

Islamic Products Information Kit



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Ijarah (leasing)

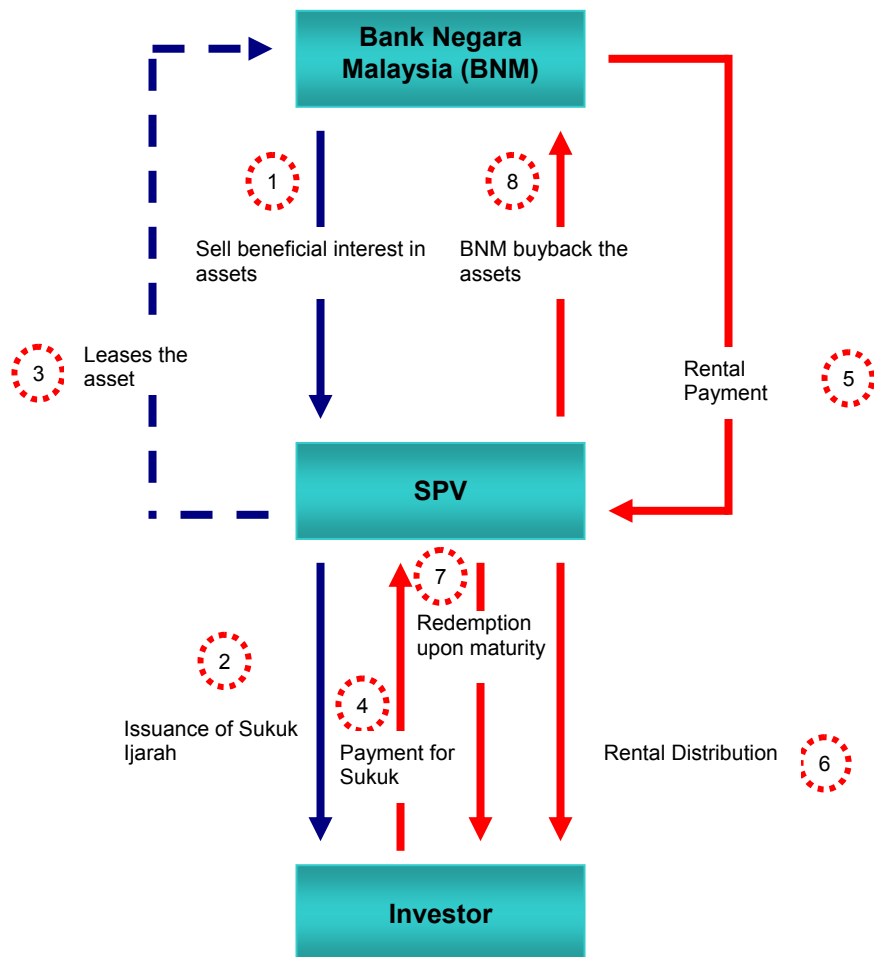
Refers to a contract under which the lessor leases equipment, building or other facilities to a client at an agreed rental rate and pre-determined lease period upon the *aqad* (contract). The ownership of the leased equipment remains in the hand of a lessor.

Application:

- 1) Issuance of Sukuk Ijarah

Acceptability:

- 1) The contract is acceptable in the Middle East except Sudan.
- 2) The rejection is due to the buy-back option by the original owner in this arrangement.



Murabahah (cost plus)

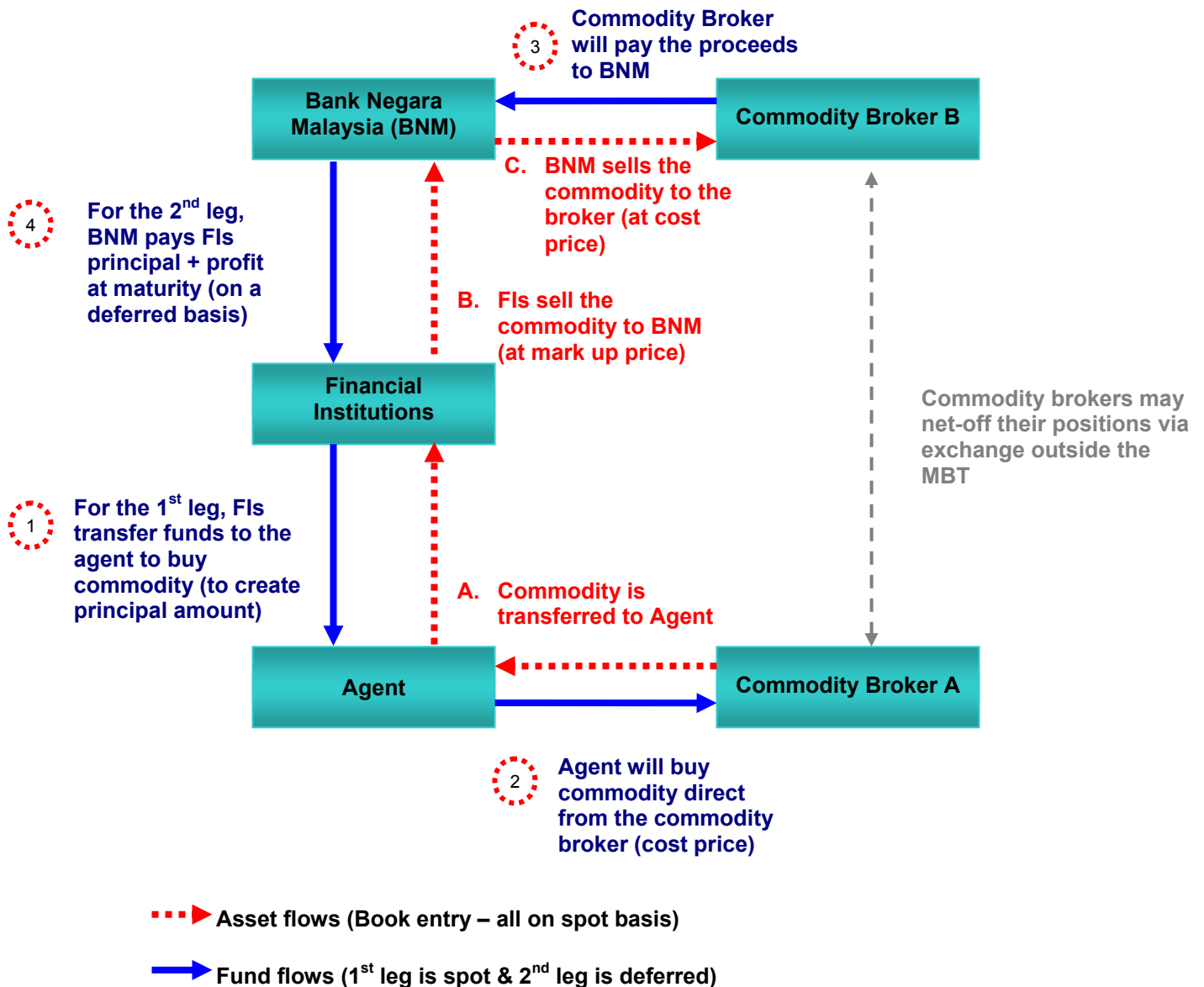
A contract that refers to the sale and purchase transaction of an asset whereby the cost and profit margin (mark-up) are made known and agreed by all parties involved. The settlement for the purchase can be settled either on a deferred lump sum or installments basis, will be specified in the agreement.

Application:

- 1) Deposit placement with BNM via Commodity Murabahah Transaction.

Acceptability:

- 1) Internationally accepted



Bai' al-Inah (Sale and Buy-back transaction)

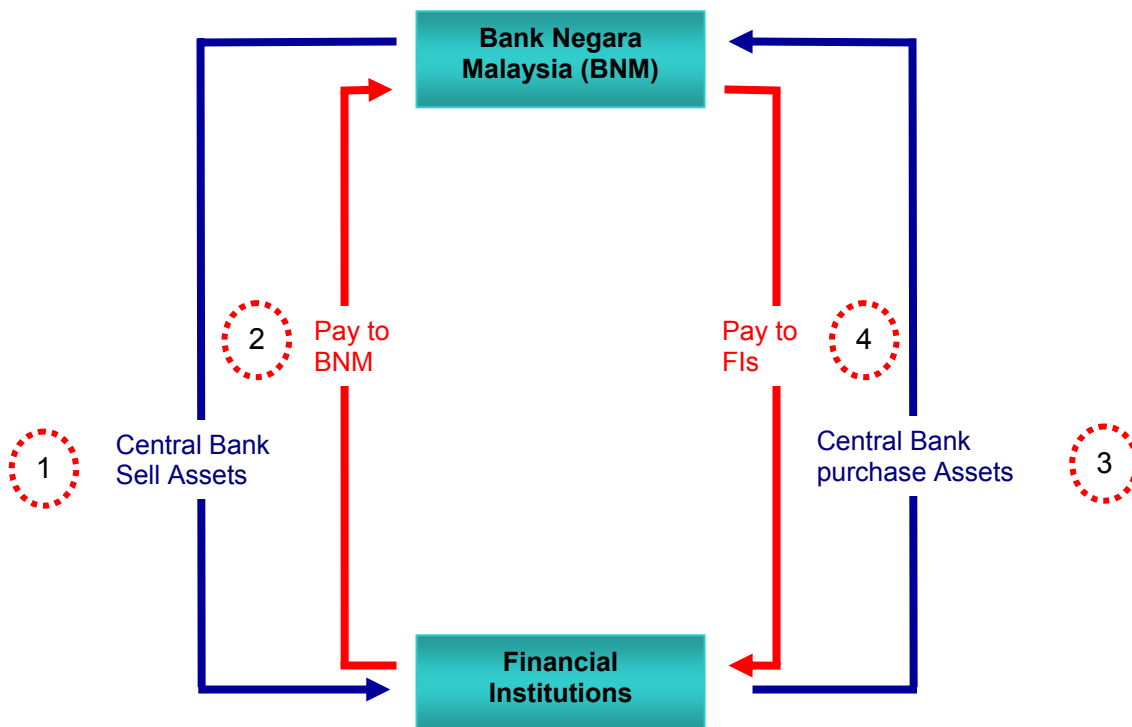
A contract which involves selling and buying of an asset where a seller will sell the asset to a buyer on a cash basis and subsequently will buy the same asset on a deferred payment basis at mark up price. It can also be applied when a seller sells the asset to a buyer on a deferred basis and will later buy back the same asset on a cash basis with a price which is lower than the deferred price.

Application:

- 1) Issuance of Bank Negara Negotiable Notes (BNNN).
- 2) Issuance of Profit-based GII.

Acceptability:

- 1) Bai' Al-Inah is not acceptable by the Middle East countries
- 2) Some of the scholars regarded Bai' Al-Inah as part of Interest-based transaction.



Wadiah Yad Dhamanah (savings with guarantee)

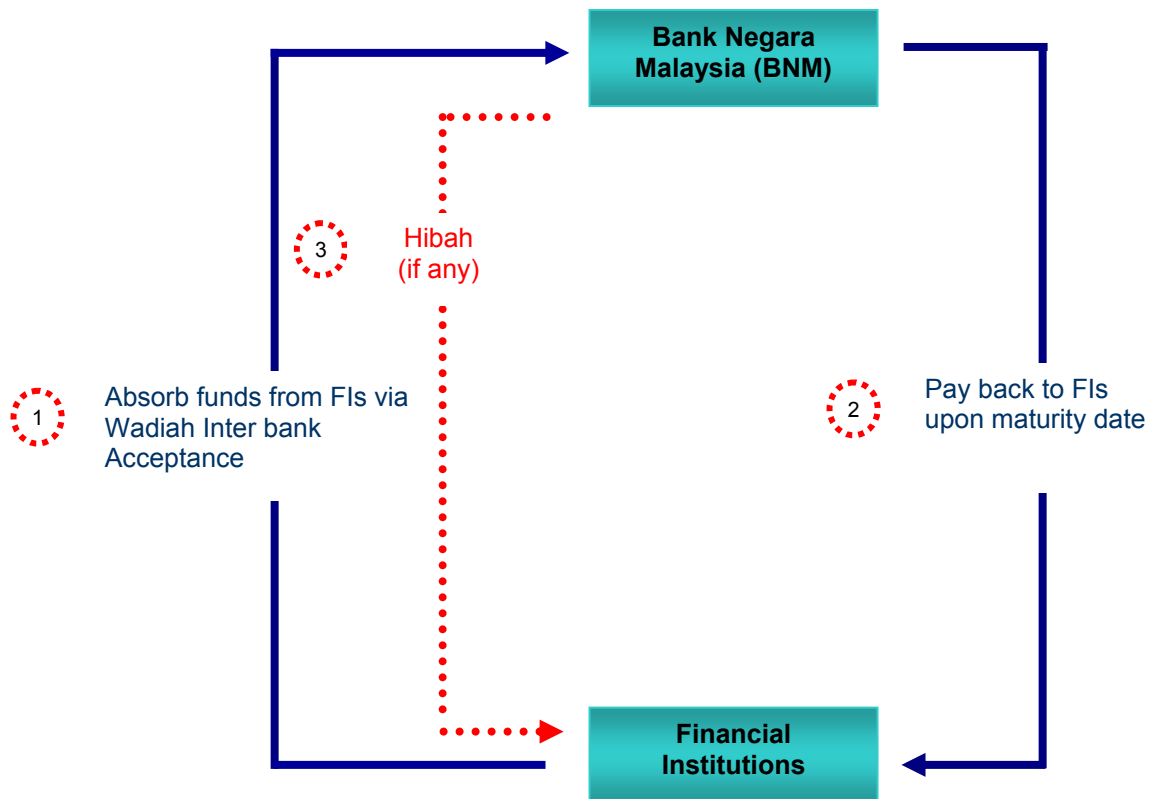
Wadiah is a trust concept which refers to the deposits or valuable goods that have been kept with a depository agent. The depository agent will safeguard and provide guarantee to the principle of the deposits or valuable goods. With permission from the depositors, depository agent may invest the deposit to earn some returns. However, the depositors are not entitled to any share of the returns but the depository agent may give a gift (hibah) to the depositors as a token of appreciation.

Application:

- 1) Wadiah Placement with BNM.

Acceptability:

- 1) Wadiah concept is widely acceptable by the Middle East scholars



Qardhul Hassan (benevolent loan)

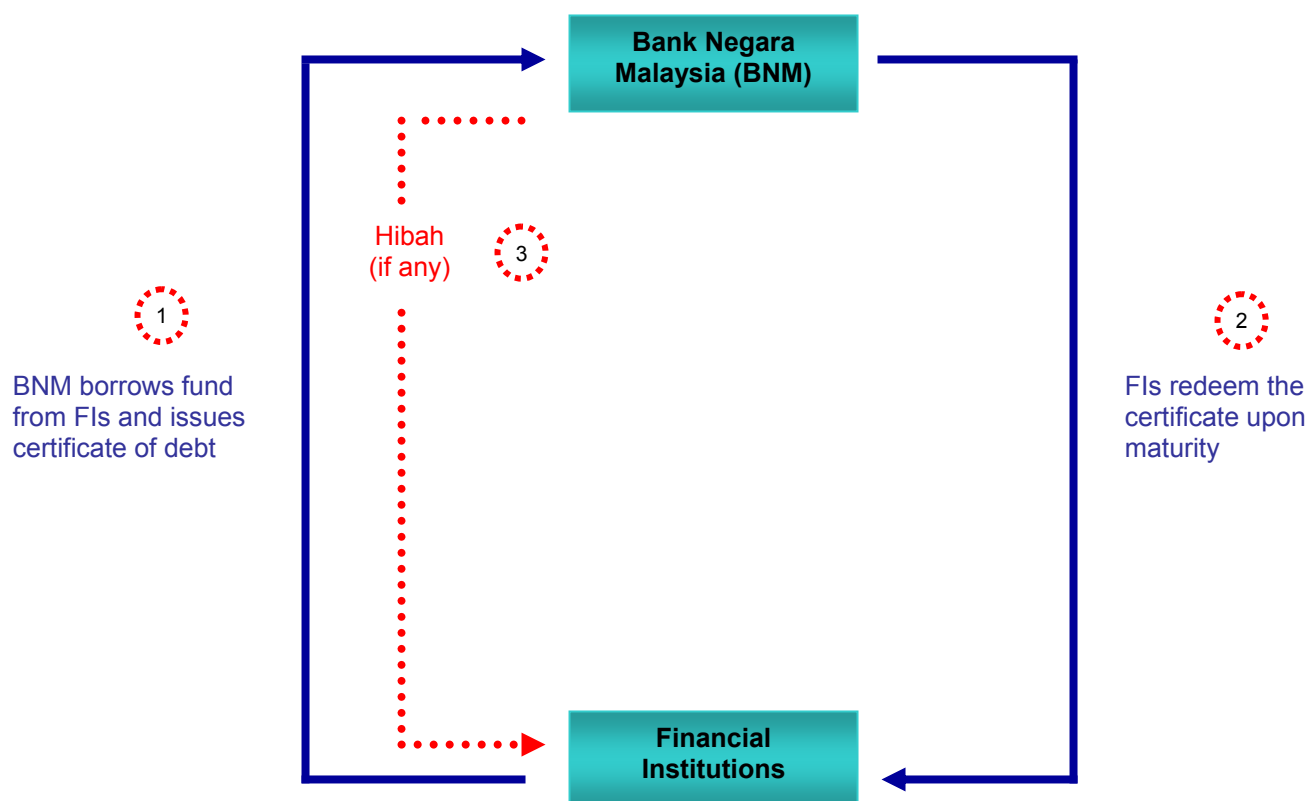
A contract of loan between two parties on the basis of social welfare or to fulfill a short-term financial need of the borrower. The amount of repayment must be equivalent to the amount borrowed. It is however the borrower may choose to pay more than the amount borrowed as long as it is not stated or agreed at the point of contract.

Application:

- 1) Government investment issues (prior to 1993)
- 2) Placement of deposit.

Acceptability:

- 1) Qardhul Hassan concept is widely acceptable by the Middle East scholars.



Mudharabah (profit-sharing)

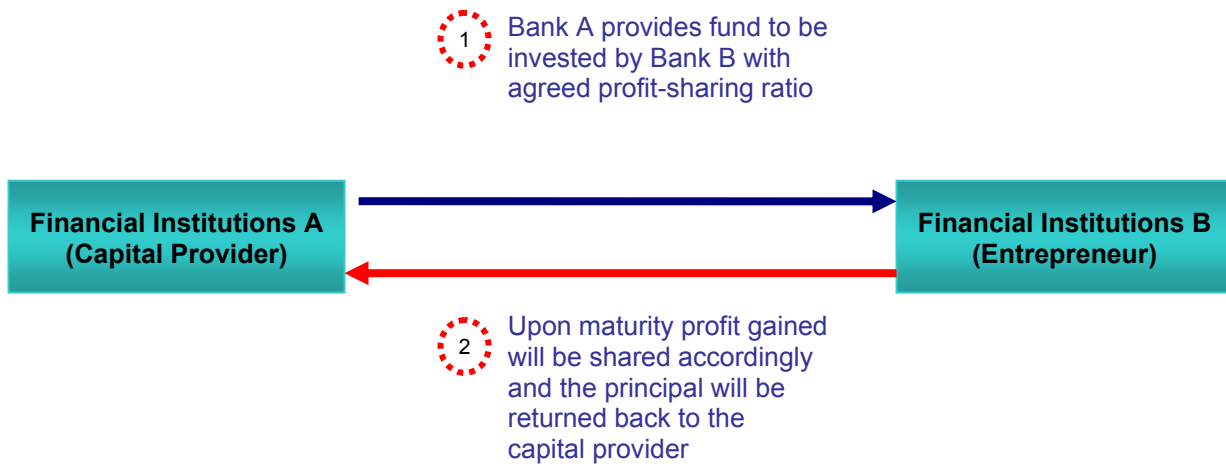
A contract which is made between two parties to finance a business venture. The parties are a capital provider or an investor who solely provides the capital and an entrepreneur who solely manages the project. If the venture is profitable, the profit will be distributed based on a pre-agreed ratio. In the event of business loss, the loss shall be borne solely by a provider of the capital.

Application:

- 1) Mudharabah Interbank Money Market.

Acceptability:

- 1) Mudharabah concept is widely acceptable by the Middle East scholars.



Rahnu (collateralised borrowing)

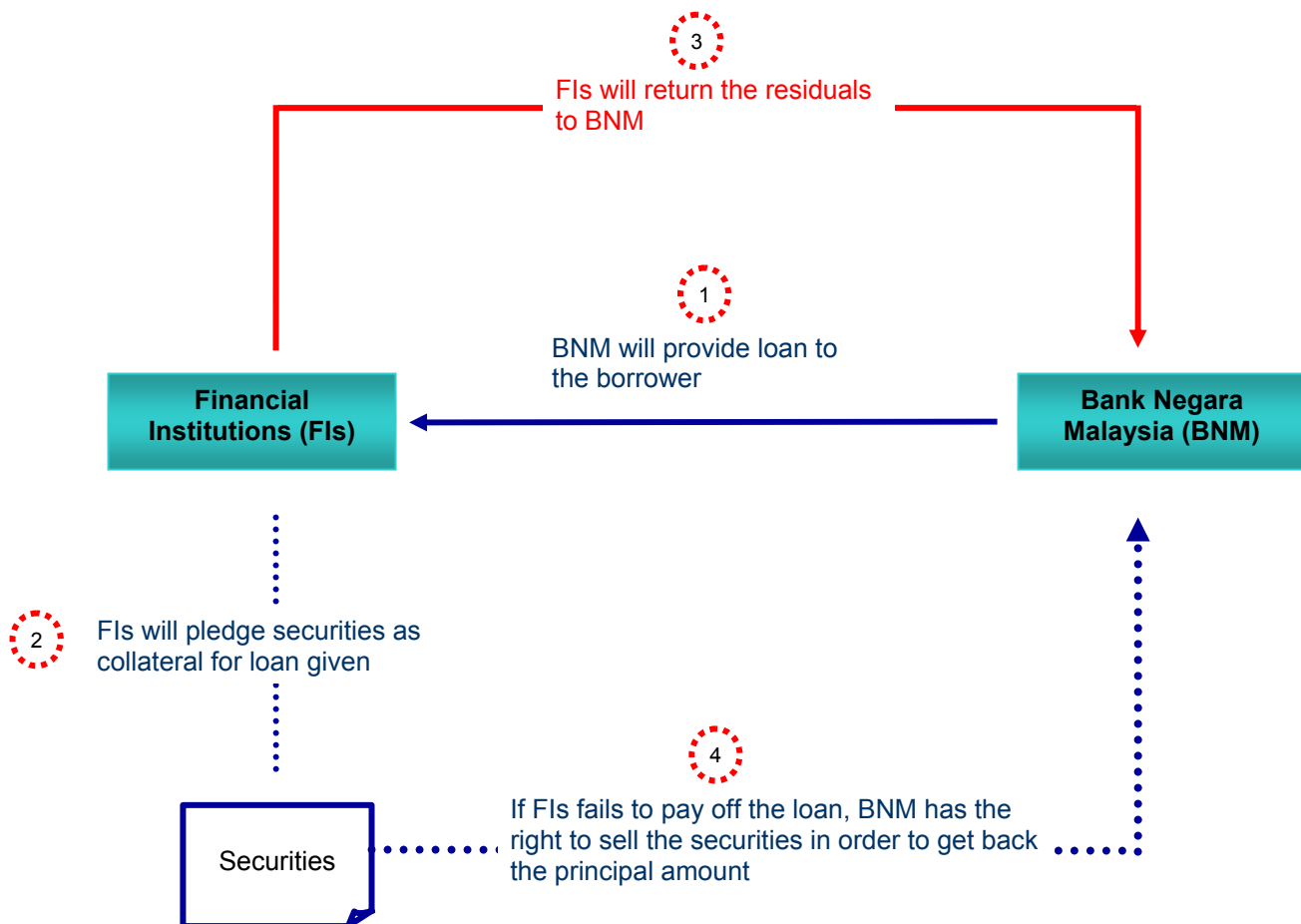
Rahnu transaction is equivalent to the conventional collateralised borrowing. It refers to an arrangement whereby a valuable asset is placed as collateral to raise funding. The amount borrowed must be equal with the collateral rendered. The collateral may be transferred to lender in the event of default. To get the principal back the lender will sell the collateral and take the principal amount. Any excessive amount must be returned to the borrower.

Application:

- 1) Rahnu Lending Facility.

Acceptability:

- 1) Rahnu concept is widely acceptable by the Middle East scholars.



Malaysia International Islamic Financial Centre (MIFC)

Malaysia International Islamic Financial Centre (MIFC) was officially launched on 14 August 2006 by Governor of Bank Negara Malaysia. The MIFC initiative is specifically undertaken by the collective efforts of the country's financial and market regulators, together with the participation of the industry representing the banking, takaful and capital market in Malaysia.

As a centre for the offering of Islamic financial products and services by a diversified range of financial institutions from anywhere in Malaysia in any currency to non-residents and residents, MIFC specializes in the origination, issuance and trading of Islamic capital market and treasury instruments, Islamic fund and wealth management, international currency Islamic financial services market (including deposit and financing), as well as in takaful and retakaful.

In the promotion of Malaysia as a premier Islamic financial hub, MIFC will become the global brand. MIFC initiative was launched against the backdrop of a strong foundation and comprehensive pre-requisites in the Islamic financial system which includes :

- i. Robust regulatory and supervisory framework.
- ii. Diversified range of players, including well-known international financial institutions.
- iii. Wide array of products.
- iv. Active and strong money and capital markets, including secondary market for trading of Islamic instruments.
- v. Conducive legal and Shariah governance framework.
- vi. Continuous development of human talent infrastructure.

Islamic Securities
Securities Issuance (RM billion)

Type	2002		2003		2004		2005		May-06	
	RM bil	Change %	RM bil	Change %	RM Bil	Change %	RM bil	Change %	RM bil	Change (%)
GII	3.0	50	2.0	50	4.1	105	4.0	2	6.0	62
Khazanah	-	-	3.0		1.2	61	1.0	13	-	-
MITB	-	-	-	-	1.0	100	2.0	100	1.0	50
Cagamas BAIS (Sanadat)	-	-	-	-	1.6	100	-	-	-	-
BNNN	1.8	89.0	3.0	59	5.0	66	7.0	40	8.0	15
Total	4.8		8.0		12.9		14.0		15.0	

Source: Islamic interbank money market

Securities Total Outstanding (RM billion)

Type	2002		2003		2004		2005		May-06	
	RM bil	Change %	RM bil	Change %	RM bil	Change %	RM bil	Change %	RM bil	Change %
GII	5	20	7	40	9.1	30	10.1	10.9	13.6	34.6
Khazanah	10	0	10	0	9	11.1	10	11.1	8.3	17
MITB	0	0	0	0	1	100	2	100	2	0
Cagamas	0	0	0	0	1.6	100	1.6	0	1.6	0
BNNN	1.8	88.5	3	59.1	5	66.6	7	40	6.6	5.7
Total	16.8		20		25.7		30.7		32.1	

Source: Islamic interbank money market

Islamic Money Market

Interbank Money Market Transactions (RM million)

Type	2002		2003		2004		2005		May-06	
	RM bil	Change %	RM bil	Change %	RM bil	Change %	RM bil	Change %	RM bil	Change %
Overnight	206.9		244.0	17.9	458.2	87.8	220.6	51.8	65.9	70.1
1-week	12.1		11.7	2.8	16.2	38.0	16.2	0.0	4.7	70.8
1-month	6.2		2.3	63.9	1.8	21.7	1.8	0.0	0.8	51.3
3-month	0.3		0.1	60.9	0.3	133.5	1.1	235.2	0.1	91.0
Others	24.0		22.3	7.2	14.3	35.5	16.0	11.6	9.6	40.0
Total	249.7		280.4		490.8		255.7		81.1	

Source: Islamic interbank money market

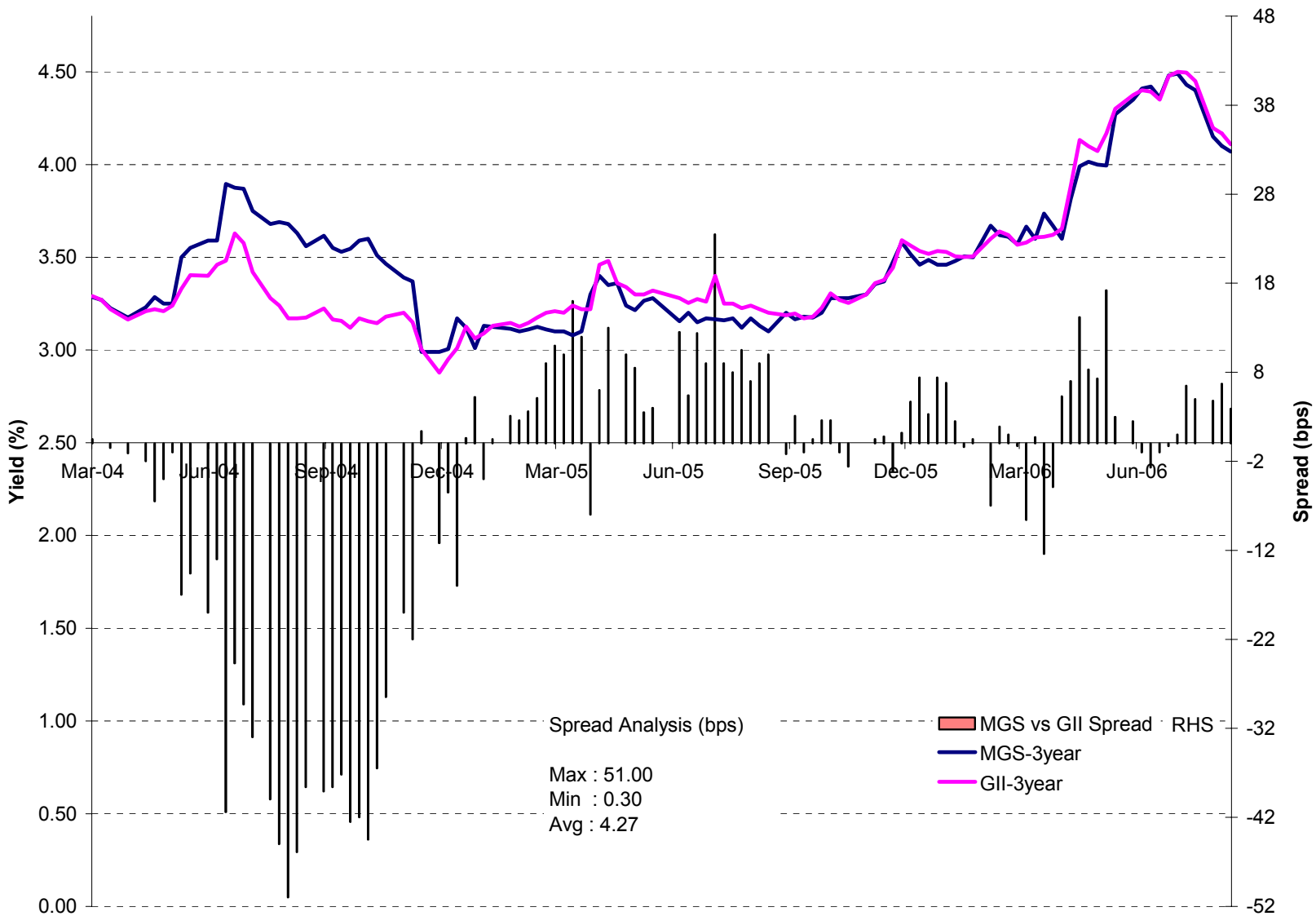
Money Market Transactions (RM billion)

Year	2002	2003	2004	2005	2006-May	Total
Wadiah	447	497	770	669	356	2,739
Mudharabah	247	283	486	255	81	1,352
Papers						
GII	5	36	35	43	16	135
Khazanah	15	17	17	20	1	70
MITB	-	0	1	4	3	8
Cagamas	0	0	2	1	0	3
BNNN	2	8	21	36	21	88
ABS	0	3	0	2	0	5
Corporate Bond	32	45	32	48	11	168
ICP	3	9	10	8	4	34
IMTN	2	4	6	13	13	38
IAB	7	16	10	15	8	56
NIDC	0	9	8	9	6	32
Total	760	927	1,398	1,123	521	4,483

Source: Islamic interbank money market

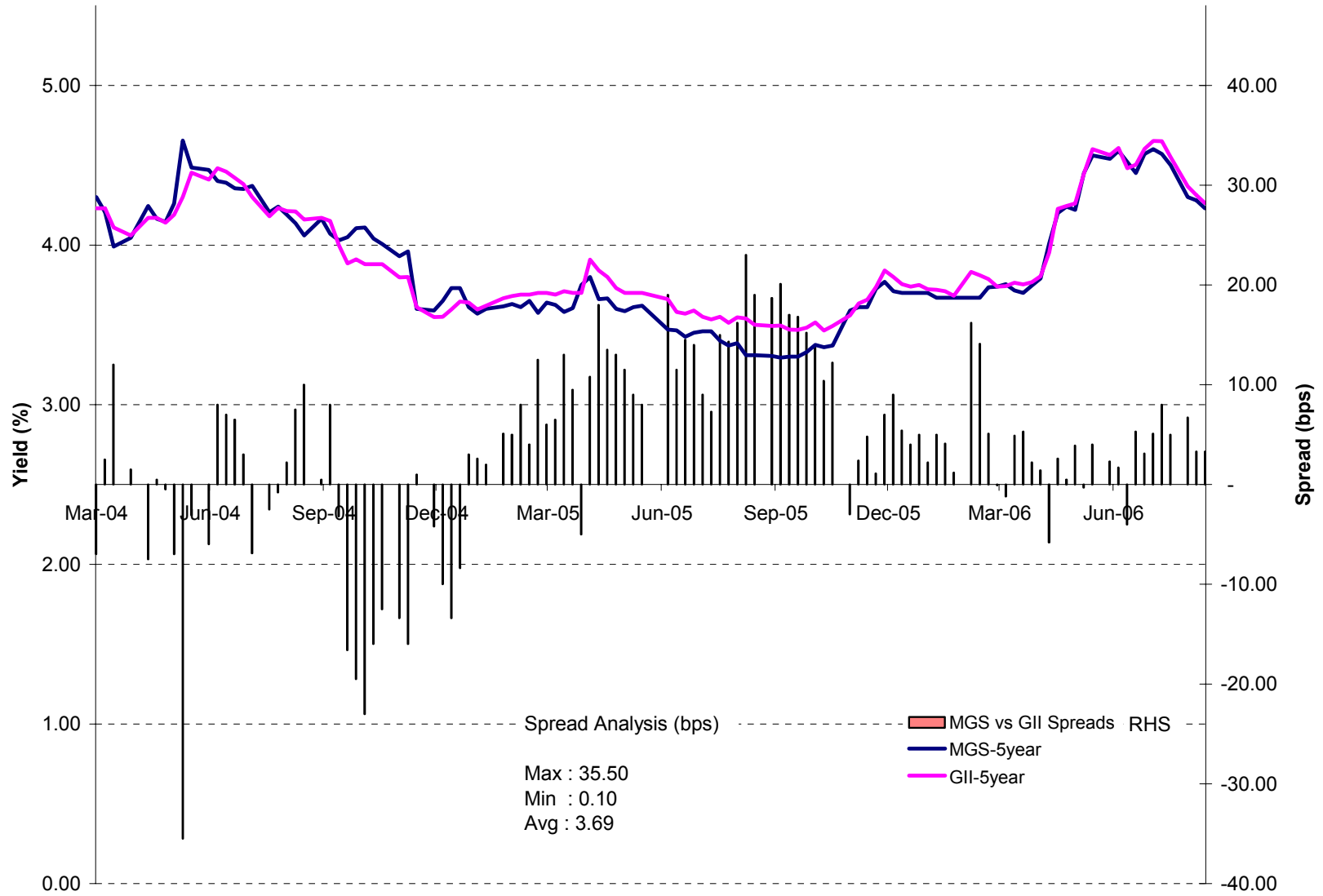
Historical Yields for Conventional & Islamic Securities

a. 3-Year Securities



Source : Bloomberg

b. 5-Year Securities



Source : Bloomberg