

**FINAL EXAMINATION****COURSE NAME : REGULATIONS IN ISLAMIC BANKING****COURSE CODE : PIB3033****DURATION : 2 HOURS****INSTRUCTIONS TO CANDIDATES:**

1. This question paper consists of **THREE (3)** parts : PART A (10 questions)  
: PART B (26 questions)  
: PART C (02 questions)
2. Answer ALL questions from PART A, PART B and PART C.
  - i. Answer PART A in the True or False Answer Sheet.
  - ii. Answer PART B in the Objective Answer Sheet.
  - iii. Answer PART C in the Answer Booklet provided.
3. Please check to make sure that this examination pack consists of:
  - i. The Question Paper
  - ii. An Answer Booklet
  - iii. A True/False Answer Sheet
  - iv. The Objective Answer Sheet
4. Do not bring any material into the examination hall unless permission is given by the invigilator.
5. Please write your answer using a ball-point pen.

**MYKAD NO : \_\_\_\_\_****ID. NO. : \_\_\_\_\_****LECTURER : \_\_\_\_\_****SECTION : \_\_\_\_\_**

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**DO NOT OPEN THIS QUESTION PAPER UNTIL YOU ARE TOLD TO DO SO**

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*The question paper consists of 09 printed pages*

**OCT2024/A/PIB3033**

**PART A: TRUE OR FALSE**

*State whether the following statements are TRUE or FALSE.*

1. **(1 point)**  
The Capital Adequacy Framework is developed based on internationally agreed standards on capital adequacy promulgated by the Basel Committee on Banking Supervision and Islamic Financial Services Board
2. **(1 point)**  
The Statutory Reserve Requirement rate for banking institutions is 3.0% of Eligible Liabilities.
3. **(1 point)**  
Any banking institution that fails to comply with the minimum Statutory Reserve Requirement shall be liable to pay a penalty.
4. **(1 point)**  
Financial institution in Malaysia shall prepare its financial statements in accordance with the Malaysian Financial Reporting Standards.
5. **(1 point)**  
Corporate Governance is defined as a set of relationship between a company's management, its Board of Directors.
6. **(1 point)**  
Corporate Governance is the process and structure used to decrease business prosperity and corporate accountability.
7. **(1 point)**  
Corporate Governance in Takaful is being guided by the Guidelines on Corporate Governance for Licensed Islamic Banks (GP1-i) of Bank Negara Malaysia 2003.
8. **(1 point)**  
Malaysia Code of Corporate Governance by Securities Commission is a recognized code of Corporate Governance in Malaysia.
9. **(1 point)**  
One of the components of Shariah Governance is the dissemination of information.
10. **(1 point)**  
There are four models of Shariah Governance Structure.

**PART B: MULTIPLE CHOICE**

Answer ALL questions.

1. **(1 point)**

This ensures the continuing ability of a financial institution to meet its obligation
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Table 1

The statement in Table 1 refers to the \_\_\_\_\_.

- A. the obligation of shareholder ratios
- B. importance of capital adequacy requirement
- C. according of discipline based on proportion
- D. establishment of retained earning

2. **(1 point)**

Which of the following is **RIGHT** a type shall be the sum of capital fund?

- i. Paid-up ordinary shares
- ii. Paid-up preference shares
- iii Irredeemable convertible unsecured loan stock
- iv Retained earnings

- A. i, ii and iii
- B. ii, iii and iv
- C. i, iii and iv
- D. i, ii, iii and iv

3. **(1 point)**

Which of the followings is **FALSE** about statutory reserve requirement?

- A. The reserve sum must be at maximum amount determined by the Board of Director in the financial institutions.
- B. A monetary policy instrument for the purpose of liquidity management.
- C. Financial institutions are required to maintain balances in their reserve amount to a proportion of their liabilities.
- D. The reserve requirement is used to inject liquidity when the lack of the banking system.

4. **(1 point)**

Which of the followings is **NOT** the purpose of capital Adequacy Framework?

- A. To ensure the risk of a financial institution is backed by adequate amount.
- B. To ensure the continuing ability of a financial institutions as they fall.
- C. To protect depositors in a gone situation to meet claims in liquidation.
- D. To ensure board of directors of a financial institution have safeguard dividends.

5. **(1 point)**  
Which of the followings is **NOT** an activity signifies the threat over consumers information confidential?
- A. Unauthorised access to customer information.
  - B. Unusual frequent viewing of customer information in the FSPs' systems by staff.
  - C. Unauthorised disclosure of customer information to external parties.
  - D. Usual downloading activities of consumer information by the authorized staff.
6. **(1 point)**  
Which of the followings is **NOT** the way to achieve the strategic targets in Corporate Governance?
- A. Comply with regulations set out by Bank Negara Malaysia.
  - B. Observe proper accounting standard and auditing.
  - C. Having internal control system in the institutions.
  - D. Manage the institution based on personal interest.
7. **(1 point)**  
Which the followings are **TRUE** about the importance of Corporate Governance?
- i. It will provide more power for senior management.
  - ii. Resolve conflicts of interest among stakeholders.
  - iii. To gain financial profits for the institutions.
  - iv. Set vision and mission of the institutions to achieve strategic target.
- A. i and ii
  - B. i and iii
  - C. ii and iv
  - D. iii and iv
8. **(1 point)**  
If impacted companies refused to become financial holding companies under the Act(s), they may pare down their stakes in respective financial institutions to below 50%.
- The above statement above explains the \_\_\_\_\_.
- A. financial holding company restructuring
  - B. corporate restructuring
  - C. audit compliance
  - D. talent recruitment
9. **(1 point)**  
Which is the function of Bank Negara Malaysia over Islamic Financial Institutions?
- A. Appoint board of directors for each institution.
  - B. Reserve proportion for director dividend.
  - C. Establish the Governance Committees.
  - D. Resolve conflict of interest among shareholders.

10. **(1 point)**  
What is the penalty for non-compliance of Financial Service Act and Islamic Financial Service Act 2013 by insurers and Takaful?
- A. Imprisonment of 10 years or less, a fine of RM25 million or less; or both.
  - B. Imprisonment of 8 years or less, a fine of RM25 million or more; or both.
  - C. Imprisonment of 8 years or less, a fine of RM25 million or less; or both.
  - D. Imprisonment of 10 years or less, a fine of RM35 million or more; or both.
11. **(1 point)**  
Among the basis establishment of Shariah governance in Malaysia is\_\_\_\_\_.
- A. a unique kind of governance in financial architecture as it is concerned with the financial aspects of the overall activities of conventional finance Institutions
  - B. a body comprised of a panel of finance scholars who provide finance expertise and act as special advisors to the institutions
  - C. structures and processes adopted by stakeholders in the Islamic Finance Institutions sector to ensure compliance with Shariah rules and principles
  - D. any formal or informal arrangement as to how the finance company board is directed, managed, governed and controlled
12. **(1 point)**  
Which of the followings is **NOT** one of the components in Shariah governance?
- A. Issuance of relevant Shariah resolutions.
  - B. Dissemination of information.
  - C. External Shariah compliance review/audit.
  - D. Annual Shariah compliance review/audit.
13. **(1 point)**  
Choose the **CORRECT** characteristics of Laissez Faire Shariah Governance structure.
- i. Self-regulated
  - ii. Government intervention is necessary
  - iii. Practiced mostly by the Gulf Corporation Council (GCC)
  - iv. Institutions must ensure Shariah compliance by themselves
- A. i and ii
  - B. ii and iii
  - C. i, iii and iv
  - D. ii, iii and iv
14. **(1 point)**  
Which of the following is one of the components of Shariah governance?
- A. Dissemination of information.
  - B. External Shariah compliance audit.
  - C. Intervention by the government in areas involving Shariah.
  - D. Annual financial audit by the government.

15. **(1 point)**  
How many models of Shariah governance structures are being practiced worldwide?
- A. Three.
  - B. Four.
  - C. Five.
  - D. Seven.
16. **(1 point)**  
What is the function of Shariah review?
- A. To identify any Shariah non-compliance risk.
  - B. To conduct in-depth Shariah research.
  - C. To provide an independent assessment to all Islamic financial institution staff.
  - D. To review business operations regularly to ensure Shariah compliance.
17. **(1 point)**  
What is the function of Shariah risk management control under the Shariah governance framework for the Islamic financial institutions?
- A. To identify, measure, monitor, report and control any Shariah non-compliance risk.
  - B. To conduct in-depth Shariah research prior to submission to the Shariah committee.
  - C. To provide independent assessment and objective assurance designed to improve the IFI's compliance with Shariah.
  - D. To review business operations on regular basis to ensure Shariah compliance.
18. **(1 point)**  
At the industry level, the duties and responsibilities of the internal Shariah Committee at the respective IFIs were further deliberated in the \_\_\_\_\_.
- A. Central Bank of Malaysia Act 2009
  - B. Islamic Financial Institution Act 2013
  - C. Guidelines on Corporate Governance for Licensed Islamic Banks (GP1-i) of BNM 2013
  - D. Shariah Governance Framework for the Islamic Financial Institutions
19. **(1 point)**  
There are \_\_\_\_\_ objectives of the BNM's Shariah governance framework.
- A. Two
  - B. Three
  - C. Four
  - D. Six

20. **(1 point)**  
Which of the followings is **NOT TRUE** regarding the objectives of BNM's Shariah governance framework?
- A. It provides guidance to the board, Shariah committee, and management of the Islamic financial institutions in discharging their duties in matters relating to Shariah.
  - B. It sets out the expectation that all Islamic financial institutions' activities are in accordance with Shariah.
  - C. Outlines the functions relating to Shariah's review, Shariah's audit, Shariah's risk management and Shariah research.
  - D. It gives punishment to any Takaful company that fails to comply with Shariah.
21. **(1 point)**  
Who is responsible for appointing a Shariah committee in an Islamic financial institution?
- A. The secretary of the institution.
  - B. The Registrar of company.
  - C. The board of directors.
  - D. Any Shariah Scholars.
22. **(1 point)**  
Based on the following options, choose the **CORRECT** duty of Shariah Committee.
- A. Advise all financial institutions regarding investment strategies.
  - B. Involve in day-to-day management of an Islamic financial institution.
  - C. Overall oversight on Shariah governance structure and Shariah compliance.
  - D. Advise the Islamic financial institution to consult the Shariah Advisory Council on Shariah matters that could not be resolved.
23. **(1 point)**  
What is the function of Shariah governance?
- A. To act as a regulatory body over the Islamic financial institution.
  - B. To provide advice to all financial institutions regarding investment matters.
  - C. To ensure that an Islamic financial institution complies with Shariah principles.
  - D. To act as an advisor to all Islamic institutions at the regulatory level.
24. **(1 point)**  
There are \_\_\_\_\_ sections under the approach of BNM Shariah governance framework.
- A. 13
  - B. 11
  - C. 8
  - D. 6

25. **(1 point)**

This section prescribes the functions of the internal Shariah review, Shariah audit, Shariah management, and Shariah research.

Which section under the approach of BNM Shariah governance framework states the above summary?

- A. Independence.
- B. Competency.
- C. Oversight, accountability, and responsibility.
- D. Shariah compliance and research functions.

26. **(1 point)**

What should a Shariah committee do if they identify an issue of a non-compliance in an Islamic finance institution?

- A. Report to Bank Negara Malaysia.
- B. Report to a specific minister.
- C. Report to the audit committee of the institution.
- D. Inform the Board of Director.



**PART C: STRUCTURED QUESTIONS**

Answer *ALL* questions

**1. (12 points)**

Adib bought a double storey link house with a secured loan under the Syariah principle of Musharakah principle from Bank J in 1990.

However, at in 1997, the loan facility was restructured. No fresh set of documents was executed, although earlier, Adib had requested. Adib defaulted the loan payment. The bank issued a notice of default seeking the repayment. Subsequently, two actions were filed, namely an order for sale and an order to recover such sums in the event of a deficiency in the proceeds of sale. Adib claimed that there should be fresh documentations facility issued for him after the facility was restructured. However, Bank J had failed to provide the documentation.

Based on the situation:

- a. Identify any **TWO (2)** importance of having standardized documentations in housing loan or home financing agreement. (6 points)
- b. Choose any **THREE (3)** key aspect of standardised template for housing loan or home financing agreement. (6 points)

**2. (12 points)**

Tan Sri Tony, Dato' Wayne, and Dato' Jenal are among the members of Board of Directors in Menara Bank Bhd. (MBB). Their appointment was through the request of Dato' Sri Wanda, the largest shareholder in MBB. All three of them do not have any experience and expertise in the banking field.

They also often failed to attend Board of Directors meeting. At the same time, the other Board of Directors are not satisfied because the decisions in each meeting will be dominated by those four members even though the decisions were not good for MBB.

By applying your knowledge of principles under the Guidelines on Corporate Governance for Licensed Institutions (GP1-i) of BNM, briefly explain the following:

- a. Describe any **TWO (2)** situations that lead to the violation of principles under the GP1-i of BNM? (6 points)
- b. What are the **TWO (2)** principles under the Principles of Corporate Governance, Minimum Standards, and Specific Requirements for Islamic Banks and Takaful Operators provided by the GP1-i of BNM that have been violated? (6 points)

**END OF QUESTION PAPER**