GUIDELINES ON ISLAMIC NEGOTIABLE INSTRUMENTS

Introduction

- Negotiable Instruments of Deposits (NID) was introduced in Malaysia in 1979, designed as an instrument for the commercial banks and eligible finance companies and merchant banks to mobilise domestic savings from the public. As the instrument is designed to be marketable and liquid, the NID also promoted the development of the domestic money market.
- 2. The rapid development of Islamic banking since 1993 and the setting up of an Islamic money market has accelerated the need to create more marketable deposit instruments similar to the NID. In this respect, an Islamic version of the NID has been developed with similar objectives to that of the NID.
- 3. The Islamic Negotiable Instruments (INI) are structured along the concept Bai' Bithaman Ajil (deferred payment sale) for Negotiable Islamic Debt Certificate (NIDC) and the concept of Al-Mudharabah (profit-sharing) for Islamic Negotiable Instruments of Deposits (INID).
- 4. NIDC refers to a sum of money deposited with the banking institutions (BIs) and repayable to the bearer on a specified future date at the nominal value of NIDC. INID refers to a sum of money invested with the BIs and repayable to the bearer on a specified future date at the nominal value of INID plus declared dividend.
- 5. The INIs have been approved and endorsed by the National Syariah Advisory Council for Islamic banking and takaful of Bank Negara Malaysia (BNM).

Policy Objectives

6. The objective of these Guidelines is to provide a uniform set of terms and conditions, limitations, procedures and practices to govern the issuance and trading of the INI in the Malaysian Islamic money market and to ensure that the transaction is in accordance with the Syariah.

Legal Provision

7. These Guidelines are applicable to Malaysian-Ringgit-denominated INI issued by the Islamic banks licensed under the Islamic Banking Act 1983 and the commercial banks, finance companies, merchant banks and discount houses participating in the Skim Perbankan Islam (thereafter referred to as SPI banks) and licensed under the Banking and Financial Institutions Act 1989.

Present Requirement

8. Approval

- (1) BIs are required to obtain BNM's approval on the following: -
 - (i) Application to be an Issuer of INI;
 - (ii) Application to be an Authorised Depository; and
 - (iii) Application to increase or to maintain an INI issue limit.

9. **Pre-condition**

- (1) Both the bank and the customer shall fulfil the following conditions prior to entering into an INI transaction: -
 - (i) Bank's asset for the sale and purchase (for NIDC);
 - (ii) Cash (for INID);
 - (iii) Both parties agree to the: -
 - (a) sale and purchase price of the asset (for NIDC); and
 - (b) profit-sharing ratio (for INID).
- (2) Assets are defined as any permissible (by Syariah) and identifiable assets owned by the BIs. The assets shall be used for a single transaction at any particular time.

10. **Issuer and Authorised Depository**

- (1) <u>Issuer</u>
 - (i) Only the Islamic banks and SPI banks approved by BNM may issue INI; and
 - (ii) Issuance of INI is mainly confined to the Head Office. However,

branches are allowed to issue INI <u>provided</u> that appropriate control and reporting mechanisms are in place to monitor the issuance.

(2) Authorised Depository (AD)

- (i) Authorised Depository (AD) refers to the following: -
 - (a) A licensed institution approved by BNM to be an AD of INI;
 - (b) An Islamic bank or SPI bank; and
 - (c) Member of RENTAS.
- (ii) An Issuer is allowed to act as an Authorised Depository (AD) for its own INI.

11. Specification

- (1) The INI shall have the following general specifications: -
 - (i) It certifies that a sum in Ringgit has been deposited with the Issuer whereby it is repayable: -
 - (a) to the bearer, upon presentation of the certificate to the Issuer through an AD;
 - (b) on a specified future date (i.e. maturity date) such date being:-
 - (b1) not earlier than 30 days and not later than 10 years from the date of issue: and
 - (b2) not more than 12 calendar months if the dividend is paid every three months or not less than 12 calendar months, if the dividend is paid every six months, for INID.
 - (c) at a nominal value, which is in an amount of not less than RM50,000, and in multiples of RM50,000 up to a maximum of RM10 million. For NIDC whose nominal value includes notional profit, the nominal value shall be segregated into primary and secondary certificates. The primary certificate shall be in the denomination of not less than RM50,000 and in multiples of RM50,000 up to a maximum of RM10 million. Any <u>residual</u> value in the denomination of less than RM50,000 shall be represented by the secondary certificate.

12. <u>Denomination, Splitting and Combination</u>

(1) An INI issued at a denomination greater than RM50,000 may

- subsequently be split into smaller denominations subject to the minimum denomination of RM50,000 per certificate after splitting.
- (2) An INI can be combined with another INI(s) to become one INI with a nominal value equal to the sum of the nominal values of the combined instrument. This is subjected to the maximum denomination of RM10 million after the combination and provided that the INI being combined are issued by the same Issuer and possess the same qualities in all other aspects. For NIDC, the secondary certificates representing the residual values can be combined into one secondary certificate.
- (3) For the purposes of splitting or combining the INI, the AD shall on the instructions and on behalf of the bearer surrender the certificate(s) to the Issuer during working hours.
- (4) Upon splitting or combining the INI, the Issuer shall cancel the surrendered certificates(s), and issue a new certificate(s) to the bearer as a replacement as soon as possible, but not later than five working days after the surrender of the old certificates.

13. Issue Limit

- (1) The total outstanding issue of INI issued by the Issuer shall not exceed the issue limit specified by BNM, which in principle is set at five times the Issuer's approved capital funds. The issue limit is to be applied on an aggregate basis for both the conventional and Islamic Negotiable Instruments of Deposit.
- (2) In the event that the Issuer's approved capital funds are reduced, the specified issue limit will be automatically reduced to the level consistent with the "five times capital funds" principle. Likewise, if the Issuer's approved capital funds have increased, it may submit an application to the Bank to increase the limit to a level consistent with the above principles.

(3) For the purpose of these Guidelines, approved capital in relation to the Issuer refers to the aggregate total amount of capital employed in its operations as recognised by BNM for the purpose of determining the

capital adequacy of Bls.

14. **Compliance**

(1) For determining compliance with the INI issue limit, the valuation basis shall be based on nominal value (INID) and issue proceeds plus notional profit accrued semi-annually on a compounded basis (NIDC).

15. Fees and Charges

- (1) Unless specifically provided for in Schedule II, Issuers and AD shall not impose any fees and charges, in relation to transactions in INI.
- (2) Fees and charges shall not include brokerage fee or commission payable to a money broking company for brokerage services rendered in relation to an INI transaction.

16. Trading Guidelines

- (1) An INI may be traded in the secondary market on the following basis:-
 - (i) Outright sale and purchase;
 - (ii) Purchase and redemption; and
 - (iii) Sell and Buy Back Agreement.
- (2) A transaction in an INI may be undertaken for value "same day", "tomorrow" or "spot", and may be classified either as an inter-bank transaction or "non-interbank transaction". Unless otherwise mutually agreed by the buyer and seller, an interbank transaction shall be deemed to be for "same day value".
- (3) For NIDC, only the primary certificate shall be traded.

17. **Delivery and Settlement**

- (1) The seller and the buyer shall respectively forward a written notification to their respective AD on the sale and purchase of an INI and the identity of the counterpart on a timely basis. This is to allow the seller's AD sufficient time to deliver the INI to the buyer's AD within the time stipulated.
 - (2) Where both the buyer and the seller are approved interbank money market participants, delivery of the INI to the buyer's AD may be made after settlement, if so agreed, but shall not be later than the time and date

- given. Where either the buyer and the seller is not an approved interbank money market participant, settlement shall be made upon delivery of the INI to the buyer's AD, latest by time and date given. (see Schedule III)
- (3) Where both the buyer and the seller are members of RENTAS, settlement shall be made through RENTAS on the value date. Where either the buyer or the seller is not a member of RENTAS, settlement on the value date shall be made by means as mutually agreed.
- (4) An Issuer must be prepared to authenticate its own INI at the request of an AD during working hours.

CONCEPT AND MECHANISM

Concept

- The Islamic Negotiable Instruments (thereafter known as INI) are based on two concepts, namely: -
 - (1) Bai' Bithaman Ajil (deferred payment sale); and
 - (2) Al-Mudharabah (profit sharing).
- 2. Bai' Bithaman Ajil (BBA) refers to the sale of goods on a deferred payment basis. The bank buys assets that are requested by a customer and subsequently sells the goods to the customer at an agreed price (the sale price), which includes the bank's mark-up (profit).
- 3. Al-Mudharabah refers to an agreement between two parties: the provider of funds, which provides 100 per cent capital for the financing; and the entrepreneur who manages the project using his entrepreneur skills. Profits arising from the project are distributed according to pre-determined ratio. Any losses accruing are borne by the provider of funds.

Mechanism

1. <u>Negotiable Islamic Debt Certificate (NIDC)</u>

- (1) The applicable concept shall be Bai' Bithaman Ajil (BBA). Unlike the normal BBA whereby the BI purchases the assets requested by the customer and resells such assets at a mark-up, the BBA concept for NIDC is unique in the sense that the assets belong to the BI.
- (2) The modus operandi is as follows:
 - (i) Customer wishes to place funds based on NIDC and approaches the BI;
 - (ii) The BI sells its asset (eg. building and shares) in cash to the customer based on the fund placed by the customer;
 - (iii) The customer pays the purchase price of the asset to BI in cash;
 - (iv) BI transfers the asset to the customer;
 - (v) Simultaneously, the customer sells back the asset to BI on credit where the selling price is higher than the purchase price;

- (vi) The difference between the selling price and the purchase price is the investment profit of the customer;
- (vii) BI issues NIDC based on Syahadah Al-Dayn to the customer as evidence of the BI's debt to the customer;
- (viii) Payment is deferred to the agreed future date;
- (ix) The deferred period is the investment duration by customer as in the practice of investment account; and
- (x) Upon maturity, the customer will present NIDC to the BI and receive the nominal value of NIDC (which is inclusive of notional profit).

Illustration

Day 1	Customer approaches BI with an amount, say RM1 million as deposit placement. BI identifies its asset worth RM1 million			
	BI sells the assets worth RM1 million to the customer in cash with the following terms:- (a) Tenor: 6 months (b) Profit margin: 7.5% p.a.			
	Simultaneously, BI repurchase the assets from the customer on credit at RM1,037,500 with the following terms:- (a) BI's Purchase Price: RM1,037,500 (b) Customer's Profit: RM37,500 (c) Investment tenor: 6 months (d) Profit margin: 7.5%			
	BI issues NIDC to the customer with the following terms:- (a) BI's Purchase Price: RM1,037,500 (b) Customer's Profit: RM37,500 (c) Tenor: 6 months			
Day180	Customer presents matured NIDC to BI. BI pays customer RM1,037,500			

2. <u>Islamic Negotiable Instrument of Deposits (INID)</u>

- (1) The applicable concept shall be Al-Mudharabah. It refers to a sum of money deposited with the BIs and repayable to the bearer on a specified future date at the nominal value of INID plus declared dividend.
- (2) The modus operandi is as follows:
 - (i) Customer deposits his money with BI;
 - (ii) BI accepts customer's deposit and issues INID to customer as evidence of the deposit; and
 - (iii) Upon maturity, customer will present INID to BI and receive the nominal value of INID and the declared dividend

Illustration

Day 1	Customer approaches BI with an amount, say RM1 million as deposit placement.			
	BI accepts deposits and issues INID of RM1 million with the following terms:- (a) Tenor: 6 months (b) Profit-sharing ratio: 80 : 20 (80% to customer) (c) Dividend payment : Quarterly basis			
Day 180	Customer presents matured INID to BI. BI declared a net dividend rate of 7.5% p.a. (gross dividend rate of 9.375%) and pays customer RM1,018,750 of which RM18,750 is the dividend received for the last dividend period.			

FUNCTIONS OF THE AD

- Facilitate and effect the receipt of INI from the Issuer or another AD, delivery of INI to another AD on the instructions of the customer;
- 2. Custody and safekeeping of the INI deposited;
- 3. Collect profits and maturity proceeds on behalf of the customers; and
- 4. Maintenance of adequate and proper records of the INI ownership and details in its custody.

PROCEDURES

- 1. An Issuer may issue INI to any Malaysian resident (subject to any restriction on depositors, if applicable).
- 2. Subject to the prevailing rules and regulations imposed by BNM on transactions with non-residents, an Issuer may issue INI to non-residents, or a Malaysian resident may buy INI from or sell INI to, a non-resident.
- 3. Upon its issue, an INI shall be delivered to an AD as designated by the depositor.
- 4. An INI must be held at all times in the custody of an AD.
- 5. The INI holders may sell or trade their INIs in the secondary market.
- 6. Delivery of an INI must be made by the seller's AD to the buyer's AD.
- 7. On its maturity date, an INI shall be presented by the bearer's AD to the Issuer for redemption.
- 8. In the event that an INI is presented after the maturity date, the Issuer shall not be required to pay more than the nominal value plus any applicable profit computed to the maturity date, even if the maturity date is an unexpected holiday. However, for INID, if the maturity date is an unexpected holiday, the Issuer is advised to pay the dividends until the actual payment date, which is the next working day after the maturity date.
- 9. All payments by the Issuer to an AD (for the benefit of the bearer of an INI) shall be made through RENTAS, or by other means as mutually agreed upon by the Issuer and the AD.
- 10. All payments shall be computed to the nearest one sen on a per certificate basis.

TYPES OF TRADE

Outright Sale and Purchase

- 1. An ownership transfers of the INI from the seller to the buyer other than the Issuer, without recourse.
- 2. An Issuer is encouraged on request to provide a quotation at which it is prepared to issue the relevant INI for specific original tenor.
- 3. Unless otherwise specified, a quotation by an Issuer/Seller or on another Issuer's INI for an inter-bank transaction shall be for a standard amount of RM5 million nominal value of the INI involved.
- 4. A licensed financial institution may act as a market maker for INI issued by another institution.
- 5. The outright sale and purchase of INI shall not have an impact on the calculation of eligible liabilities.

Purchase and Redemption of own INI

- 1. An Issuer may purchase and redeem its own INI prior to its maturity date, subject to the following conditions: -
 - (i) The INI has been issued and outstanding for at least 30 days;
 - (ii) Where the INI is an NIDC, it may be redeemed prematurely by the Issuer at the prevailing market yield; and
 - (iii) Where the INI is an INID, it may be redeemed prematurely by the Issuer only on a profit date.
- 2. Upon redemption, the INI may be cancelled.
- 3. An Issuer is encouraged on request to provide a buy-back quotation for its own INI (except own INID).

Sell and Buy Back Agreement (Islamic Repo)

- 1. Under the Sell and Buy Back Agreement (SBBA), the transacting parties shall enter into two separate agreements as follows:
 - (i) First agreement the seller (owner) of INI sells and the buyer (investor) buys the instrument at a specified price agreed by both parties; and
 - (ii) Second agreement a forward purchase agreement whereby the buyer (investor) promises to sell back the INI to the original owner who shall buy it back at a specified price on a specified future date.
- 2. Ownership of the INI shall be transferred to the buyer (investor) upon conclusion of the first agreement of the SBBA.
- 3. An INI may be sold under SBBA, subject to the following conditions:
 - (i) An Issuer shall not buy its own INI under SBBA; and
 - (ii) The tenor of the SBBA must be within the tenor of the INI used for the transaction.
- 4. The INI used for the SBBA is not required to be delivered, unless otherwise agreed by the two transacting parties.
- 5. Where the SBBA transaction involves an INI that does not pay interim dividends or coupon profits (as in the case of NIDC), the amount of proceeds receivable by the seller under the first agreement of the SBBA shall not exceed the nominal value of the INI.
- 6. A licensed financial institution may provide on a regular basis a two-way quotation either by quoting rates or profit-sharing ratio to indicate its willingness to enter into SBBA.
- 7. Upon its release, the Guidelines on Sell and Buy Back Agreement shall govern SBBA transactions involving INI.

COMPUTATION OF PROCEEDS AND TRADING

On the maturity date, the AD, acting on behalf of the bearer shall present the INI
to the Issuer to collect the nominal value (for NIDC) or the nominal value plus
dividend for the last dividend period (for INID) as follows: -

(1) **NIDC**

To be paid on maturity the nominal value.

[Nominal value = Selling Price of the asset (Principal value plus profit)]

(2) <u>INID</u>

To be paid on maturity the nominal value plus the dividend in accordance with the variations in the profit-sharing ratios.

2. The sale/purchase transactions in an INI are generally derived as follows:

(1) **NIDC**

- (i) An NIDC is traded on a price basis, whereby its principal value is quoted in term of "price per RM100 nominal value" specified to four decimal places (e.g. 91.2222)
- (ii) The proceeds to be paid by the buyer is equal to the principal value (= Nominal value x Price/100).

The following examples illustrate: -

Example 1:

An NIDC with a nominal value of RM1,000,000 is purchased at a price of 98.5101. The proceeds to be paid by the buyer is computed as follows: -

Proceeds = RM1,000,000 x 98.5101/100 = RM985,101

Example 2:

An NIDC with a nominal value of RM1,050,000 is purchased at a price of 95.2381. The proceeds to be paid by the buyer is computed as follows: -

Proceeds =
$$RM1,050,000 \times 95.2381/100$$

= $RM1,000,000$

- (iii) The quasi coupon profit period used for the computation of price of NIDC with maturity of more than 1 year shall have a duration of six calendar months, with the exception of the first quasi coupon profit period (from the issue date to the first coupon profit date), which can have a duration of less than six calendar months.
- (iv) The price of an NIDC can be computed as follows: -
 - (a) For an NIDC with maturity of less than 1 year,

where,

RV = redemption value per RM100 nominal value

Tenor = number of days from settlement date (counted) to maturity date (not counted)

YLD = yield in per cent p.a.

Example:

The price of an NIDC with six months to maturity and trading at the yield of 3.05% is computed as follows:-

Price =
$$\frac{100}{1 + [181 \times 3.05]}$$
 = 98.5101 [36500]

(b) For an NIDC with maturity of more than 1 year,

Price =
$$\frac{RV}{[1 + \underline{YLD}]^n-1+DSC/DCC}$$
$$[200]$$

where.

RV = redemption value per RM100 nominal value

DSC = number of days from settlement date (counted) to next quasi coupon date (not counted), [as if the instrument pays semi-annual profit]

DCC = number of days in quasi-coupon profit period (start-date counted and end-date not counted). Note: In the event that the first quasi coupon profit period has a duration of less than six months, the start date of DCC should be backdated accordingly to create a quasi semi-annual period.

YLD = yield in per cent p.a

n = number of remaining quasi-coupon profit periods

Example:

An NIDC with the following features was sold for value September 25, 1999:-

Coupon dates: 15 May and 15 November each year.

Price =
$$\frac{100}{[1 + 3.05]^4 - 1 + 51/184}$$
 = 95.1610

(2) **INID**

- (i) An INID is traded on a price basis, whereby its principal value is quoted in term of "price per RM100 nominal value" specified to four decimal places (e.g. 91.2222)
- (ii) The amount of proceed to be paid by the buyer shall be equal to the principal value (= Nominal value x price/100).
- (iii) The interim dividend payment period for INID with maturity of less than twelve calendar months shall have a duration of three calendar months, with the exception of the first dividend payment period, which can have a duration of less than three calendar months.

- (iv) The interim dividend payment period for INID with maturity of more than twelve calendar months shall have a duration of six calendar months, with the exception of the first dividend payment period, which can have a duration of less than six calendar months.
- (v) The price of an INID can be computed as follows: -

Price =
$$\left\{ \frac{(a * b)}{36500} + 1 \right\} * 100$$

where.

a = expected dividend rate

b = number of days from the issue date or last dividend date (counted) to the value date of the transaction (not counted)

Example 1:

An INID is issued with the following features: -

Issue date: 31/12/1997 Maturity date: 31/12/1998 Nominal value: RM1,000,000 Profit-sharing ratio: 80:20

Profit date: Quarterly basis with the first dividend date on March 31.

On the first dividend date of March 31, 1998, the prevailing `r' was 10%. The dividend rate computed shall be 8% based on 80:20. The dividend payment would be computed as follows: -

Dividends = $1,000,000 (8.0 \times 90)/36500)$ = RM19,726.03

Example 2:

The features of INID are similar to Example 1.

The INID was sold for value May 31, 1998 and the expected dividend rate of the INID is 11% (the prevailing `r' was 10.5%). Based on 80:20, the expected dividend rate is 8.8% and the price of the INID is

Price =
$$\left\{ \begin{array}{c} (8.8 * 60) + 1 \\ -36500 \\ \hline 101.4466 \end{array} \right\} * 100$$

The proceeds to be paid by the buyer would be computed as follows: -

Proceeds = 1,000,000 * 101.4466/100 = RM1,014,466

- 3. In the event that the profit date (not being a maturity date) falls on Sunday or known public holiday in Kuala Lumpur, the profit shall be payable on the next working day. Except that when such working day crosses into another month, the profit payment shall be the last working day before the profit date.
- 4. Where the profit rate is the last day of the month, and such profit date falls on a Sunday or known public holiday in Kuala Lumpur, the profit payment date shall be the last working day of the month.
- 5. In the event that the profit date becomes an unexpected holiday in Kuala Lumpur, the attributed profit shall be payable immediately on the next working day after the profit date, even if such next working day crosses into another month.

Glossary

Approved capital funds

The total amount of capital employed in the operations of the Issuer as recognised by BNM for the purpose of determining the capital adequacy of banking institutions and shall include net working funds of foreign incorporated banking institutions.

Bearer

The owner of the INI

Depositor

The person who makes the primary purchase of the INI from the Issuer

First Buyer

In relation to an Islamic repo, the person who buys the INI with the obligation and a separate agreement to sell back the INI at a future specified date

Profit date

The date on which a profit rate ends

Profit determination date

In relation to INID, It refers to the reference date for the determination of the profit rate for the next profit period (in normal circumstance, the profit determination date is also the profit date)

Profit payment date

In relation to INID, it refers to the date on which profit is to be paid by the Issuer (in normal circumstance, the profit payment date is also the profit date)

Islamic Inter-bank transaction

A transaction between two licensed financial institutions approved by BNM as interbank Islamic money market participants

SCHEDULE I

<u>Approved Issuer and Authorised Depositories of</u> <u>Islamic Negotiable Instruments</u>

Islamic Banks

- 1. Bank Islam Malaysia Berhad
- 2. Bank Muamalat Malaysia Berhad

Commercial Banks

- 1. Malayan Banking Berhad
- 2. Perwira Affin Bank Berhad
- 3. RHB Bank Berhad
- 4. Standard Chartered Bank (Malaysia) Berhad
- 5. Public Bank Berhad
- 6. Oriental Bank Berhad
- 7. The Pacific Bank Berhad
- 8. Bank Utama Malaysia Berhad
- 9. Multi-Purpose Bank Berhad
- 10. Hong Leong Bank Berhad
- 11. Arab-Malaysian Bank Berhad
- 12. HSBC Bank Malaysia Berhad
- 13. BSN Commercial Bank Berhad
- 14. OCBC Bank (Malaysia) Berhad
- 15. Hock Hua Bank Berhad
- 16. International Bank Malaysia Berhad
- 17. Sabah Bank Berhad
- 18. EON Bank Berhad
- 19. Southern Bank Berhad
- 20. Citibank Berhad
- 21. PhileoAllied Bank Berhad

Finance Companies

- 1. Mayban Finance Berhad
- 2. Arab-Malaysian Finance Berhad
- 3. Public Finance Berhad
- 4. MBf Finance Berhad
- 5. Kewangan Bersatu Berhad
- 6. Credit Corporation (Malaysia) Berhad
- 7. United Merchant Finance Berhad
- 8. Hong Leong Finance Berhad
- 9. Interfinance Berhad
- 10. Advance Finance Berhad
- 11. EON Finance Berhad
- 12. Asia-Commercial Finance Berhad
- 13. Sime Finance Berhad
- 14. Perdana Finance Berhad

- 15. Cempaka Finance Berhad
- 16. Delta Finance Berhad

Merchant Banks

- 1. Arab-Malaysian Merchant Bank Berhad
- 2. Perwira Affin Merchant Bank Berhad
- 3. Amanah Merchant Bank Berhad
- 4. Malaysian International Merchant Bankers Berhad
- 5. Aseambankers Malaysia Berhad

Discount Houses

- 1. Abrar Discounts Berhad
- 2. Affin Discount Berhad
- 3. Amanah Short Deposits Berhad
- 4. Bumiputra-Commerce Discount House Berhad
- 5. KAF Discounts Berhad
- 6. Malaysia Discounts Berhad
- 7. Mayban Discount Berhad

(As at August 2000)

SCHEDULE II Fees and Charges

An Issuer and an Authorised Depository may only levy the following fees and charges in relation to Islamic Negotiable Instruments: -

Services		Pay	Maximum	
		Ву	То	Rate of Charge
i)	Delivery of certificate to Authorised Depository which is another institution at primary issue	Depositor	Issuer	RM5 per certificate (Primary certificate for NIDC)
ii)	Splitting/Combining denomination(s)	Bearer	Issuer	RM3 per new certificate (Primary certificate for NIDC)
iii)	Replacement of lost/damaged certificate(s)	Authorised Depository responsible	Issuer	RM3 per new certificate (Primary certificate for NIDC)
iv)	Maintenance of depository account	Bearer (customer)	Authorised Depository	RM50 per half year
v)	Delivery of certificate from seller's Authorised Depository to buyer's Authorised Depository	Seller	Seller's Authorised Depository	RM5 per certificate (Primary certificate for NIDC)

SCHEDULE III

Delivery and Settlement Deadline of an INI

Trade	Latest Delivery Time	Delivery Date		
Value		Interbank transaction	Non-Interbank Transaction	
Same day	3.00 p.m. (Mon-Fri)	Value date + 1 working day	Value date	
Tomorrow/Spot/ Forward	11.00 a.m. (Sat)	Value date + 1 working day	Value date	
Latest Settlem	ent Time			
Interbank	5.00 p.m. (Mon-Fri) 12.00 noon (Sat)			
Non-Interbank	3.00 p.m. (Mon-Fri) 11.00 a.m. (Sat)			

SCHEDULE IV

Completing the Specimen Format

The Issuer shall complete the certificate by inserting the relevant terms in the shaded spaces.

- (1) Insert the appropriate instrument-type: -
 - (i) Negotiable Islamic Debt Certificate
 - (ii) Islamic Negotiable Instruments of Deposits
- (2) Insert the number assigned to the certificate. For NIDC, the number should be followed by the letter 'P' for primary certificate and 'S' for secondary certificate. Each Issuer may have his own numbering system, provided that the system should ensure that the certificates are logically and serially sequenced. Otherwise put "N.A", if the control system is based only on the pre-printed "serial No: xxxxxxx". In any case, each Issuer must ensure that primary and secondary certificates can be identified for NIDC.
- (3) Insert the profit-sharing ratio if the instrument is INID; if not, the space should be filled as "Nil".
- (4) Insert the nominal value of the instrument.
- (5) Insert the profit dates (without the year) as follows: -
 - (i) For NIDC, insert "Nil" or "N/A" in all 4 boxes; and
 - (ii) For INID, the two profit dates in the top two boxes if dividend payment is semi-annual or all 4 profit dates in the 4 boxes, if dividend payment is quarterly.
- (6) This space is provided for the signature(s) of the authorised signatory (ies) of the Issuer.

Format of a Specimen Islamic Negotiable Instrument

ISLAMIC NEGOTIABLE INSTRUMENT (1)					
Certificate No.	(2)	Logo	Se	rial No. A 000000001	
Date of issue	DD-MM-YYYY	COMMERCIAL MERCHANT FINANCE	Nominal value	(4)	
Date of maturity	DD-MM-YYYY	BANKING BERHAD	Profit dates (5)	DD-MM DD-MM	
Profit-sharing Ratio	(3)				
This certifies that a sum in Ringgit has been deposited with Commercial Merchant Finance Banking Berhad at the above office, upon terms that the nominal value shall be payable on the date of maturity to the bearer upon surrender of this certificate through an Authorised Depository listed in the Schedule of Authorised Depositories specified in the "Guidelines on Islamic Negotiable Instruments" (the Guidelines) published by Bank Negara Malaysia. The terms and conditions of this instrument shall be as provided in the Guidelines. This instrument is subject to and governed by the laws of Malaysia.					
For and on behalf of					
(6) Commercial Merchant Finance Banking Berhad					