

FREQUENTLY ASKED QUESTIONS
STRATEGIC INVESTMENT DIVISION (SID)
MINISTRY OF FINANCE MALAYSIA

No.	Questions	Answer
1.	What is meant by strategic investment?	In the context of SID, strategic investment refers to the role of the Ministry of Finance in investment activities through the provision of loans/financing to finance national development projects under the Malaysia Plan and Federal Government guarantees for national infrastructure and strategic projects.
2.	What Federal Agencies/Statutory Bodies are supervised by the Strategic Investment Division (SID)?	Bank Negara Malaysia (BNM) and Securities Commission Malaysia (SC). BNM established under the Bank Negara Malaysia Act 2009 [Act 701] is the regulator of the financial industry while the SC established under the Securities Commission Malaysia Act 1993 [Act 498] is the regulator of the capital market industry.
3.	What is the role of SID in supervising BNM and SC?	SID is responsible for coordinating and processing the drafting/amendment of acts/orders/rules/regulations for BNM and SC for policy consideration and approval by the Minister of Finance/Cabinet of Ministers/Parliament, followed by gazetting. SID is also involved in BNM and SC corporate affairs such as appointment matters and approval of annual reports and financial statements.
4.	What is meant by a financial institution that can accept Government deposits?	a) Financial institutions approved to receive deposits from Government Departments/Agencies/Companies are a recognition obtained from MOF to financial institutions licensed under the Financial Services Act 2013 [Act 758], Islamic Financial Services Act 2013 [Act 759] and Development Financial Institutions Act 2002 [Act 618]. The storage of deposits by Government Departments/Agencies/Companies in approved financial institutions is to ensure the safety and security of deposits as well as reasonable liquidity facilities for the

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		<p>purpose and mandate of the establishment of the Government Departments/Agencies/Companies.</p> <p>b) The list of financial institutions that have been approved as deposit recipients from Government Departments/Agencies and Companies can be accessed via https://mof.gov.my/portal/en/business</p>
5.	What is a development fund incentive?	<p>In general, development fund incentives refer to financial incentives provided by the Federal Government to assist target groups especially for Micro, Small and Medium Enterprises (SME) identified for a funding program announced in the Federal Government's Annual Budget Speech or certain circumstances according to current needs (for example, the Economic Stimulus Package).</p>
6.	What types of development fund incentives are provided by the Government?	<p>The types of development fund incentives provided are as follows:</p> <p>(i) Interest/Profit Rate Subsidy</p> <p>Financial Institutions (FI) provide business financing to customers/borrowers under certain financing programs. The government partially funds the interest rate or profit rate for loans/financing charged by FIs. The allocation of financing funds is from the FI's internal resources.</p> <p>(ii) Guarantee Fee Subsidy</p> <p>Client's issue sukuk/bonds guaranteed by FI to obtain business financing funds from the capital market. The government partially funds the guarantee fee charged by FI.</p>

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		<p>(iii) Business Financing Guarantee</p> <p>Clients/borrowers obtain business financing from the FI involved and the Government acts as a guarantor. If the borrower/customer fails or refuses to repay his/her loan/financing, the Government shall pay on behalf of the borrower/customer to the FI involved.</p> <p>(iv) Others</p> <p>Other incentives set by the Government such as expected credit loss, one-off or annual contributions/grants for specific programs identified.</p>
7.	What is the interest/profit subsidy rate provided by the Government?	Based on the current policy, the Government provides an interest/profit rate subsidy of 1% per annum to eligible borrowers/clients, subject to the terms and conditions of the program approved by the Minister of Finance.
8.	What is the guarantee limit provided by the Government?	The guarantee limit provided by the Government varies according to the programme, subject to the approval of the Minister as well as the terms and conditions of programme implementation approved by the Minister of Finance.
9.	When can development fund incentive claims be made?	Claims for development fund incentives are subject to the terms and conditions of claims/payments set by the Ministry of Finance.
10.	Who is eligible to claim development fund incentives?	The implementing agency/financial institution/appointed program manager is eligible to claim development fund incentives, subject to the terms and conditions of program implementation approved by the Minister of Finance.
11.	How is loan repayment collection done?	Loan repayments must be collected according to the installments and period specified in the Repayment Schedule in effect.

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12.	If the Borrower is late or unable to pay the loan according to the agreed Repayment Schedule, what should the Borrower do?	If the Borrower is late or unable to pay the loan according to the agreed Repayment Schedule, the Lender must hold a meeting with the Borrower and the Borrower is required to explain the reasons for the delay and present a loan recovery proposal for discussion.
13.	How can loan termination occur?	Termination of the loan may occur in the following circumstances: (i) Failure to fulfill or comply with any of the terms or conditions of the loan; (ii) Any other matter affecting the repayment of the loan or completion of the project; (iii) The project does not make satisfactory progress; or (iv) Legal action is taken against the Borrower.
14.	What does loan recovery mean?	Loan recovery is an effort made to obtain repayment of an outstanding loan while the loan is still valid or the loan period has expired.
15.	What loan recovery methods are implemented?	There are 2 loan recovery methods which are: (i) Loan Reschedule; and (ii) Loan Restructuring.

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