potential risks posed to the Group.

- 8.6 NRC should consider whether there have been material changes on the nature or scope of the responsibilities assumed by an individual which would call for higher standards of competence or judgement in order to properly perform the duties associated with the said position, or which may give rise to new conflicts that could impair the individual's performance in the position.
- 8.7 The fact that a person may be of limited financial means does not in itself; affect the person's ability to satisfy the financial integrity criteria.

## Fit and Proper Form

STRICTLY CONFIDENTIAL

**Declaration Form for Key Responsible Person of**  
**Syarikat Takaful Malaysia Keluarga Berhad / Syarikat Takaful Malaysia Am Berhad**

I, \_\_\_\_\_, NRIC No: \_\_\_\_\_, residing at \_\_\_\_\_, do hereby solemnly affirm and declare the followings:-

		<b>YES</b>	<b>NO</b>
	<b>Probity, Personal Integrity and Reputation</b>		
(i)	whether you are or have been the subject of any proceedings of a disciplinary or criminal nature, or has been notified of any impending proceedings or of any investigations, which might lead to such proceedings; For example provisions from Whistle Blower Protection Act 2010 or any breach of trust.		
(ii)	whether you have contravened any provision made by or under any written law designed to protect members of the public against financial loss due to dishonesty, incompetence or malpractice; For example provisions from the Criminal Procedure Code or Capital Market Services Act 2007		
(iii)	whether you have contravened any of the requirements and standards of a regulatory body, professional body, government or its agencies; For example provisions from Bursa Malaysia Listing Requirements		
(iv)	whether you or any business in which you have a controlling interest or exercises significant influence, has been investigated, disciplined, suspended or reprimanded by a regulatory or professional body, a court or tribunal, whether publicly or privately;		
(v)	whether you have been engaged in any business practices which are deceitful, oppressive or otherwise improper (whether unlawful or not), or which otherwise reflect discredit on your professional conduct;		
(vi)	whether you have been dismissed, asked to resign or has resigned from employment or from a position of trust, fiduciary appointment or similar position because of questions about your honesty and integrity;		
(vii)	whether you have been associated, in ownership or management capacity, with a company, partnership or other business association that has been refused registration, authorisation, membership or a licence to conduct any trade, business or profession, or has had that registration, authorisation, membership or licence revoked, withdrawn or terminated;		
(viii)	whether you have held a position of responsibility in the management of a business that has gone into receivership, insolvency, or involuntary liquidation while you were connected with that business;		
(ix)	whether you have been a director of, or directly concerned in the management of, any corporation which is being or has been wound up by a court or other authority competent to do so within or outside Malaysia; For example provisions from Companies Act 2016		
(x)	whether you have been a director of, or directly concerned in the management of any FI, the license of which has been revoked;		
(xi)	whether, in the past, you have acted unfairly or dishonestly in your dealings with your customers, employer, auditors and regulatory authorities; For example provisions from Banking and Financial Institutional Act 1989		
(xii)	whether you have at any time shown a strong objection or lack of willingness to cooperate with regulatory authorities resulting in failure or		

	potential failure to comply with legal, regulatory and professional requirements and standards, including compliance with tax requirements and obligations;		
(xiii)	whether you have contributed significantly to the failure of an organisation or a business unit;		
(xiv)	whether you have at any time shown strong objection or a lack of willingness to maintain effective internal control systems and risk management practices; and		
(xv)	whether you are involved in any business or other relationship which could materially pose a conflict of interest or interfere with the exercise of your judgement when acting in the capacity of a key responsible person which would be disadvantageous to STMKB or STMKB's interests.		
	<b>Financial Integrity</b>		
(i)	whether you have been and will be able to fulfil your financial obligations, whether in Malaysia or elsewhere, as and when they fall due;		
(ii)	whether you have been the subject of a judgement debt which is unsatisfied, either in whole or in part, whether in Malaysia or elsewhere. For example have you been adjudged as a bankrupt or involved in a bankruptcy proceeding		
	<b>Board Appointment</b>		
(i)	whether you have been disqualified under Section 68(1) of the IFSA;		
(ii)	whether you have competing time commitments that impair your ability to discharge your duties effectively; For example, you must not have simultaneously serve on the Board of more than 5 listed companies and 15 non listed companies.		
(iii)	whether you are an active politician; and		
(iv)	whether you are a partner of the external auditor of the Company, or an officer directly involved in the external audit engagement, until at least three years after you cease to be a partner/officer of the firm or the firm last served as the Company's external auditor.		

I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declaration Act, 1960.

.....  
(Signature of Key Responsible Person making the declaration)

Name:

Date:

in the presence of

.....  
(Signature of Company Secretary of STMKB/STMAB)

Name:

Date:

**Fit and Proper Criteria and Minimum Assessment Factors**1. Probity, Personal Integrity and Reputation

- 1.1 Probity, personal integrity and reputation are values that can be demonstrated through personal qualities such as honesty, integrity, diligence, independence of mind and fairness. These qualities are demonstrated over time and demand a disciplined and on-going commitment to high ethical standards.
- 1.2 In assessing a person's level of probity, integrity and reputation, the Board and NC shall consider factors which include, but are not limited to the following:-
- i. whether the person is or has been the subject of any proceedings of a disciplinary or criminal nature, or has been notified of any impending proceedings or of any investigations, which might lead to such proceedings;
  - ii. whether the person has contravened any provision made by or under any written law designed to protect members of the public against financial loss due to dishonesty, incompetence or malpractice;
  - iii. whether the person has contravened any of the requirements and standards of a regulatory body, professional body, government or its agencies;
  - iv. whether the person, or any business in which he has a controlling interest or exercises significant influence, has been investigated, disciplined, suspended or reprimanded by a regulatory or professional body, a court or tribunal, whether publicly or privately;
  - v. whether the person has engaged in any business practises which are deceitful, oppressive or otherwise improper (whether unlawful or not), or which otherwise reflect discredit on his professional conduct;
  - vi. whether the person has been dismissed, asked to resign or has resigned from employment or from a position of trust, fiduciary appointment or similar position because of questions about his honesty and integrity;
  - vii. whether the person has been associated, in ownership or management capacity, with a company, partnership or other business association that has been refused registration, authorization, membership or a license to conduct any trade, business or profession, or has had that registration, authorization, membership or license revoked, withdrawn or terminated;
  - viii. whether the person has held a position of responsibility in the management of a business that has gone into receivership, insolvency, or involuntary liquidation while the person was connected with that business;
  - ix. whether the person has been a director of, or directly concerned in the management of, any corporation which is being or has been wound up by a court or other authority competent to do so within or outside Malaysia;
  - x. whether the person has been a director of, or directly concerned in the management of any company, the license of which has been revoked;
  - xi. whether, in the past, the person has acted unfairly or dishonestly in his dealings with his customers, employer, auditors and regulatory authorities;

- xii. whether the person has at any time shown a strong objection or lack of willingness to cooperate with regulatory authorities resulting in a failure or potential failure to comply with legal, regulatory and professional requirements and standards, including compliance with tax requirements and obligations;
- xiii. whether the person has contributed significantly to the failure of an organization or a business unit;
- xiv. whether the person has at any time shown strong objection or a lack of willingness to maintain effective internal control systems and risk management practices; and
- xv. whether the person is involved in any business or other relationship which could materially pose a conflict of interest or interfere with the exercise of his judgement when acting in the capacity of a key responsible person which would be disadvantageous to the Company or the Company's interest.

## 2. Competency and Capability

- 2.1 Competency and capability are demonstrated by a person who possesses the relevant knowledge, experience and ability to understand the technical requirements of the business, the inherent risks and the management process required to perform his role in a key function in the relevant capacity effectively.
- 2.2 In assessing a person's competency and capability, the Board and NC shall consider factors which include, but are not limited to the following:-
  - i. whether the person has the appropriate qualification, training, skills, practical experience and commitment to effectively fulfil the role and responsibilities of the position and in the case of directors, having regard to their other commitments; and
  - ii. whether the person has satisfactory past performance or expertise in the nature of the business being conducted

## 3. Financial Integrity

- 3.1 Financial integrity is demonstrated by a person who manages his own financial affairs properly and prudently.
- 3.2 In assessing a person's financial integrity, the Board and NRC shall consider all relevant factors which include, but are not limited to the following:-
  - i. whether the person has been and will be able to fulfil his financial obligations, whether in Malaysia or elsewhere, as and when they fall due; and
  - ii. whether the person has been the subject of a judgement debt which is unsatisfied, either in whole or in part, whether in Malaysia or elsewhere.
- 3.3 The fact that a person may be of limited financial means does not in itself, affect the person's ability to satisfy the financial integrity criteria.

Details of Legislative and Regulatory Requirements applicable to this Policy:

**(i) IFSA 2013**

64. Requirements to be chairman, director, chief executive officer or senior officer
- (1) An institution shall not appoint or elect, reappoint or re-elect any person as a chairman, director, chief executive officer or senior officer of the institution, unless such person—
    - (a) is an individual;
    - (b) is not disqualified under subsection 68(1); and
    - (c) has complied with the fit and proper requirements as may be specified by the Bank under section 69.
  - (2) No person shall accept any appointment or election, reappointment or re-election as a chairman, director, chief executive officer or senior officer of an institution, unless such person—
    - (a) is not disqualified under subsection 68(1); and
    - (b) has complied with the fit and proper requirements as may be specified by the Bank under section 69.
  - (3) Unless the Bank otherwise approves, a chief executive officer of an institution shall have his principal or only place of residence within Malaysia and devote the whole of his professional time to the service of the institution.
65. Functions and duties of board of directors
- (1) The business and affairs of an institution shall be managed under the direction and oversight of its board of directors, subject to this Act and any other written law which may be applicable to the institution.
  - (2) Without limiting the generality of subsection (1), the board of directors shall—
    - (a) set and oversee the implementation of business and risk objectives and strategies and in doing so shall have regard to the long term viability of the institution and reasonable standards of fair dealing;
    - (b) ensure and oversee the effective design and implementation of sound internal controls, compliance and risk management systems commensurate with the nature, scale and complexity of the business and structure of the institution;
    - (c) oversee the performance of the senior management in managing the business and affairs of the institution;
    - (d) ensure that there is a reliable and transparent financial reporting process within the institution;
    - (e) promote timely and effective communications between the institution and the Bank on matters affecting or that may affect the safety and soundness of the institution; and
    - (f) have due regard to any decision of the Shariah committee on any Shariah issue relating to the carrying on of business, affairs or activities of the institution.
  - (3) In carrying out its functions or duties under this Division—
    - (a) the board of directors of an institution shall have regard to the interests of, as the case may be, depositors, investment account holders and takaful participants of the institution or participants; and
    - (b) the board of directors of a licensed takaful operator shall, in the event of conflict between the interest of the takaful participants and the shareholders, give priority to the interest of the takaful participants.
66. Duties of directors
- (1) A director of an institution shall at all times—
    - (a) act in good faith in the best interests of the institution;
    - (b) exercise reasonable care, skill and diligence with—
      - (i) the knowledge, skill and experience which may reasonably be expected of a director having the same responsibilities; and

- (ii) any additional knowledge, skill and experience which the director has;
  - (c) only exercise powers conferred on him for the purposes for which such powers are conferred;
  - (d) exercise sound and independent judgment; and
  - (e) comply with any standards specified by the Bank under subsection 29(2) which are applicable to a director.
- (2) Subsection (1) has effect in addition to, and not in derogation of, any written law or rule of law relating to the duty or liability of a director.
  - (3) Any director who contravenes paragraph (1)(c) commits an offence and shall, on conviction, be liable to imprisonment for a term not exceeding eight years or to a fine not exceeding twenty-five million ringgit or to both.

67. Duty to disclose interests in material transaction or material arrangement

- (1) A director of an institution shall disclose to the board of directors of the institution the nature and extent of his interest, whether directly or indirectly, in a material transaction or material arrangement with the institution.
- (2) Whether or not a declaration under subsection (1) has been made, a director who has, directly or indirectly, an interest in a material transaction or material arrangement shall not be present at the board meeting where the material transaction or material arrangement is being deliberated by the board of directors.
- (3) Where there is any change in the nature and extent of a director's interest in a material transaction or material arrangement subsequent to the disclosure pursuant to subsection (1), the director shall make a further disclosure of such changes in accordance with subsection (1).
- (4) For the purposes of subsection (1), the Bank may specify—
  - (a) the time, form, manner, procedures or any other incidental or ancillary matters in which the disclosure under subsection (1) is to be made; and
  - (b) what constitutes a material transaction or material arrangement.

68. Disqualifications

- (1) A person is disqualified from being appointed or elected, reappointed or re-elected, accepting any appointment or election, or holding office, as a chairman, director, chief executive officer or senior officer of an institution if—
  - (a) he is an undischarged bankrupt, has suspended payments or has compounded with his creditors whether in or outside Malaysia;
  - (b) a charge for a criminal offence relating to dishonesty or fraud under any written law or the law of any country, territory or place outside Malaysia, has been proven against him;
  - (c) he is prohibited from being a director of a company or in any way, whether directly or indirectly, be concerned or take part in the management of a company in Malaysia pursuant to a court order made under section 130A of the Companies Act 1965 and has not obtained any leave of the court under the same section; or
  - (d) under any law relating to prevention of crime, drug trafficking or immigration—
    - (i) an order of detention, supervision or deportation has been made against that person; or
    - (ii) any form of restriction or supervision by bond or otherwise, has been imposed on him.
- (2) Where any criminal proceeding is pending in any court for any offence referred to in paragraph (1)(b) against a chairman, director, chief executive officer or senior officer of an institution, such person shall not—
  - (a) act in such capacity, hold any other office or act in any other capacity, in that institution; or
  - (b) be concerned with, take part or engage in, any manner, whether directly or indirectly, in any activity, affairs or business of, or in relation to, that institution, except as may be permitted by the board of directors of the institution subject to such conditions as may be specified by the Bank.



- (3) For the purposes of subsection (2), “criminal proceedings” shall be deemed to be pending from the date that the accused person is first charged in court for the offence until the date of the final conclusion of the proceedings, whether in the court of original jurisdiction or, in the event of any appeal by any party, in the court of final appellate jurisdiction.

69. Fit and proper requirements

- (1) Without limiting the generality of section 57 and for the purposes of paragraphs 64(1)(c) and 64(2)(b), the Bank may specify fit and proper requirements to be complied with by a chairman, director, chief executive officer or senior officer of an institution or an Islamic financial adviser’s representative, which may include minimum criteria relating to—
  - (a) probity, personal integrity and reputation;
  - (b) competency and capability; and
  - (c) financial integrity.
- (2) Where an issue arises as to whether a chairman, director, chief executive officer, senior officer or an Islamic financial adviser’s representative has complied with the fit and proper requirements as specified under subsection (1), the Bank shall have full discretion to determine the issue.

70. Cessation from office

- (1) Where a chairman, director, chief executive officer or senior officer of an institution or an Islamic financial adviser’s representative, as the case may be—
  - (a) becomes disqualified under subsection 68(1); or
  - (b) no longer complies with any of the fit and proper requirements as may be specified by the Bank under section 69,such chairman, director, chief executive officer, senior officer or Islamic financial adviser’s representative shall immediately cease to hold office and act in such capacity.
- (2) The institution shall immediately—
  - (a) in the case of paragraph (1)(a), terminate the appointment of such chairman, director, chief executive officer, senior officer or Islamic financial adviser’s representative; or
  - (b) in the case of paragraph (1)(b), remove such chairman, director, chief executive officer, senior officer or Islamic financial adviser’s representative from such office.
- (3) Notwithstanding anything contained in any contract of service or any other agreement relating to his appointment, the chairman, director, chief executive officer, senior officer or Islamic financial adviser’s representative terminated under paragraph (2)(a) shall not be entitled to claim any compensation for such termination.

71. Notice of cessation from office

An institution shall notify the Bank in writing of the fact that a person has ceased to be its chairman, director, chief executive officer, senior officer or Islamic financial adviser’s representative, as the case may be, pursuant to this Division or under any other circumstances and of the reasons for the cessation within seven days from the date of such cessation.

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- 10.2 A director must not be disqualified under section 59(1) of the FSA or section 68(1) of the IFSA, and must have been assessed by the board nominations committee to have complied with the fit and proper requirements.
- 10.3 A director must not have competing time commitments that impair his ability to discharge his duties effectively. The board must maintain a policy on the maximum number of external professional commitments that a director may have, commensurate with the responsibilities placed on the director, as well as the nature, scale and complexity of the financial institution’s operations.
- 10.4 A director of a financial institution must not be an active politician.
- 10.5 Where a firm has been appointed as the external auditor of a financial institution, any of its officers directly involved in the engagement and any partner of the firm must not serve or be appointed as a director of the financial institution until at least two years after– (a)

he ceases to be an officer or partner of that firm; or (b) the firm last served as an auditor of the financial institution.

- 11.1 The board and the board committees must be of a size that promotes effective deliberation, encourages the active participation of all directors and allows the work of the various board committees to be discharged without giving rise to an over-extension of directors that are required to serve on multiple board committees.
- 11.2 The board must develop and document the criteria and skill sets required of its members, both individually and collectively. The criteria and skill sets must reflect the fit and proper requirements and specific market or business knowledge required on the board. It is important that the criteria and skill sets be reviewed regularly by the board to ensure alignment with the strategic direction and emerging challenges faced by the financial institution. This must also take into account supervisory concerns highlighted by the Bank that require specific expertise on the board.
- 11.3 The chairman of the board must not be an executive, and must not have served as a CEO of the financial institution in the past five years.
- 11.4 The board of a financial institution must not have more than one executive director, unless the Bank approves otherwise in writing. The Bank may allow more than one executive director on the board of a financial institution if the chairman is an independent director and the Bank is satisfied that the additional appointment will not compromise board effectiveness, having regard to—
  - (a) the extent of his involvement in making or implementing management decisions that are subject to the board’s oversight;
  - (b) the degree to which his incentives are influenced by the performance of the financial institution;
  - (c) the effectiveness of the non-executive directors in providing a counterbalance to the collective influence of executives on the board; and
  - (d) the significance and uniqueness of the contribution that the candidate is expected to bring to the board.
- 11.5 Executive directors bring to the board technical expertise and useful insights about the financial institution’s operations. However, it is important that their representation on the board does not reduce the board’s ability to objectively scrutinise the proposals and performance of senior management.
- 11.6 The board must have a majority of independent directors at all times.
- 11.7 The board must determine whether an individual to be appointed as an independent director is independent in character and judgement, and free from associations or circumstances that may impair the exercise of his independent judgement. An individual must not be considered to be an independent director if he or any person linked to him—
  - (a) has been an executive in the last two years;
  - (b) is a substantial shareholder of the financial institution or any of its affiliates; or
  - (c) has had a significant business or other contractual relationship with the financial institution or any of its affiliates within the last two years.
- 11.8 For the purpose of paragraph 11.7, the board must clearly define what constitutes a “significant business or other contractual relationship”, taking into account the nature, size and complexity of the financial institution’s operations.
- 11.9 The board must set and disclose in its corporate governance disclosures a policy on the tenure for which an individual can serve as an independent director, to promote independent oversight by the board. The Bank expects that tenure limits for independent directors should generally not exceed nine years, except under exceptional circumstances or as part of transitional arrangements towards full implementation of the succession plans of the financial institution.
- 11.10 An independent director must immediately disclose to the board any change in his circumstances that may affect his status as an independent director. In such a case, the board must review his designation as an independent director and notify the Bank in writing of its decision to affirm or change his designation.
- 11.11 While common directors on the board of a financial institution and its affiliates can contribute to group oversight and alignment, inordinate overlaps in board membership can

raise conflicts, particularly where issues affect the financial institution and its affiliates in different ways. To ensure that group interests are appropriately balanced against the fiduciary and statutory duties that directors owe towards each legal entity they serve, directors who are board members of a financial institution and its affiliates must remain in the minority of the financial institution's board if–

- (a) one entity is a licensed insurer and the other is a licensed takaful operator;
- (b) one entity is a licensed bank or licensed investment bank, and the other is a licensed Islamic bank;
- (c) the affiliate is a holding company or subsidiary of the financial institution that is itself a financial institution; or
- (d) there are strong operational dependencies 4 between the financial institution and the affiliate.

Summary of STMKB Fit and Proper Structure for Directors

Fit & Proper Declaration Form	Bankruptcy Check	Anti-Money Laundering and Counter Financing of Terrorism Policy (AML/CFT)	Directors/BNM Form	Appointment by:	Required to obtain approval from BNM? (Prior to Appointment)	Required to notify BNM? (Upon Appointment)	Required to notify BNM? (Upon Cessation)	Record Keeping	Decision on Unfit Directors
Annually and upon appointment & reappointment	Upon appointment & reappointment	Upon appointment & reappointment	Yes	Board & NRC	Yes	Yes	Yes	Company Secretary	Board & NRC