



BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA



INFORMATION
NOTE

**GOVERNMENT
INVESTMENT
ISSUE (GII)**

PRINCIPAL INFORMATION

GOVERNMENT INVESTMENT ISSUE (“GII”)

Issuer

Government of Malaysia (“GOM”)

Facility Agent/Lead Arranger

Bank Negara Malaysia (“BNM”)

Issuance Principle

GII is a trust certificate issued under the Islamic contract of *Bai Al-Inah*, part of the sell and buy back principle in Islamic finance (refer to structure in Appendix I).

Under the issuance principle, the Government will sell specified nominal value of its assets and subsequently will buy back the assets at its nominal value plus profit through a tender process. Profit rate is based on the weighted average yield of the successful bids of the auction. The nominal value of buying back the assets will be settled at a specified future date or maturity, while the profit rate will be distributed half yearly throughout the tenure. The obligation of the Government to settle the purchase price is securitised in the form of GII and is issued to the investors. At maturity, the Government will redeem the GII and pay the nominal value of the securities to the GII holders.

Facility Description

GII is long-term non-interest-bearing Government securities based on Islamic principles for funding developmental expenditure. GII is issued through competitive bidding auction by Bank Negara Malaysia on behalf of the Government. The GII issuance programme is pre-announced in the auction calendar with issuance size ranging from RM2 billion to RM5 billion and original maturities of 3-, 5-, 7-, 10- or 15-year.

Governing Law

GII is issued under the Government Funding Act 1983 (formerly known as Government Investment Act 1983).

The terms and conditions of the GII shall be governed by, and construed in accordance with, the laws of Malaysia. The parties irrevocably submit to the exclusive jurisdiction of the courts of Malaysia.

Shariah Adviser

Shariah Advisory Council of Bank Negara Malaysia

Particulars of the assets

Assets owned by the Government, as described in the Certificate of Government of Malaysia Assets. The underlying assets used for GII issuance are *Shariah* compliant shares.

Master Agreement

The GII will be issued pursuant to the Master Agreement of Government Investment Issues between the Issuer (Government of Malaysia) and the Buyer (parties listed in Appendix II). The Issuer is to enter into transactions involving the selling and repurchasing of its own Assets under the Islamic transaction of *Bai Al-Inah* and to issue securities in its own name. The issuance, holding, sale and purchase of such securities shall be subject to such terms and conditions or guidelines governing the issuance thereof. A copy of the Agreement can be obtained by visiting FAST website: <https://fast.bnm.gov.my/fastweb/public/MainPage.do>

Mode of Issue

Competitive multiple-price auction via FAST

Payment

Payments for the amounts accepted and allotted must be made in full by 11:30 a.m. on the issue date. On issue date, RENTAS (Malaysia's RTGS system) will credit the GII to the securities accounts of the successful bidders after successfully debiting the respective cash accounts.

Rating

Exempted

Listing Status

Not listed

Redemption

GII shall be redeemed by Government of Malaysia at their par value on the maturity date

Status of the Securities

The GII will be accorded with the following regulatory treatment:

- (i) 0% risk weight under the Risk-Weighted Capital Adequacy Framework and the Capital Adequacy Framework for Islamic Banks;
- (ii) Class-1 liquefiable assets status under the Liquidity Framework, subject to a yield slippage of 2%;
- (iii) Eligible collateral for Standing Facility;
- (iv) Excluded from Single Customer Credit Limit;
- (v) 0% risk charge under the Risk-Based Capital Framework for Insurers; and
- (vi) Holdings of GII in the trading book can be deducted from the eligible liabilities base for the purpose of computing the SRR. For PDs, entire holdings of GII can be deducted from the eligible liabilities base for SRR computation.

Paying Agent

Bank Negara Malaysia

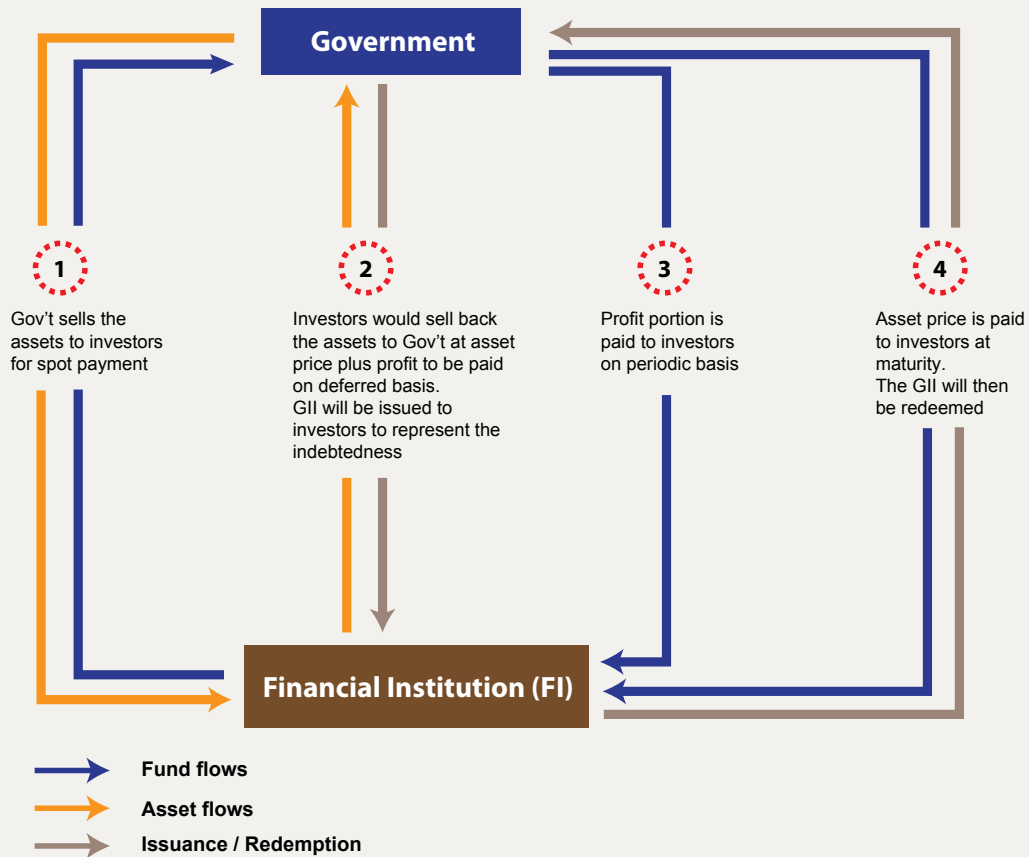
Authorised Depository

BNM will hold the Certificate for the beneficial holders and credit them with the specific amount of securities held for their account for the purpose of trading and transfer on the Scripless Securities Depository System (SSDS). BNM will record the holdings and transactions of scripless securities of the holders who are members of the SSDS. The holdings and transactions of the holders who are not SSDS members will be recorded by BNM under the Customers Holdings of Authorised Depository Institutions (“ADIs”) appointed by BNM, with details on each holder recorded at a secondary level by the ADIs. Holders who are not SSDS members have to appoint an ADI for their holdings of the GII. The Authorised Depository and/or the ADIs shall arrange for holders to receive payments of the redemption proceeds in accordance with the latter’s instructions. Holders who are SSDS members shall be paid directly by the Authorised Depository, while non-SSDS member holders shall be paid the redemption proceeds by the ADIs.

Appendix I

Government Investment Issue Structure

(Based on *Bai Al-Inah* concept)



1

To raise the required financing, Government will first sell its *Shariah*-compliant assets, e.g. equities, to investors for spot cash payment.

2

Upon completion of sale, investors will subsequently sell the assets back to Government at profit paid on deferred, and GII will be issued to evidence the indebtedness.

3

Profit from sale will be paid periodically such as semi-annual basis, representing the coupon on GII.

4

On maturity (i.e. deferred payment), Government will pay the asset cost, representing the principal amount, plus profit and GII will be redeemed.

Appendix II

List of Financial Institutions Participating in the Islamic Money Market

(Collectively referred to in this Agreement and the Sale Agreement as “the Buyer”)

1. Affin Bank Berhad
2. Affin Investment Bank Berhad
3. Affin Islamic Bank Berhad
4. Alliance Bank Malaysia Berhad
5. Alliance Investment Bank Berhad
6. Alliance Islamic Bank Berhad
7. AmBank (M) Berhad
8. Al Rajhi Banking & Investment Corporation (Malaysia) Berhad
9. AmInvestment Bank Berhad
10. AmIslamic Bank Berhad
11. Aseambankers Malaysia Berhad
12. Asian Finance Bank Berhad
13. Bangkok Bank Berhad
14. Bank of America Malaysia Berhad
15. Bank of China (Malaysia) Berhad
16. Bank of Tokyo-Mitsubishi UFJ (Malaysia) Berhad
17. Bank Islam Malaysia Berhad
18. Bank Muamalat Malaysia Berhad
19. CIMB Bank Berhad
20. CIMB Investment Bank Berhad
21. CIMB Islamic Bank Berhad
22. Citibank Berhad
23. Deutsche Bank (Malaysia) Berhad
24. EON Bank Berhad
25. ECM Libra Investment Bank Berhad
26. Hong Leong Bank Berhad
27. Hong Leong Islamic Bank Berhad
28. HSBC Amanah Malaysia Berhad
29. HSBC Bank Malaysia Berhad
30. Hwang-DBS Investment Bank Berhad
31. J.P. Morgan Chase Bank Berhad
32. KAF Investment Bank Berhad
33. Kenanga Investment Bank Berhad
34. Kuwait Finance House (Malaysia) Berhad
35. Malayan Banking Berhad
36. Maybank Islamic Berhad
37. MIDF Amanah Investment Bank
38. MIMB Investment Bank Berhad
39. National Bank of Abu Dhabi Malaysia Berhad
40. OCBC Al-Amin Bank Bhd
41. OCBC Bank (Malaysia) Berhad
42. OSK Investment Bank Berhad
43. Public Bank Berhad
44. Public Investment Bank Berhad
45. Public Islamic Bank Bhd
46. RHB Bank Berhad
47. RHB Investment Bank Berhad
48. RHB Islamic Bank Berhad
49. Standard Chartered Bank Malaysia Berhad
50. Standard Chartered Saadiq Berhad
51. The Bank of Nova Scotia Berhad
52. The Royal Bank of Scotland Berhad
53. United Overseas Bank (Malaysia) Berhad