

DANAJAMIN

Malaysia's first Financial Guarantee Insurer

by **Santhi Govinda Raj**

Danajamin Nasional Berhad (Danajamin) is Malaysia's first Financial Guarantee Insurer with AAA rating. Danajamin is licensed under the Insurance Act 1996, and is regulated and supervised by Bank Negara Malaysia.

It provides financial guarantee insurance for bonds and sukuk issuance. In exchange for the financial guarantee, the issuer will pay Danajamin a premium which would be competitively benchmarked against the prevailing cost of raising capital.

Its role to support and provide credit enhancement for companies investing in the economy allow both large and small entities to tap the bond and sukuk market. By providing access to bond and sukuk market, long term funds are made available to companies to match the economic life of assets or investments. This will indirectly encourage long term direct investments in the country and enhance positive efforts toward the country's economy.

Who are the customers of Danajamin?

Danajamin only guarantees investment grade issues (defined as BBB rated or higher by a local rating agency) and earns premium from the corporates it guarantees. Premium is based on the standalone credit rating and risk of each issue. An issuer with a higher standalone credit rating will enjoy lower premium and vice versa.

Danajamin is not a commercially profit driven entity but it must remain profitable to safeguard its capital base. Bond and sukuk issues that obtain a Danajamin guarantee will automatically be rated AAA status, which increases the chance of successful issuance and provide some cost saving to the issuer.

A company that wishes to apply to Danajamin should possess and fulfil adequate cash flows to repay debt obligations, exhibit good corporate behaviour and governance, strong risk management and acceptable facility arrangements.

In providing a Danajamin guarantee, a company is subject to a robust evaluation process and risk management, show good governance and accountability to achieve its objective and strike equality balance between profit making and meeting social obligations.

The company is required by Danajamin to appoint an independent project accountant or monitoring accountant to monitor the operations of the company after obtaining Danajamin Guarantee. The independent monitoring

accountant has to facilitate the opening and operation of and be the signatory of the new bank account on behalf of

Danajamin and to effect withdrawals from the new bank account according to the prescribed priority of utilisation. In addition, it is the responsibility of the independent monitoring accountant to send reminders and collate all the relevant reports submitted by the company such as annual and quarterly audited financial statements, debtors and creditors ageing report and quarterly compliance of Debt to Tangible Net Worth covenant. Meanwhile, Monthly Transaction Reports detailing each credit and debit made in relation to each transaction of the new bank account is prepared and submitted by the independent monitoring accountant to Danajamin.

UHY in Malaysia has been appointed as an independent monitoring accountant for the Kafalah Facility of RM135 million with Danajamin guarantee by a company listed on Main Market of Bursa Malaysia.

Up to early May 2010, Danajamin has approved a total of RM1.7 billion guarantee for companies in various industries including oil and gas, property development, plantation and infrastructure.

ABOUT THE AUTHOR

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R&M Showcase

ANCC is now a part of Sime Darby Healthcare

by **Kong Feck Keat**

Alvin Tee of UHY in Malaysia was appointed by Affin Bank Berhad as the Receiver and Manager of the property of Bio Science Capital Sdn Bhd (BSC). BSC owns the Asian Neuro & Cardiac Centre (ANCC) which is a six-storey purpose built medical centre located near the Subang Skypark. The indicative market value of the ANCC is more than RM100 million. Alvin successfully completed a deal for Sime Darby Berhad's (Sime Darby) Healthcare Division to take over ANCC.

Sime Darby is listed on the Main Market of



Bursa Malaysia. Sime Darby is also Malaysia's oldest and largest conglomerate with operations in more than twenty countries throughout Asia Pacific and Europe with a workforce of more than 100,000 employees. Sime Darby is involved in five core sectors: plantations, property, industrial, motors and energy & utilities, with a growing presence in healthcare.

Sime Darby Healthcare brings together three strong healthcare brands in Malaysia, the renowned Sime Darby Medical Centre (formerly the Subang Jaya Medical Centre), Sime Darby Specialist Centre Megah (formerly the



Megah Medical Specialists Group) and Sime Darby Nursing and Health Sciences College. With the acquisition of ANCC that would be well equipped with specialists and modern technologies, Sime Darby Healthcare will embark on the provision of treatment for heart and brain diseases.

Under the management of Sime Darby Healthcare, ANCC is set to become a key tertiary treatment and care centre for Neurology and Cardiology in Asia within the near future.