



ISLAMIC FINANCE CONFERENCE 2016

“INVESTMENT ACCOUNT “

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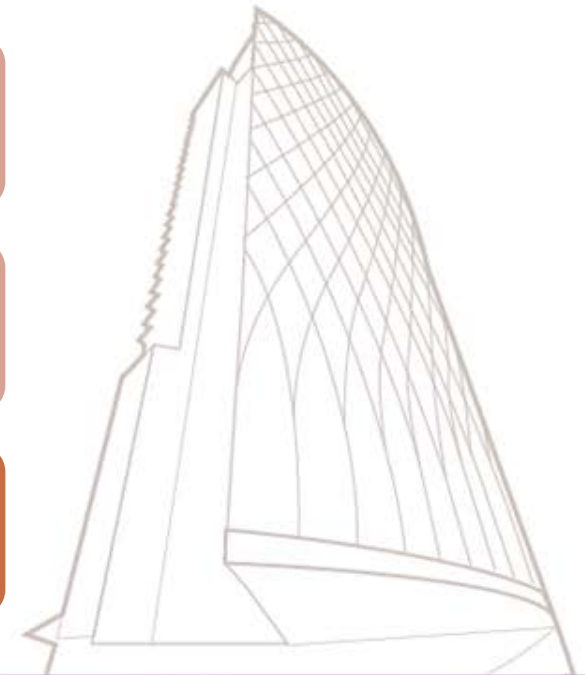
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DEVELOPMENT OF ISLAMIC FINANCE - MALAYSIA

MALAYSIA
WORLD'S ISLAMIC FINANCE
MARKETPLACE

Advancing in Islamic Financing – Well Developed Marketplace

- 2013 onwards
- Islamic Financial Services Act 2013 – Moving from “Credit Intermediary” to “Investment Intermediary”
- Marketplace for Global Linkages

MIFC
MALAYSIA INTERNATIONAL
ISLAMIC FINANCIAL CENTRE

Strategic Positioning & International Integration with Global Financial System.

- 2006 -2013
- Becoming hub of international Islamic finance

Institutional Building, Activity Generation & Market Vibrancy

- 1993-2005 (Deepening, Creating Critical Mass & Liberalisation)
- Ensuring greater access to Islamic finance



Instituting Foundation

- 1970 – 1992 (Establishment of Enabling Infrastructure)
- Islamic Banking Act 1983 – Establishment of Bank Islam Malaysia Berhad
- Merely as an alternative to conventional banking



بيحك إسلام مليسيا بيرحد
BANK ISLAM MALAYSIA BERHAD



DEPOSIT TRANSITION PLAN – BANK ISLAM'S JOURNEY

Feb 2014

- Effective date for Deposit Transition Policy (DTP) as directed by Bank Negara Malaysia (BNM).



April - May 2014

- Introduction of new product Term Deposit-i (Tawarruq) (TDT) on 30 April 2014.
- All new on lien will be placed under TDT/marginal account effective 1 May 2014.

June 2014

- New resolution for business clients to decide on deposit or investment account.
- Conversion of all existing Mudarabah savings account (SA) to Wadiah SA.*



April - May 2015

- 2 April 2015
- Launching of the first Restricted Investment Account (RIA) in Malaysia i.e. TH RIA (Al-Ansar) by the Prime Minister of Malaysia.



25 May 2015

- Communication with Al-Awfar SA customers' to obtain consent for conversion.

June 2015

- 1 June 2015
- Effectiveness of BNM's IA Policy.
- Launching of 5 new IA:
 - ✓ Al-Awfar Account
 - ✓ Special IA
 - ✓ Waheed IA
 - ✓ Interbank IA (Mudarabah)
 - ✓ Interbank IA (Wakalah)
- Reclassification and conversion of Al-Awfar SA to Al-Awfar Account (IA) or Wadiah SA

FUNDING STRUCTURE OF ISLAMIC BANK – IFSA 2013

Deposits



- ✓ Current Account
- ✓ Savings Account
- ✓ Term Deposit

Investment Accounts



- ✓ Unrestricted Investment Account
- ✓ Restricted Investment Account

Shareholders' Funds



- ✓ Paid Up Capital
- ✓ Retained Earnings
- ✓ Others



INVESTMENT ACCOUNTS



Investment Account Holder



Contract under IA :

- ✓ Wakalah
- ✓ Mudarabah
- ✓ Musharakah



Unrestricted Investment A/C

Restricted Investment A/C

- ✓ General mandate or allows the Bank to make ultimate investment decision without restrictions or any conditions
- ✓ Term or Transactional (Unlimited withdrawal)
- ✓ Mismatch maturity
- ✓ On-balance Sheet

- ✓ Specific Investment Mandate/Asset Class
- ✓ Fixed tenure
- ✓ Redemption upon maturity of assets; or redemption only upon realisation of underlying assets to a third party; or redemption only upon finding replacement of funds from other IAH (other than the Bank)
- ✓ Off-balance Sheet (subject to compliance with principles of MFRS10)



IA PRODUCTS AVAILABLE IN THE MARKET

Restricted Investment A/C

Al-Ansar
الأَنْصَار
AL-ANSAR
GROW YOUR BUSINESS WITH OUR QUICK & SIMPLIFIED FINANCING
For more information, visit www.bankislam.com.my/al-ansar

4.5% FLAT RATE PER ANNUM

Strategic Corporation
TABUNG HAJI BANK ISLAM



Unrestricted Investment A/C

Waheed-i Media Launch
YOUR MONEY SHOULD WORK HARD, NOT YOU.

Al-Awfar
Rebut Peluangnya!
RM1,000,000
mungkin milik anda!

Sertailah undian "Dream-of-a-Lifetime" Al-Awfar. Dunia kalahkan baki minimum sebanyak RM1,000 di dalam Akuan-i Al-Awfar anda selama sekurang-kurangnya 3 bulan sehingga 31 Disember 2013.

Simpan atau tambah ke dalam akaun anda sebelum 1 Oktober 2013

BANK ISLAM

Al-Awfar
Higher effective returns* with Maybank Islamic General Investment Account-i (GIA-i).

6.0% p.a.
11th - 12th Month

4.5% p.a.
7th - 10th Month

4.0% p.a.
1st - 6th Month

Dividends* paid monthly

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Find out more about KFH Gold Account-i by calling 1800 888 KFH(534), visit any of KFH Malaysia's Branches or login to www.kfh.com.my for more information.

No	Existing Mudarabah-based Account	Reclassify to Mudarabah IA Fund Type	Product Name under Mudarabah IA
1	Golden Savers Savings Account-i	Daily Fund-i	Golden Savvy Account-i
2	netCurrent Account-i	Daily Fund-i	net Account-i
3	Premier Mudarabah Account-i	Daily Fund-i	Premier Mudarabah Account-i
4	Premier Mudarabah Account-i (SME BB)	Daily Fund-i	Premier Mudarabah Account-i (SME BB)
5	Premier Mudarabah Account-i (GB)	Daily Fund-i	Premier Mudarabah Account-i (GB)
6	Private Banking Account-i	Daily Fund-i	Private Banking Account-i
7	General Investment Account-i	Term Fund-i	General Investment Account-i

Higher effective returns* with Maybank Islamic General Investment Account-i (GIA-i).

- Earn effective returns* of 4.50% per annum.
- No penalty for early withdrawal.
- The campaign is valid from 1 October till 30 November 2015 or upon reaching the overall limit, whichever is earlier.
- Minimum placement of RM10,000 for individuals or RM20,000 for SME/Business Banking customers on a single certificate.
- Applicable for fresh fund placements made over the counter only at Maybank & Maybank Islamic branches in Malaysia.

Should there be an Overnight Policy Rate change, the offered rates may be revised. This is an investment account that is tied to the performance of the underlying assets. For more information please refer to the Product Disclosure Sheet. *All returns/dividends are indicative.

MSIA Promos.com
Call 1300 88 6688 or log on to www.maybank.com.my for more details or terms and conditions.
Monday @ 9PM
*Not covered by PDIA and principal is not guaranteed. Connect with us on: @Maybank | @myMaybank

Humanising Financial Services. **Maybank Islamic**

...eight (8) banks have obtained approval to offer investment account

Saadiq Business\$aver-i
Saadiq JustOne Priority Investment Account-i



STRUCTURING AN INVESTMENT ACCOUNT



Origination

- Product Design
- Target Market
- Asset Allocation
- Risk Profile
- Rate of Return
- Accounting Treatment

Execution

- Product Disclosure
- Marketing Channel/ Communication
- Suitability Assessment
- Service Level Agreement (RIA)

Maintenance

- Oversight Function
- Fund Performance Report
- <http://www.bankislam.com.my/home/assets/uploads/Al-Awfar-FPR-231215-Final.pdf>
- Or
- <http://www.bankislam.com.my/home/assets/uploads/Term-Investment-FPR-231215-Final.pdf>
- Financial Statements & Disclosure



KEY CONSIDERATION IN STRUCTURING AN INVESTMENT A/C

Application of Shariah Contracts

Accounting Treatment

Assets Allocation

Balance Sheet Composition
(Impact to FDR)

Capital Savings

Liquidity Management
(Fund vs Bank)

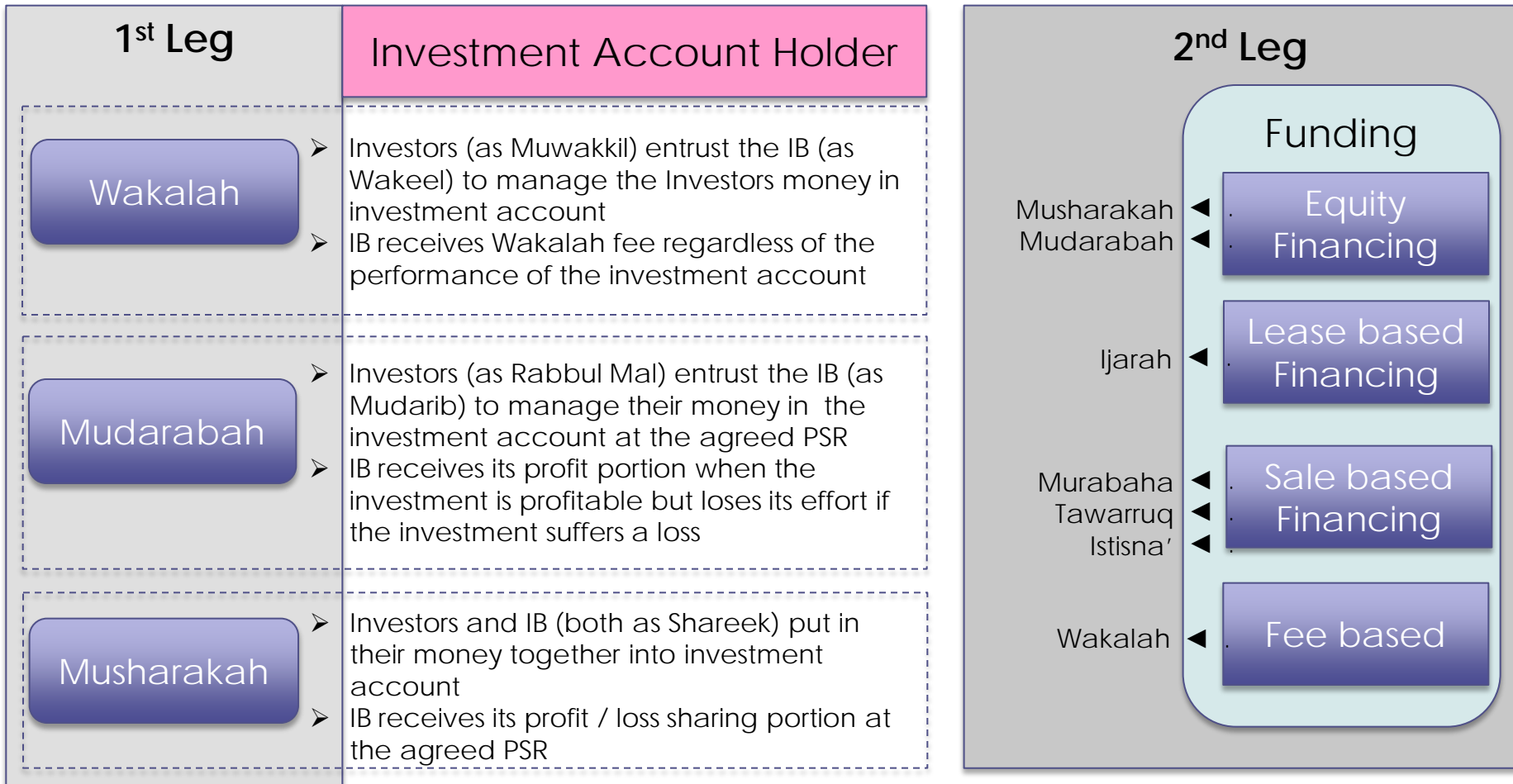
Expected Rate of Return &
Impact to P & L

Risk Tolerance Level
(Low, Moderate, High)

Asset Tagging &
Disclosure Requirement



APPLICATION OF SHARIAH PRINCIPLES





RESTRICTED INVESTMENT ACCOUNT – OFF BALANCE SHEET

Specific Mandate

IAH dictate the underwriting credit criteria

IAH determine the composition of portfolio

IAH determine the expected rate of return - Wakalah

IAH determine the Profit Sharing Ratio - Mudarabah

IAH decide on the principal terms of recovery or rehabilitation

IAH take the ownership of risk

Undisputed Rights on the Assets/ Ownership of residual cash flows from the underlying assets

Bank has no control over the underlying asset portfolio



RESTRICTED INVESTMENT ACCOUNT – OFF BALANCE SHEET

The specific assets are the only source of payment to the IAH

The underlying assets and liability are not recorded as part of the Bank's liabilities

Investment amount is subject to the credit risk of underlying assets

Investments are not guaranteed by the Bank, PIDM or third party

Underlying Assets & Residual Cash Flow are ring-fenced from the Bank

Upon termination, any residual assets and cash balances are returned to IAH

IAH have absolute discretion to review the investment portfolio or discontinue the availability of the funds

IAH indemnify the Bank from any legal suits or claims in relation to the Bank

Adherence to MFRS 10



NEW LOOK ON THE BALANCE SHEET

ASSETS	LIABILITIES
Cash & Short-term Funds	Deposits from Customers
Financial Assets (HFT, AFS, HTM) i.e. PDS	Investment Account of Customers (URIA/RIA) (Note X)
Financing (Consumer. Commercial & Corporate)	Deposit Placements of Banks & Financial Institutions
Investment in Subsidiaries	Zakat & Taxation
Other Assets	Other Liabilities
	Equity
Total Assets	Total Liabilities & Equity

Note X : Describes the funding structure i.e. URIA or RIA, the amount of funds applied to different Shariah contracts, and the underlying assets supporting the fund.
As RIA is off balance sheet, the information presented is for disclosure purposes.



INVESTMENT ACCOUNTS AS "A NEW FRONTIER"

Act as Investment Intermediary in addition to Credit Provider

Move towards "Responsible Risk Sharing"

Return to commensurate with the risk taken or Differing Risk-Return Profiles

Promote Greater Transparency & Disclosure

Facilitate Mobilisation of Capital – Gateway to Financial Inclusion

Innovation Catalyst

Flexibility to Right-size the Balance Sheet

Competitive Edge to Islamic Finance – Capital Management & Liquidity Management

New Mindset & Skill Sets



QUESTION & ANSWER – hizamuddin@bankislam.com.my

Islamic Bank of the Year - Asia

by the European Global Banking & Finance Awards 2015



Strongest Local Bank

by Focus Malaysia (using Bloomberg methodology)



Best Commercial Bank - Malaysia

by CPI Financial, Dubai



Best Islamic Bank in Malaysia

by The International Banker Asia & Australasia Banking Awards 2015



Strongest Retail Bank in Malaysia

by Cambridge IF Analytica, United Kingdom



Innovation in Retail Banking Malaysia Banker

by The International Banker Asia & Australasia Banking Awards 2015

Best Islamic Bank Malaysia & Award for Excellence in Shariah Compliant Banking

by Wealth & Finance Intl's 2015 Finance Awards



Highly Commended Award for Best Debit Card - UniDebit

By Cards & Electronic Payments International (CEPI) Asia Summit & Awards 2015





Thank You والسلام

