



BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

**GUIDELINES ON
ACCEPTED BILLS-i (AB-i)**

FEBRUARY 2003

BANK NEGARA MALAYSIA

GUIDELINES ON ACCEPTED BILLS-i (2003)

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Jabatan Perbankan Islam dan Takaful
Bank Negara Malaysia
Kuala Lumpur
15 February 2003

PREAMBLE

The Accepted Bills-i ("AB-i"), which was previously known as Islamic Accepted Bills (IAB) were introduced in 1991 with the objective to encourage and promote both domestic and foreign trade through an Islamic financing mechanism. The AB-i is formulated based on the Shariah concepts of *murabahah* (cost-plus) and *bai' dayn* (debt-trading).

2. *Murabahah* refers to the selling of merchandise at a price based on cost plus profit margin agreed to by both parties. *Bai' dayn* refers to the sale of a debt arising from a trade transaction in the form of a deferred payment sale.

3. There are two types of financing under the AB-i facility, namely: -

- (i) Imports and local purchases; and
- (ii) Exports and local sales.

Imports and local purchases

4. An applicable mechanism under this type of financing is the working capital financing under *murabahah*. Under this concept, the bank appoints the customer as the purchasing agent for the bank. The customer then purchases the required goods from the seller on behalf of the bank, which would then pay the seller and resell the goods to the customer at a price, inclusive of a profit margin. The customer is allowed a deferred payment term of up to 365 days. Upon maturity of the *murabahah* financing, the customer shall pay the bank the cost of goods plus the bank's profit margin.

5. The sale of goods by the bank to the customer on deferred payment term constitutes the creation of debt. The debt is securitised in the form of a bills of exchange drawn by the bank on and accepted by the customer for the full amount of the bank's selling price payable at maturity. If the bank decides to sell the AB-i to a third party, AB-i will be sold under the concept of *bai' dayn*.

Imports/Local Purchases AB-i - the bank draws the AB-i (drawing bank) and accepted by the importer/purchaser (acceptor);

Export/local sales

6. The applicable Shariah concept under this type of financing facility is *bai' dayn*. The customer prepares the sale documents as required under the sales contract or letter of credit. Subsequently, the sale documents are sent to the purchaser's bank. The customer draws on the bank a new bills of exchange as a substitution bill that represents the AB-i. The bank will purchase the AB-i at a mutually agreed price using the concept of *bai' dayn* and the proceeds will be credited to the customer's account.

Exports/Local Sales AB-i - the exporter/seller (drawer) draws the AB-i, and accepted by the bank (accepting bank)

7. In conjunction with the revision of the Guidelines on Bankers Acceptance in November 2002, Bank Negara has undertaken a review to revise the IAB Guidelines issued in 1993 to reflect the developments that have taken place in the trade and finance, and to cater the prevailing developments in the financial system.

8. It is hoped that the revised guidelines on AB-i would provide better guidance to the users, particularly the Islamic financial institutions. In any case, should there be any further need to obtain clarification or explanation on the new guidelines, enquiries can be directed to:

Pengarah
Jabatan Perbankan Islam dan Takaful
Bank Negara Malaysia
Jalan Dato' Onn
50480 Kuala Lumpur
(U.p. Seksyen Pembangunan Pasaran)

PART I

PRELIMINARY

1. Effective Date

These “Guidelines on Accepted Bills-i” shall be effective from **15 February 2003**.

2. Purpose

The purpose of these Guidelines is to provide a uniform set of procedures, practices, conditions and limitations governing the creation and trading of Accepted Bills-i (AB-i) in Malaysia.

3. Coverage

These Guidelines are applicable to AB-i **denominated in Ringgit Malaysia (RM)** drawn on a bank or seller and accepted by the bank or purchaser in Malaysia.

4. Interpretation

In these Guidelines, unless the context otherwise provides:

“**AB-i**” means an accepted bills, which is a bills of exchange drawn on or accepted by a bank in Malaysia in accordance with these Guidelines;

“**AB-i-Purchase**” means a bills of exchange drawn and guaranteed by the drawing bank on and accepted by the importer/purchaser in Malaysia;

“**AB-i-Sale**” means a bills of exchange drawn by the exporter/seller on and accepted by the accepting bank in Malaysia;

“**accepting bank**” means the bank which is the drawee and acceptor of an AB-i-Sale (including exports);

“acceptor” means the bank and the customer who is the drawee that accept the AB-i Sale and AB-i Purchase respectively;

“bank” means an Islamic bank licensed under section 3(4) of the Islamic Banking Act 1983; a commercial bank or merchant bank licensed under Section 6(4) of the Banking and Financial Institutions Act 1989;

“banking hours” means business hours of the bank;

“BNM” means Bank Negara Malaysia

“commercial documents” means invoices, transport documents (including shipping documents), documents of title or other similar documents, or any other documents whatsoever (not being financial documents);

“drawer” means the bank and the customer who draws the AB-i Purchase and AB-i Sale respectively;

“drawing bank” means the bank which is the drawer of an AB-i Purchase;

“financial documents” means bills of exchange, promissory notes, cheques, payment receipts or other similar instruments used for obtaining or evidencing the payment of money;

“fixed assets” in relation to the purchaser, include land, buildings, installations, fixtures, fittings, equipment, machinery and any other property (whether movable or immovable) which are not intrinsic components of the final product being produced for sale by the purchaser, but shall exclude movable properties (including equipment and machinery) which are carried by the purchaser as stock-in-trade;

“goods” means tangible products or merchandise (including raw materials, semi-finished products and finished products);

“licensed financial institution” means Islamic banks licensed under section 3(4) of the Islamic Banking Act 1983; commercial banks, merchant banks, finance companies and discount houses licensed under Section 6 (4) of the Banking and Financial Institutions Act 1989;

“Non-Resident” means an entity as defined in Exchange Control of Malaysia (ECM) Notice 1;

“own AB-i-Purchase” means, to the drawing bank, an AB-i-Purchase drawn by itself;

“own AB-i-Sale” means, to the accepting bank, an AB-i-Sale drawn on and accepted by itself;

“person” means a person as defined under Section 2 (1) of the Banking and Financial Institutions Act 1989;

“related corporations” means related within the meaning of Section 6 of the Companies Act 1965;

“Resident” means an entity as defined in ECM Notice 1.

“supporting documents” means financial documents and/or commercial documents.

PART II

GENERAL GUIDELINES

5. Procedure for the Creation of an AB-i

The general procedure for the creation of an AB-i is as follows:

- i) An acceptance financing facility is arranged with a bank;
- ii) The required documentary evidence of trade is presented to the bank for the purpose of drawing an AB-i on the bank/purchaser; and
- iii) Once the bank is satisfied that the documents are in order and the AB-i complies with the terms of the AB-i facility and all applicable conditions for the creation of AB-i specified in these Guidelines, the bank shall:
 - (a) in the case of AB-i-Purchase, draw an AB-i to be accepted by the purchaser/importer; and
 - (b) in the case of AB-i-Sale, accept the AB-i.

6. General Conditions for Creating an AB-i

6.1 An AB-i may be drawn on and accepted by a bank/purchaser pursuant to an acceptance financing facility, to finance the customer's genuine trade related purchases from or sales of goods to another person who may be a resident or non-resident, evidenced by proper and adequate documentation.

6.2 The goods involved in the trade transaction shall be tangible goods and non-listed goods (including raw materials, semi-finished products

and finished products) and shall be used in the production of non-listed goods (please refer to table 1 on listed goods)

- 6.3 Unless otherwise specifically provided for in these Guidelines or approved by BNM, the “sale” or “purchase” of services **shall not** be eligible for AB-i financing. However, the following activities may be considered for AB-i financing:
- i) Purchase of computer software licences;
 - ii) Companies involved in trade-related logistic services such as warehousing, forwarding and shipping; and
 - iii) Electricity purchased from independent power producer.

Exemption will be granted on case-by-case basis.

- 6.4 A bank **shall not** accept or draw an AB-i that is drawn to finance a sale or purchase of goods, where:
- i) The two parties to the trade transaction are part of a single legal entity (e.g. production department and marketing department of one company or one branch and another branch);
 - ii) The two transacting parties are sole proprietorships operated or owned by the same individual or where the proprietors are different individuals related to each other (parent/child or spouse); or
 - iii) The two transacting parties are partnerships in which the partners are the same individuals or the majority of the

partners are common, or one or more common partners own the majority share in the partnerships.

6.5 Where the two transacting parties are related corporations, an AB-i may still be drawn **provided** that the accepting/drawing bank shall take reasonable measures to verify that:

- i) The related corporations are indeed separate legal entities; and
- ii) The trade transaction between the two related corporations was undertaken at arm's length and there was a genuine transfer of title to the goods concerned, evidenced by proper and adequate documentation.

6.6 Extension of AB-i tenure or creation of new AB-i using the same commercial/financial documents of the existing AB-i to repay the financing created by existing AB-i is not allowed.

7. Documentary Requirements

7.1 In general, an AB-i may only be drawn on the presentation of a complete set of documents, as follows:

- i) The customer's declaration that no other source of finance (including under a lease, hire purchase, or factoring agreement) has been or would be obtained for the trade transaction concerned;
- ii) The full set of commercial and/or financial documents, evidencing or acknowledging the trade transaction concerned, unless paragraph 7.2 applies;

- iii) A receipt or other documentary evidence of payment, in the case where the purchaser who is accepting the AB-i has already made payment to the supplier prior to the creation of the AB-i; and
- iv) Letter from the Controller of Foreign Exchange authorising the seller to extend credit terms beyond six months to non-resident purchasers, in the case where the seller intends to draw an AB-i with a tenor of more than six months to finance the sale of goods to a non-resident.

7.2 Where the full set of commercial and/or financial documents may not yet be available on the drawing date or where the transaction is only evidenced by a single document, an AB-i may still be drawn **subject** to the following conditions:

- i) at least one supporting document or the single document is presented;
- ii) the document(s) presented contain at least the following information:
 - (a) **Names and addresses** of the parties to the trade transaction;
 - (b) **Specific description of the goods** which is the subject of the trade transaction;
 - (c) **Financial value** of the trade transaction; and
 - (d) **Terms and conditions** for the settlement of the trade transaction; and

- iii) Where applicable, the remaining documents should be presented for the accepting/drawing bank's record once they become available.

7.3 Financing against *Summary of Invoices* are allowed at the discretion of the bank, subject to the following conditions:

- i) The summary of invoices must contain the relevant information as mentioned in Paragraph 7.2 ii) of the Guidelines;
- ii) Customers provide an undertaking to the accepting/drawing bank that they will not seek AB-i financing for the same invoices with other banks;
- iii) Customers are to make available the relevant invoices, other related commercial and/or financial documents to the accepting/drawing bank as and when requested by the bank to do so; and
- iv) The accepting/drawing bank is required to conduct regular checks on those customers granted AB-i financing against summary of invoices and the results of the checks should be documented for reference and follow-up.

7.4 The commercial and/or financial documents presented to the accepting/drawing bank shall be original copies.

7.5 In the event that the original copies of the commercial and/or financial documents are not available or may not yet be available on the acceptance date, a bank may accept copies of

such documents, which are produced or appear to be produced:

- i) by reprographic systems;
- ii) by, or as a result of, automated or computerised systems; or
- iii) as second or carbon copies;

Provided that such documents:

- i) have a serial number; and
- ii) are authenticated by authorised signatories.

7.6 Unless it is not possible or practicable, the original copies of the commercial and/or financial documents shall be presented for the accepting/drawing bank's record once they are available, even though the AB-i has already been drawn and accepted.

7.7 The accepting/drawing bank shall clearly indicate on the first page of each and every commercial and/or financial document presented that it is financed under the bank's AB-i.

8. Amount Eligible for AB-i Financing

8.1 Subject to the invoice having a minimum denomination of **RM50,000 and in multiples of RM1,000**, the face value of a AB-i may be **equal to but shall not exceed** the financial value of the trade transaction stipulated in the supporting document (s).

- 8.2 The financial value of a trade transaction shall be:
- i) In the case of purchases, **the amount of money payable by the acceptor of an AB-i for the full amount of the bank's selling price** (calculated using the formula as per Appendix II), which includes payment to the supplier of the trade, plus other separate payments to relevant parties (e.g. import duties to the Government, insurance premiums to insurance companies etc.), if applicable, and the bank's profit margin, which is necessary to effect the trade transaction; or
 - ii) In the case of **sales, the amount of money receivable by the drawer (of an AB-i) from the buyer for the settlement of the trade.**
- 8.3 Any fees, charges, costs, or payments whatsoever payable or receivable as consideration for after-sales services **shall not** be eligible for financing under an AB-i facility.

9. Drawing an AB-i on Multiple Transactions

- 9.1 A single AB-i may be drawn to finance multiple trade transactions, **subject to** the following conditions:
- i) All trade transactions are of the **same class of transaction** i.e. purchase from non-resident, sale to non-resident, purchase from resident or sale to resident;
 - ii) The aggregate financial value of the trade transactions is at least **RM50,000**; and

- iii) The tenor of the AB-i drawn **shall not exceed**:
 - (a) In the case of financing **purchases, 365 days less the period between the date of the earliest supporting document and the date of drawing the AB-i, provided that the drawing Bank declines to accept a transaction documented more than 180 days before the drawing date; or**
 - (b) In the case of financing **sales, the shortest remaining credit period extended by the drawer (seller) to the purchaser(s) of the goods.**

9.2 Several trade transactions with a minimum of RM1,000 per invoice may be bunched even if:

- i) the trade transactions were undertaken with **different persons**;
- ii) the trade transactions were of **different financial values**;
- iii) the goods purchased or sold were of **different types or descriptions**.

10. Drawing Multiple AB-i on a Single Transaction

Two or more AB-i with the **same or different maturity dates** may be drawn to finance one trade transaction, **subject to** the following conditions:

10.1 The aggregate face value of the AB-i drawn **does not exceed** the financial value of the transaction;

- 10.2 The records of the accepting/drawing bank identify the AB-i as relating to one transaction; and
- 10.3 The multiple AB-i must be drawn **on the same day**.

11. Commission

- 11.1 For AB-i-Sale, the drawer of an AB-i may pay to the bank a commission for the acceptance service. For AB-i-Purchase, the drawer may charge the acceptor a commission for the drawing service.
- 11.2 Where an acceptance/drawing commission is payable, the rate of commission shall be determined by the accepting/drawing bank on the basis of an agreed proportion of the face value of the AB-i, expressed in per cent per annum.
- 11.3 Any minimum rate of commission imposed formally or informally by any bankers' association **shall not** be valid.

PART III

SPECIFICATIONS OF AN ACCEPTED BILLS-i

12. Compliance with Specifications

In addition to the requirements set out elsewhere in these Guidelines, an accepting/drawing bank shall also be required to comply with the specifications and conditions for the accepting/drawing of an AB-i specified in this Part.

13. Specifications of an AB-i Drawn to Finance Purchases

An AB-i drawn to finance purchases shall have the following specifications:

13.1 It is payable in Ringgit Malaysia (RM) to the order of the drawer:

- i) On a specified future date, without days of grace, such date being **not earlier than twenty-one days** from the date of acceptance;
- ii) In an amount of not less than **RM50,000**; and
- iii) At the Head Office, Central Office or Main Office of an Islamic bank or commercial bank **in Kuala Lumpur**;

13.2 It contains a statement that it was drawn to finance the purchase of goods from:

- i) a resident (s); or
- ii) a non-resident (s)

of which details are in the records of the drawing bank; and

13.3 It is drawn on a standard format as per specimen AB-i import/purchase as shown in **Appendix IA**, printed on security paper, the color of which shall be **in any shade of green**.

14. Additional Conditions for Financing Purchases

14.1 Only non-listed goods which are purchased for the purpose of trading (i.e. the goods after being purchased would be sold in original form) or for the purpose of further processing or transformation or assembly into a different product (non-listed) sold by the purchaser, would be eligible for financing under an AB-i.

14.2 An AB-i drawn to finance purchases from a resident or a non-resident (including importation, whether or not under a letter of credit), **shall be subject to** the following additional conditions:

- i) The goods are **not**:
 - (a) Purchased on hire-purchase terms from the supplier;
 - (b) Intended to be used as the fixed assets of the buyer; or
 - (c) Intended to be leased to another person by the buyer.
- ii) The maturity date of the AB-i is determined to be not later than the end of the turnover period deemed reasonable by the drawing bank for the type of goods involved. The maturity date shall be determined as 365 days less the period between the date of the earliest supporting document and drawing date; and;

- iii) The drawing bank shall not draw a purchase transaction where the earliest supporting document is presented after 180 days from its date of origination.
- iv) The acceptor of the AB-i may discount the AB-i with the drawing bank, or with another person if the purchase has been paid for, in which case the acceptor is entitled to receive the sales proceeds.
- v) The acceptor of an AB-i shall be required to sell the AB-i with the drawing bank if the purchases has yet to be paid, in which case, the drawing bank is required to pay the sale proceeds to the supplier of the goods.

15. Specification of an AB-i Drawn to Finance Sales

An AB-i drawn to finance sales shall have the following specifications:

15.1 It is payable in RM to the order of the drawer:

- i) on a specified future date, without days of grace, such date being **not earlier than twenty-one days** from the date of acceptance;
- ii) in an amount of not less than **RM50,000** and in multiples; and
- iii) at the Head Office, Central Office or Main Office of an Islamic bank and a commercial bank **in Kuala Lumpur**;

15.2 It contains a statement that it was drawn to finance the sales of goods to:

- i) a resident (s); or
- ii) a non-resident (s)

of which details are in the records of the accepting bank; and

15.3 It is drawn on a standard format as per specimen AB-i shown in Appendix 1B, printed on a security paper, the color of which shall be in **any shade of green.**

16. Additional Conditions for Financing Sales

16.1 An AB-i drawn to finance export or sales **shall be subject to** the following additional conditions:

- i) The usance period of the AB-i **shall not exceed the remaining credit period extended by the drawer (supplier) to the purchaser of the goods;**
- ii) The original credit period extended by the supplier to the purchaser **shall not exceed 365 days, provided** that where the purchaser is a non-resident, the prior approval of the **Controller of Foreign Exchange** has been obtained by the supplier to provide original usance terms of more than six months to non-resident purchasers.
- iii) The goods **were not sold** under a hire-purchase or sale and lease-back agreement; and

iv) The supplier **does not intend** to sell, or **has not pledged** to sell, or **has not "sold"** the receivable under a factoring agreement.

16.2 The drawer of the AB-i may sell the AB-i with the accepting bank or with another person.

16.3 The accepting bank shall collect from the purchaser (of the goods) the sales proceeds on behalf of the supplier, if so requested by the supplier.

16.4 Where the accepting bank is entrusted to collect the sales proceeds on behalf of the supplier and such proceeds are received by the accepting bank before the maturity of the AB-i, the accepting bank shall invest such proceeds on behalf of the supplier in such manner as agreed with the supplier, or the AB-i may be redeemed in accordance with paragraph 19 of the Guidelines.

17. Sales of an AB-i

17.1 The drawer of an AB-i may sell the AB-i with any person except that, in the case of financing purchases, the first person to sell the AB-i must be the drawing bank, if the acceptor has not yet paid for the purchase.

17.2 The bearer of an AB-i may resell the AB-i with any person.

17.3 The sale proceeds of an AB-i shall be determined by the following formula:

$$P = FV \left(1 - \frac{r t}{36500} \right)$$

where,

- P = Market price or sale proceeds
 FV = Face or maturity value
 r = Annual rate of profit (in per cent per annum)
 t = Number of days remaining to maturity

18. Liquidation on Maturity Date

18.1 Upon maturity of the AB-i, the bearer presents the AB-i through his banker to the paying bank for payment after the AB-i is cleared through the Sistem Penjelasan Imej Cek Kebangsaan (SPICK).

18.2 Any liquidation of AB-i on maturity date via the RENTAS system has to conform to the RENTAS Members RULES.

18.3 Where it is not possible for a AB-i to be presented for payment on the maturity date of the AB-i, due to a public holiday (whether known or unexpected) in Kuala Lumpur, the AB-i may be presented for payment on the next working day in Kuala Lumpur, **without** imposing any additional liability on the accepting bank, the drawer or the acceptor of the AB-i.

19. Redemption before Maturity Date

19.1 An AB-i may be liquidated before its maturity date **only if the accepting/drawing bank is the bearer** of the AB-i and upon payment by the acceptor/drawer of the redemption amount computed as follows:

$$RA = FV \left(1 - \frac{r t}{36500} \right)$$

where,

RA	=	Redemption amount
FV	=	Face value
r	=	Mutually agreed redemption rate (in per cent per annum)
t	=	Number of days remaining to maturity

19.2 Once redeemed, the AB-i **shall be liquidated**, and the obligation of the accepting/drawing bank, the endorsers (if any) and the drawer/acceptor shall be discharged.

20. Authentication

An accepting/drawing bank must be prepared to authenticate its own AB-i upon the request of the bearer during **banking hours**.

PART IV

TRADING OF ACCEPTED BILLS-i IN THE SECONDARY MARKET

21. Trading Hours

- 21.1 The trading hours for "same day value" in Kuala Lumpur for transactions between licensed financial institutions and other persons shall be from 9.00 a.m. to 12.00 noon from Monday to Friday, except public holidays in Kuala Lumpur.
- 21.2 Licensed financial institutions may transact among themselves for same day value during such time as is mutually agreeable, including on half working days and Saturdays in Kuala Lumpur.

22. Delivery

- 22.1 No AB-i shall be sold unless the selling institution possess the physical certificate of the AB-i at the time of sale.
- 22.2 Where the buyer is a licensed financial institution, the AB-i shall be delivered to the buyer.
- 22.3 Where the buyer is not a licensed financial institution, the AB-i shall be collected at the place of business of the seller, unless otherwise agreed with the seller.
- 22.4 Where neither the buyer nor the seller is a licensed financial institution, delivery or collection, as the case may be, shall not be made after 4.00 p.m. on the value date of the transaction.

22.5 Where the buyer and the seller are both licensed financial institutions, delivery shall be made not later than 11.00 a.m. on the first working day following the value date of the transaction or such other period as may be mutually agreed, which in any case, shall not exceed three working days from the value date of the transaction.

23. Settlement

23.1 Where neither the buyer nor the seller is a licensed financial institution, settlement shall be made upon delivery of the AB-i, and the instrument of settlement shall be a cheque drawn by a bank on its account with BNM, in favour of the seller, or such other means of settlement as may be mutually agreed to by the buyer and the seller.

23.2 Where both the buyer and the seller are licensed financial institutions, settlement shall conform to the RENTAS Members Rules or such other method as may be mutually agreed upon.

24. Transactions under Sell and Buy Back Agreements (SBBA)

24.1 A licensed financial institution may enter into an SBBA to sell AB-i (including own AB-i) to another licensed financial institutions or other person approved by BNM at an agreed price and subsequently enters into another agreement thereon promises to repurchase (repo) them at an agreed price on a specified future date, subject to prevailing rules on such transactions issued by BNM.

24.2 A bank is allowed to undertake SBBA or reverse SBBA transactions on its own AB-i.

24.3 The transacting parties shall refer to the Guidance Notes on SBBA with regards to matters governing SBBA transactions.

**SPECIMEN
AB-i Import/Purchase**

AB-i No.00001 Accepted on <input style="width: 30px; height: 20px;" type="text"/> Payable at Commercial Banking Berhad. 789, Jalan Perbankan, Petaling Jaya. for and on behalf of Imports and Purchases Malaysia Sdn. Bhd. (Importer/Purchaser)	<p>Accepted Bills-i</p> <p align="right">Due date <input style="width: 20px; height: 15px;" type="text"/> <input style="width: 20px; height: 15px;" type="text"/> <input style="width: 20px; height: 15px;" type="text"/></p> <p>To Imports and Purchases Malaysia Sdn. Bhd., 123, Jalan Iktisad, 68700 Petaling Jaya (Importer/ Purchaser)</p> <p>At <input style="width: 40px; height: 15px;" type="text"/> days after sight without days of grace pay to the order of ourselves the sum of Ringgit _____</p> <hr/> <p align="right">RM <input style="width: 30px; height: 15px;" type="text"/> <input style="width: 30px; height: 15px;" type="text"/></p> <p>Drawn to finance (Purchase from resident/non-reside of goods described in the records of the drawing bank.</p> <p>for and on behalf of ABC Bank Berhad. [Drawing bank]</p> <p>Dated _____</p>
(This space should be reserved for the printing of the Magnetic Ink Character Recognition encoding for automated clearing)	

5/8"

4"

8.5"

(Not to scale)

**Reverse of AB-i
Endorsement**

(Not to scale)

**SPECIMEN
AB-i Export/Sale**

AB-i No.00001 Accepted on <input style="width: 30px; height: 20px;" type="text"/> Payable at Commercial Banking Berhad. 789, Jalan Perbankan, Petaling Jaya. for and on behalf of ABC Bank Berhad. [Accepting Bank]	<p align="right">Due date <input style="width: 20px; height: 15px;" type="text"/> <input style="width: 20px; height: 15px;" type="text"/> <input style="width: 20px; height: 15px;" type="text"/></p> To ABC Bank Berhad. 123, Jalan Kewangan, 54200 Kuala Lumpur [Accepting Bank]
At <input style="width: 40px; height: 15px;" type="text"/> days after sight without days of grace pay to the order of ourselves the sum of Ringgit _____	
_____ RM <input style="width: 20px; height: 15px;" type="text"/> <input style="width: 20px; height: 15px;" type="text"/>	
Drawn to finance (Sale to resident/non-resident) of goods described in the records of the accepting bank. for and on behalf of Export and Sales Malaysia Sdn. Bhd. (Exporter/Seller)	
Dated _____	
(This space should be reserved for the printing of the Magnetic Ink Character Recognition encoding for automated clearing)	

8.5" (Not to scale)

**Reverse of AB-i
Endorsement**

(Not to scale)

Computation of Financing Proceeds (Under Murabahah)

The financial value of AB-i in case of purchases is calculated using the formula as follows: -

$$FV = IV \left(1 + \frac{r t}{36500} \right)$$

Where,

FV	=	Face or maturity value
IV	=	Invoice value
r	=	Annual rate of profit (per cent per annum)
t	=	Number of days remaining to maturity

Example

If an AB-i of RM1,000,000 IAB is financed under AB-i-Purchase for 90 days at 6.0% per annum, the financial value of the AB-i is derived as follows: -

$$\begin{aligned}
 \text{Proceeds} &= \text{RM1,000,000} \left(1 + \frac{6.0 \times 90}{36500} \right) \\
 &= \text{RM1,000,000} (1 + 0.0147945) \\
 &= \text{RM1,000,000} (1.0147945) \\
 &= \underline{\underline{\text{RM1,014,794.52}}}
 \end{aligned}$$

**Computation of Trading Proceeds
(Under *bai' dayn*)**

The price of AB-i is calculated as a net price expressed on an annual rate of profit basis, based on 365 days in a year, as follows: -

$$P = FV \left(1 - \frac{r t}{36500} \right)$$

Where,

P	=	Market price
FV	=	Face or maturity value
r	=	Annual rate of profit (per cent per annum)
t	=	Number of days remaining to maturity

Example

An AB-i of RM1,000,000 with 90 days to maturity is sold or purchased at 6.0% per annum, the price is derived as follows: -

$$\begin{aligned}
 \text{Price} &= \text{RM1,000,000} \left(1 - \frac{6.0 \times 90}{36500} \right) \\
 &= \text{RM1,000,000} (1 - 0.0147945) \\
 &= \text{RM1,000,000} (0.985 2055) \\
 &= \underline{\underline{\text{RM985,205.50}}}
 \end{aligned}$$

Computation of the Sell and Buy Back Agreement (SBBA) transactions

The proceeds (receipt) from SBBA transaction shall be based on the following formula: -

$$P = FV \left(1 - \frac{r t}{36500} \right)$$

Where,

P	=	Market price
FV	=	Face or maturity value
r	=	Annual rate of profit (per cent per annum)
t	=	Number of days remaining to maturity

Example

On 13/5/2002, Bank A enters into an agreement with customer B to sell AB-i which matures on 27/6/2002 with a separate undertaking to purchase the same on 16/5/2002. The rate of profit is 3.00%.

$$\begin{aligned} \text{Price} &= \text{RM } 2,000,000.00 \left(1 - \frac{3.00 \times 45}{36500} \right) \\ &= \text{RM } 2,000,000 (1 - 0.00369863) \\ &= \text{RM } 2,000,000 (0.99630137) \end{aligned}$$

Total proceeds
paid to Bank A
on 13/5/2002 = RM 1,992,602.74

On 16/5/2002, SBBA contract matures. Customer B returns RM2 million AB-i due on 27/6/2002 to Bank A against a payment of RM1,993,075.66 which consists of the sum of: -

$$\begin{aligned} \text{Price} &= \text{RM } 2,000,000.00 \left(1 - \frac{3.00 \times 42}{36500} \right) \\ &= \text{RM } 2,000,000 (1 - 0.00345205) \\ &= \text{RM } 2,000,000 (0.99654795) \\ \text{Total proceeds} & \\ \text{paid to Bank A} & \\ \text{on 16/5/2002} &= \underline{\text{RM } 1,993,095.89} \end{aligned}$$

Table A

Listed Goods under AB-i transactions

- (i) The goods listed below are described in accordance with The Malaysian Trade Classification and Custom Duties Order 2002 - Practical Guide to Customs Duties Order"
- (ii) Section refers to the relevant section of the Practical Guide.
- (iii) Code refers to the relevant heading/sub-heading given in the Practical Guide.
- (iv) The list is subject to revision, if necessary, on verification by Jabatan Kemajuan Islam Malaysia.

Section	Heading/Sub-Heading	Listed Goods
1	1.03	Live swine
	01.01.00.100	Race horses
	01.01.19.100	Race horses
	2.03	Meat of swine, fresh, chilled or frozen
	02.06.30	Edible offal of swine, fresh, chilled or frozen
	02.08.20	Frogs' legs, and any parts thereof
	02.09.00	Pig fat free of lean meat, fresh, chilled, frozen, salted, in brine, dried or smoke
	02.10.11	Hams, shoulders and cuts thereof, with bone in
	02.10.12	Bellies (streaky) and cuts thereof

Section	Heading/Sub-Heading	Listed Goods
3	02.10.19.100	Bacon
	02.10.19.200	Salted pork
	05.01	Human hair, unworked, whether or not washed or scoured, waste of human hair
	05.02.10	Pigs', hogs' or boars' bristles and hair and waste thereof
	05.04	Guts, bladder and stomach of animals (other than fish), whole and pieces thereof, fresh, chilled, frozen, salted, in brine, dired or smoke
	05.06	Bones and horn - cones, unworked, defatted, simply prepared (but not cut to shape), treated with acid or degelatinised, powder and waste of these products
	05.11.10	Bovine semen
	15.01	Pig fat (including lard) other than that on heading 02.09 or 15.03
	15.02	Fats of bovine animals, sheep and goats, other than those of heading 15.03
	15.03	Lard stearin, lard oil, not emulsified or mixed or otherwise prepared
15.06	Other animal fats and oils and their fractions, whether or not refined, but not chemically modified	

Section	Heading/Sub-Heading	Listed Goods
4	15.16.10	Animal fats and oils and their fractions
	15.17.90.200	Imitation lard
	15.17.90.600	Mixtures or preparations of animal fats or oils or of their fractions
	15.18.00	Animal fats and oils and their fractions, boiled, oxidised, dehydrated, sulphurised, blown, polymerised by heat in vacuum or in inert gas or otherwise chemically, modified, excluding those of heading 15.16: inedible mixtures or preparation of animal fats or oils or of fractions of different fats or oils, not elsewhere specified or included
	16.02.10	Homogenised preparations
	16.01.10.120	Pork
	16.02.20	Liver of any animal
	16.02.41	Swine - hams and cuts thereof
	16.02.90.200	Preparations of blood of any animal
	22.03	Beer made from malt
22.04	Wine of fresh grapes, including fortified wines; grapes must be other than of heading 20.09	
22.05	Vermouth of other wines of fresh grapes flavoured with plants or aromatic substances	

Section	Heading/Sub-Heading	Listed Goods
	22.06	Other fermented beverages (for example, cider, perry, mead)
	22.07	Undenatured ethyl, alcohol of an alcoholic strength by volume of 80% vol or higher, ethyl alcohol and other spirits, denatured, of any strength
	22.08	Undenatured ethyl, alcohol of an alcoholic strength by volume of less than 80% vol; spirit, liquors and other spirituous beverages;
8	41.03.30	Swine - Raw hides and skins
	41.06.31	Swine - Tanned or crust hides and skins (in the wet state including wet blue)
	41.06.32	Swine - Tanned or crust hides and skins (in the dry state - crust)
21	97.03	Original sculptures and statuary, in any material
	97.05	Collections and collectors' pieces of zoological, botanical, historical, mineralogical, anatomical, archaeological etc.

Summary of Proposed Changes to Guidelines on Islamic Accepted Bill (1993)

No.	Proposed Guidelines on Accepted Bill-i	Guidelines on Islamic Accepted Bill
<p>1.</p>	<p>General Conditions For Creating an AB-i</p> <p>Para 6.3 The “sale” and “purchase” of services shall not be eligible for AB-i financing. However, the following activities may be considered for AB-i financing:</p> <ul style="list-style-type: none"> i) Purchase of computer software licences. ii) Companies involved in trade-related logistic services such as warehousing, forwarding and shipping. iii) Purchase of electricity from independent power producer. <p>Exemption will be granted on case by case basis.</p> <p>2. Para 6.6 Extension of AB-i tenure or creation of new AB-i to repay the financing created by existing AB-i is not allowed.</p>	<p>General Conditions For IAB Financing</p> <p>Para 5(iii) The goods involved in the trade transaction are <u>tangible goods</u> and <u>non-haram goods</u> (including raw materials, semi-finished products and finished products) and to be used in the production of non-haram goods. Services will generally not be eligible for IAB financing <u>unless</u> specifically provided for in these Guidelines</p> <p>Not mentioned</p>
<p>3.</p>	<p>Documentary Requirements</p> <p>Para 7 .3 Financing against <i>Summary of Invoices</i> are allowed at the discretion of the bank, subject to the following conditions:</p> <ul style="list-style-type: none"> i) The summary of invoices must contain the relevant information as mentioned in Part II, item 7(2) (ii) of the Guidelines; ii) Customers provide an undertaking to the accepting/drawing bank that they will not seek AB-i financing for the same invoices with other banks; iii) Customers are to make available the relevant invoices, other related commercial and/or financial documents to the accepting/drawing bank as and when requested by the bank to do so; and iv) The accepting/drawing bank is required to conduct regular checks on those customers granted AB-i financing against summary of invoices and the results of the checks should be documented for reference and follow-up. 	<p>Documentary Requirements</p> <p>Para 8 (1) An IAB may only be drawn on the presentation of a <u>full set of original supporting documents</u>.</p>

4.	<p>Para 7.5 A bank may accept copies of such documents which are produced or appear to be produced: The requirement for marking “original” is deleted.</p>	<p>Para 8 (2) (ii) ..a bank may accept as original, documents produced or appearing to have been produced...always provided that such documents: ▪ Are marked as original.</p>
5.	<p>Liquidation on Maturity</p> <p>Para 18.1 Upon maturity of the AB-i, the bearer presents the AB-i through his banker to the paying bank for payment after the AB-i is cleared through the Sistem Penjelasan Imej Cek Kebangsaan (SPICK).</p>	<p>Liquidation on Maturity Date</p> <p>Para 15(1) Upon maturity of the IAB, the bearer presents the IAB through his bank to the paying bank for payment through the Clearing House in Kuala Lumpur.</p>
6.	<p>Para 18.2 Any liquidation of AB-i on maturity date via the RENTAS system has to conform to the RENTAS Members RULES.</p>	Not mentioned
7.	<p>Trading of AB-i in the Secondary Market</p> <p>Para 22.1 – Delivery No AB-i shall be sold unless the selling institution possesses the physical certificate of the AB-i at the time of sale.</p>	Not mentioned
8.	<p>Settlement</p> <p>Para 23.2 Where both the buyer and the seller are licensed financial institutions, settlement shall conform to the RENTAS Members Rules or such other method as may be mutually agreed upon.</p>	<p>Settlement</p> <p>Para 23.2 Where both the buyer and seller are licensed institutions, settlement shall be made by bank transfer to the credit of the current account of the seller, or the bank so designated by the seller, with the bank, on the value date of the transaction.</p>
9.	<p>Transactions under Sell and Buy Back Agreement (SBBA)</p> <p>Para 24.1 A licensed financial institution may enter into an SBBA to sell AB-i (including own AB-i) to another licensed financial institutions or other person approved by BNM at an agreed price and subsequently enters into another agreement thereon promises to repurchase (repo) them at an agreed price on a specified future date, subject to prevailing rules on such transactions issued by BNM.</p>	<p>Transaction under Forward Agreements</p> <p>Para 22(1) Any licensed institution may sell IABs (including own IABs) with a separate agreement to purchase them at an agreed price on a specified future date (Forward Purchase) or buy IABs (including own IABs) with a separate agreement to sell them at an agreed price on a specified future date (Forward Sale), <u>subject</u> to the prevailing rule imposed on such transactions by the Bank.</p>