

BANK ISLAM

**MOVING TO A NEW
FRONTIER**

MEDIA BRIEFING - INVESTMENT ACCOUNT

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IFSA 2013

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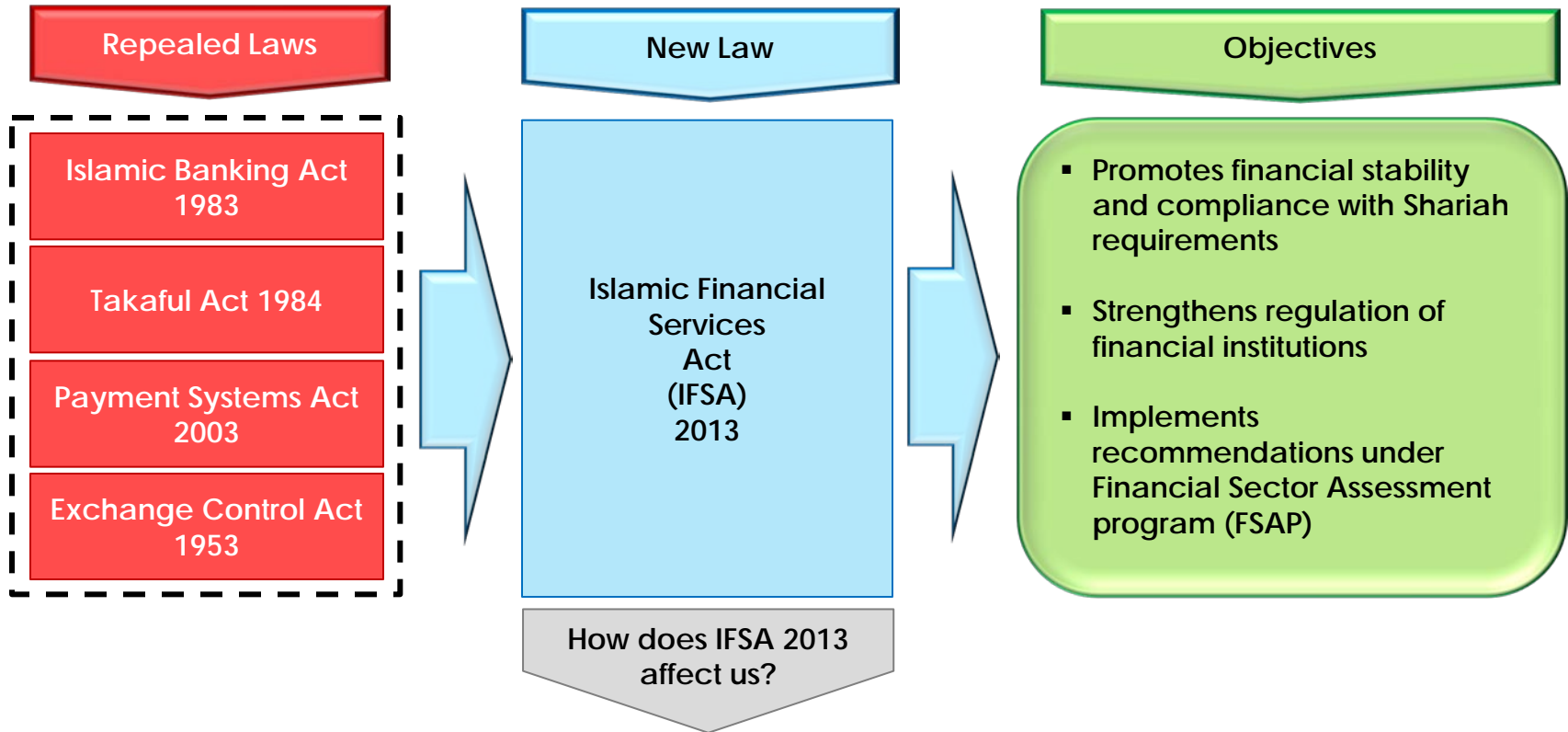
MOVING FORWARD

Section 5



H2E PLAN
Hijrah to Excellence

ISLAMIC FINANCIAL SERVICES ACT 2013 (IFSA)



“For all Islamic banks in Malaysia, including Bank Islam, this involves a reclassification of our existing deposit products”

BNM on 14 March 2014 issued an Investment Account Policy that outlines the new investment account product requirements as defined by Islamic Financial Services Act 2013 (IFSA).

FUNDING STRUCTURE – IFSA 2013

Deposits



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

Investment Accounts



- ✓ Unrestricted Investment Account
- ✓ Restricted Investment Account

Shareholders' Funds



- ✓ Paid Up Capital
- ✓ Retain Earnings
- ✓ Others

TRANSITION PERIOD

BEFORE TRANSITION

DEPOSIT

- Wadiah
- Bai' 'Inah
- Mudarabah
- Wakalah
- Tawarruq

AFTER TRANSITION

DEPOSIT

- Wadiah/Qard
- Tawarruq
- Bai' 'Inah

INVESTMENT

- Mudarabah
- Musharakah
- Wakalah



- As per BNM's Investment Account Policy, the new classification of the existing deposit products shall take effect commencing on 1 July 2015.

For Bank Islam :-

- Islamic deposit is already in place in April 2014.
- Investment Account products will be launched on 1 June 2015.

Islamic Deposit	Investment Account
<ul style="list-style-type: none"> ▪ Sum of money accepted or paid in accordance with Shariah. ▪ Will be repaid in full on maturity. 	<ul style="list-style-type: none"> ▪ Money is paid and accepted for the purpose of investment in accordance with Shariah. ▪ No expressed or implied obligation to repay the Money in full (Principal and/or Profit).
<ul style="list-style-type: none"> ▪ With or without any gains or return. 	<ul style="list-style-type: none"> ▪ With or without any returns (profit or loss).
<ul style="list-style-type: none"> ▪ Repayment either on demand or at a certain time. 	<ul style="list-style-type: none"> ▪ Repayment at a certain time which includes unlimited withdrawal.
<ul style="list-style-type: none"> ▪ Shariah contracts: Wadiah, Tawarruq, Bai' 'Inah 	<ul style="list-style-type: none"> ▪ Shariah contracts: Mudarabah, Musharakah, Wakalah
<ul style="list-style-type: none"> ▪ Capital guaranteed. 	<ul style="list-style-type: none"> ▪ Capital is <u>not</u> guaranteed.
<ul style="list-style-type: none"> ▪ PIDM protection – YES 	<ul style="list-style-type: none"> ▪ PIDM protection – NO

DEPOSIT ACCOUNTS



Principal guaranteed
Shariah contracts
ISLAMIC DEPOSIT
(Priority of payment
accorded upon winding
up)

Deposit Account

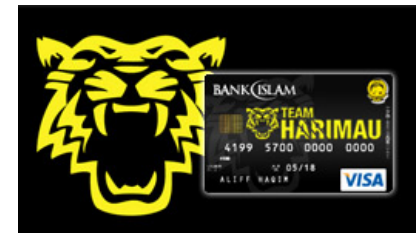
- Wadiah/Qard
- Tawarruq
- Bai Inah

Wadiah/Qard

- No returns
- Marketing on services/features i.e.: debit-card facility, access to TH account, TAP mobile banking, MEPS IBFT, etc

Tawarruq

- Similar to fixed/term deposit
- Returns are fixed upfront as part of Murabaha structure
- Brokerage fees to be borne by the Bank



INVESTMENT ACCOUNTS



Investors

Contract under IA :

- ✓ Wakalah
- ✓ Mudarabah
- ✓ Musharakah



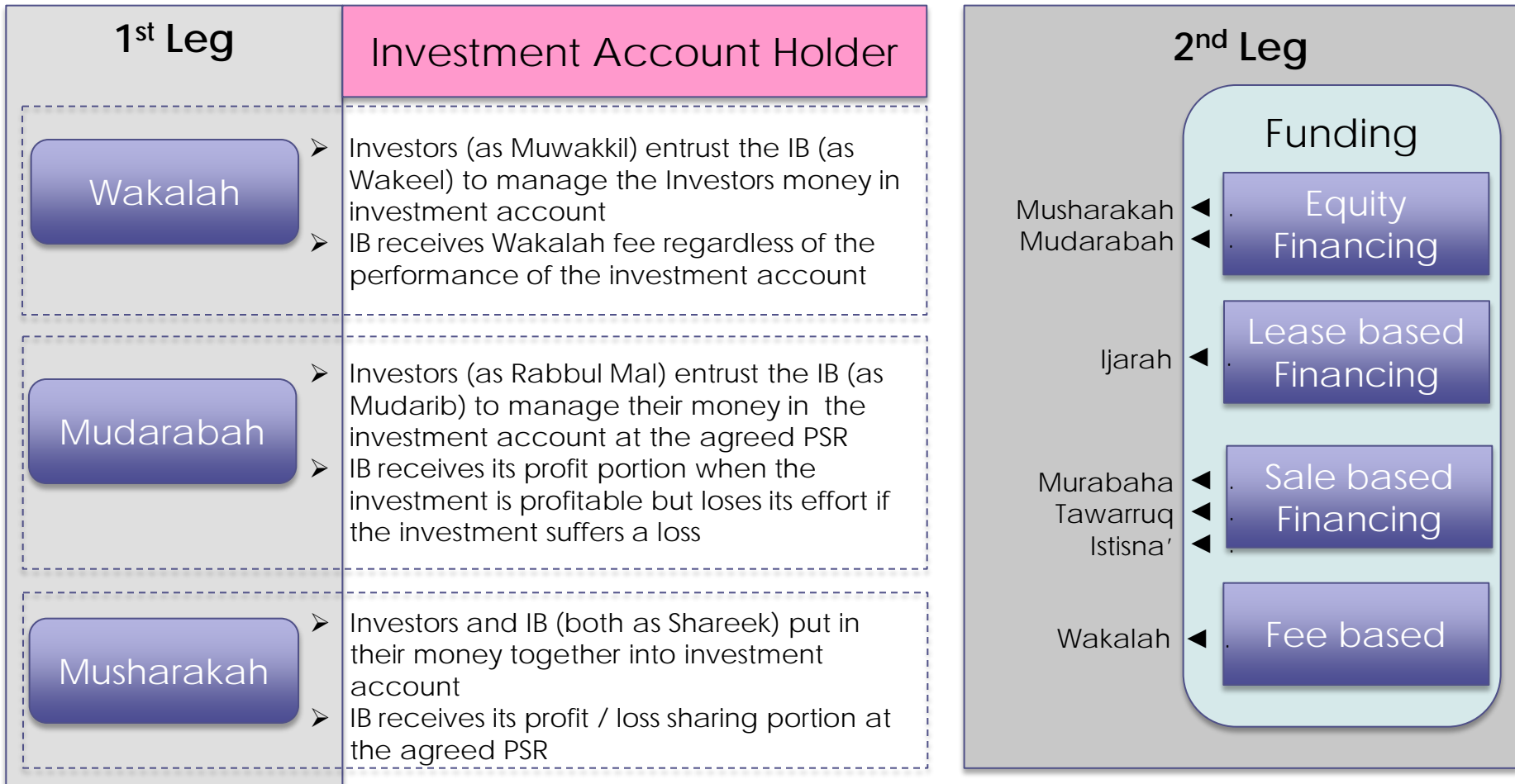
Unrestricted
Investment
A/C

Restricted
Investment
A/C



- ✓ 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

- ✓ General mandate or allow the Bank to make ultimate investment decision without restrictions or any conditions
- ✓ Unlimited withdrawal
- ✓ Mismatch maturity
- ✓ On-balance Sheet (subject to compliance with principles of FRS10)

APPLICATION OF SHARIAH PRINCIPLES



INVESTMENT ACCOUNTS – KEY FEATURES

KEY FEATURES	RESTRICTED INVESTMENT ACCOUNT	TERM INVESTMENT ACCOUNT	TRANSACTIONAL INVESTMENT ACCOUNT
Product name	<ul style="list-style-type: none"> ✓ Al Ansar 	<ul style="list-style-type: none"> ✓ Waheed ✓ Specific Investment Account (SIA) 	<ul style="list-style-type: none"> ✓ Al Awfar 
Date of Launch	<ul style="list-style-type: none"> ✓ 2 April 2015 	<ul style="list-style-type: none"> ✓ 1 June 2015 	<ul style="list-style-type: none"> ✓ 3 June 2015
Investor (s) / Customer's Profile (Investor Account Holder)	<ul style="list-style-type: none"> ✓ Lembaga Tabung Haji 	<ul style="list-style-type: none"> ✓ Corporate Entity ✓ Institutions ✓ Non-Individuals 	<ul style="list-style-type: none"> ✓ Individual ✓ Retail Institutions
Fund Size	<ul style="list-style-type: none"> ✓ RM200 mil 	<ul style="list-style-type: none"> ✓ Unlimited 	<ul style="list-style-type: none"> ✓ Unlimited (subject to availability of house financing assets)
Underlying Assets / Investment Portfolio	<ul style="list-style-type: none"> ✓ SME financing 	<ul style="list-style-type: none"> ✓ Existing Bank's Assets (to be disclosed before offering) 	<ul style="list-style-type: none"> ✓ House Financing Assets
Investment Risk	<ul style="list-style-type: none"> ✓ High 	<ul style="list-style-type: none"> ✓ Medium (subject to underlying assets) 	<ul style="list-style-type: none"> ✓ Low (given the underlying collateral)

INVESTMENT ACCOUNTS – KEY FEATURES...cont

KEY FEATURES	RESTRICTED INVESTMENT ACCOUNT	TERM INVESTMENT ACCOUNT	TRANSACTIONAL INVESTMENT ACCOUNT
Shariah Contracts	✓ Wakalah	✓ Wakalah ✓ Mudarabah	✓ Mudarabah
Nature of Shariah Contract	✓ Performance Incentive	✓ Agency Fee ✓ Profit Sharing	✓ Profit Sharing
Investment Objective / Motivation	✓ To develop Muslim Bumiputera Economy + Expected Return	✓ Commendable Return	✓ To win the prizes i.e. – RM1 mil
Investment Tenure	✓ Up to 2020 (or upon fully drawdown of the fund, whichever earlier)	✓ 1 day to 1 year (Negotiable)	✓ Unlimited
Withdrawal	✓ Upon maturity (as per the agreed term and conditions)	✓ Upon Maturity	✓ On demand / unlimited

INVESTMENT ACCOUNTS – KEY FEATURES...cont

KEY FEATURES	RESTRICTED INVESTMENT ACCOUNT	TERM INVESTMENT ACCOUNT	TRANSACTIONAL INVESTMENT ACCOUNT
Capital/Principal Protection (Insured by PIDM)	✓ No guarantee	✓ No guarantee (entitled to the asset tagged)	✓ No guarantee (backed by house financing portfolio)
Minimum Placement/ Investment	✓ RM10 mil per drawdown	✓ RM500,000	✓ RM100
Expected Return/ Profit Rate	✓ 3% (or actual return if profit < 3%)	✓ Based on agreed PSR	✓ Based on agreed PSR
Profit Payment Frequency	✓ Monthly distribution	✓ Upon maturity	✓ Monthly distribution
Fund Performance Reporting	✓ Quarterly	✓ Quarterly	✓ Quarterly
Documentation	✓ Wakalah Agreement & Service Level Agreement	✓ Specific Board Resolution & Transaction Doc.	✓ Self Assessment Form (for Individual & SME) & Transaction Doc.

WHAT ARE THE DIFFERENCES ? – PRE & POST IA FRAMEWORK

PRIOR IFSA

SIA & WAHEED-I

- Classified as Deposit
- Board Reso/Mandate: Deposit/Placement
- No Suitability Assessment required
- On terms that the sum of money will be repaid in full with or without gains or returns

VS



- Classified as Investment
- Board Reso/Mandate: Investment (Customer to provide New Reso/Mandate)
- Suitability Assessment required (for Retail & SMEs only)
- Principal is secured against identified assets of the Bank whilst return is subject to the performance of these assets

TERM INVESTMENT ACCOUNT

- ❑ The applicable Shariah contracts used for Investment Account would be Mudarabah and Wakalah.
- ❑ These accounts will be offered to Non-Individuals.
- ❑ Principal is secured by the assets of the Bank, whilst return is subject to the performance of the underlying portfolio.
- ❑ Investment accounts are NOT covered by the PIDM scheme.
- ❑ Initial deposit is negotiable.
- ❑ Tenor is negotiable.
- ❑ Profit payment - Upon maturity or 6-months interim profit payment for tenure 15 months and above (for Wakalah Investment Account only).
- ❑ Partial withdrawals are NOT allowed.
- ❑ Pre-mature withdrawals are allowed where the rates are negotiable.

TOWARDS THE END OF H2E PLAN (2013 – 2015)



H2E PLAN
Hijrah to Excellence

2013

**OPTIMISING
OPPORTUNITIES**

2014

MOVING TO A NEW
FRONTIER

2015

INVESTMENT ACCOUNT AS "A NEW FRONTIER"

Act as Investment
Intermediary in addition to
Credit Provider

Moving toward
"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

Thank You والسلام



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