

SHARIAH GOVERNANCE

BPMB's Islamic banking business is operated on a window basis and governed by Shariah Governance Framework (SGF) which was formulated to enable BPMB to operate its Islamic banking activities in line with Shariah Governance Framework for Islamic Institutions issued by Bank Negara in 2011.

SGF serves as a guide comprising Shariah governance structure, system processes and controls which is managed and monitored by a dedicated Shariah Advisory function of BPMB. The Function works closely with other functions within the Bank to undertake the following processes/programs:-

1. Awareness and communication;
2. Assessment of Shariah compliance;
3. Mitigation and control of Shariah risk; and
4. Monitoring and Reporting.

SHARIAH COMMITTEE

The operation of Islamic banking window is governed by Section 129 (4) of the Development Financial Institutions Act 2002 which stipulates that "the prescribed institution may, in carrying on Islamic banking business or Islamic financial business, seek the advice of the Syariah Advisory Council on the operations of such business in order to ensure that it does not involve any element which is not approved by the religion of Islam". Principle 1 of the Bank Negara's Shariah Governance Framework for Islamic Financial Institutions, stipulates that every bank carrying out Islamic banking business is required to establish a Shariah Committee.

Functions and Responsibilities

The functions and responsibilities of the Shariah Committee are as follows:-

1. To advise management and the Board of Directors on Shariah matters in order to ensure that the Islamic banking operations comply with Shariah principles at all times.
2. To endorse guidelines related to any matters which require compliance to Shariah principles.
3. To endorse and validate that the Islamic products of BPMB comply with Shariah principles in all aspects including:-
 - The terms and conditions and legal documentation used in executing the transactions.
 - The guidelines of the products, schemes and funds offered by BPMB.
4. To advise BPMB to consult the Shariah Advisory Council of Bank Negara Malaysia (SAC) on any Shariah matters which have not been resolved or endorsed by the Shariah Committee.
5. To provide written Shariah opinion(s) in the following circumstances:
 - Where BPMB refers to the SAC for advice; or
 - Where BPMB submits applications to Bank Negara for approval of Islamic products.
6. To provide opinion in the Shariah Committee Report as part of the annual Audited Financial Statements and confirm that BPMB's Islamic banking operations is in compliance with Shariah rules and principles.

Committee Meeting and Attendance

Based on the Terms of Reference of the Shariah Committee, the meeting is to be held a minimum 6 times a year. During the financial year 2011, the Shariah Committee held 6 meetings. The members of the Shariah Committee and their record of attendance are as follows:-

NAME OF SHARIAH COMMITTEE MEMBER	NO OF MEETING AND ATTENDANCE
Tan Sri Dato' Seri (Dr) Hj Harussani bin Hj Zakaria	5/6
Prof Dr Abdul Jalil Bin Borham	6/6
Dr. Ridzwan Bin Ahmad	6/6
Asst. Prof. Dr. Miszairi Bin Sitiris	6/6

During the year, the Shariah Committee deliberated and approved the key framework for BPMB's Islamic banking business i.e Panduan Pematuhan Syarak, with the purpose to provide a comprehensive guide to the Board, Shariah Committee and staff in discharging their duties in matters relating to Shariah.

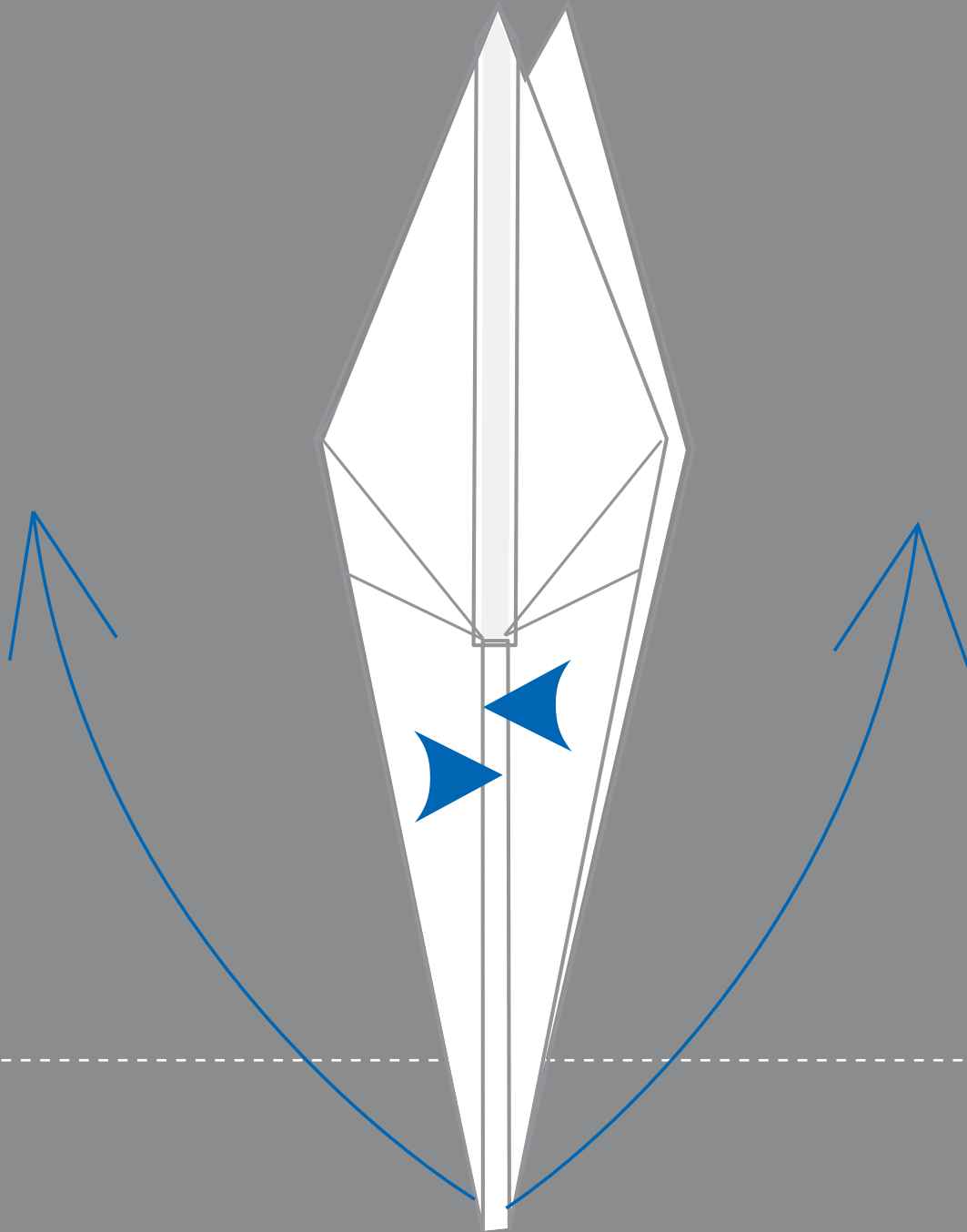
MOVING FORWARD

In ensuring BPMB's full compliance to Bank Negara's Shariah Governance Framework for Islamic Institutions, the following key measures have been initiated and targeted to complete in phases before the end of 2012 :-

1. Members of the Shariah Committee will be increased to 5, with the proposed addition of a new member.
2. Shariah Audit will be performed in 2012 as per Audit Plan approved by the Audit and Examination Committee. In view of lack of resources, knowledge and expertise, the audit will be performed via co-sourcing with a consultant for the purpose of knowledge transfer.

3. BPMB Group Shariah Risk Management Framework will be put in place as part of initiative undertaken by Group Risk Management.

Moving forward, innovation will be key to growing the Islamic banking portfolio, with the development of structured products that conform to Islamic principles, particularly in relation to project financing product which is non-asset based.



PRECISION

Making neater firm sharp creases create high standard finishings to the model, presenting impact and meticulous dynamism to the end product, which reflects on the professionalism of BPMB to focus towards excellence.