

# Commodity Murabahah Programme

## INTRODUCTION

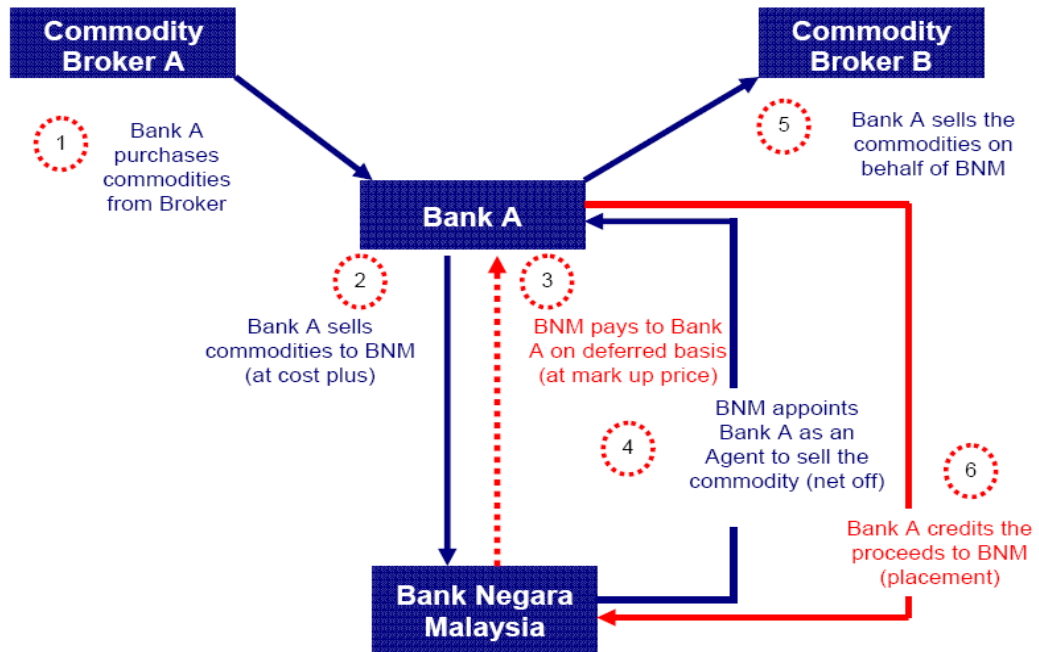
As a part of Bank Negara Malaysia's initiative to support Islamic Finance development in Malaysia, Commodity Murabahah Programme (CMP) was introduced to facilitate liquidity management and investment purposes. CMP is a cash deposit product which is based on a globally acceptable Islamic concept. It is an efficient instrument for mobilisation of funds between surplus and deficit units.

CMP is designed to be the first ever commodity-based transaction that utilises the Crude Palm Oil based contracts as the underlying assets.

CMP transaction with BNM was first auctioned competitively in the Islamic Interbank Money Market (IIMM) via the Fully Automated System for Issuing/Tendering (FAST) on 14 March 2007 and it marked an extensive effort by the country to become a significant player in Islamic Financial Market globally. CMP may also be transacted bilaterally amongst IIMM participants including BNM.

The introduction and usage of CMP as liquidity management tool will contribute to realising the vision of making Malaysia as an International Islamic Financial Centre (MIFC).

## STRUCTURE & MECHANISM



- Red dashed arrow:** Fund flows at forward date
- Red solid arrow:** Fund flows at spot date
- Blue solid arrow:** Commodity flows

## **PRODUCT FEATURES**

### **Background**

The introduction of CMP as a domestic Islamic money market instrument has already been endorsed by the National Shariah Advisory Council.

### **Purpose**

To offer Islamic financial institutions a new instrument in managing liquidity in the IIMM.

### **Fixed Return**

CMP provides certainty of returns as it is undertaken based on pre-agreed 'margin' or 'mark-up' from the sale and purchase of the underlying asset.

## **BENEFITS**

1. Efficient allocation of resources
2. Effective liquidity management tool
3. Platform for monetary policy implementation
4. Portfolio diversification
5. Risk management facility
6. Global acceptance