



## PRACTICE NOTE 3 issued pursuant to the Guidelines on the Offering Of Islamic Securities

Issued Date: 12 December 2005

### **Application of the Guidelines on the Offering of Islamic Securities to the Issuance of Islamic Negotiable Instruments with Original Tenures of More than Five Years**

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#### **Introduction**

1. This Note seeks to waive the application of the Guidelines on the Offering of Islamic Securities ("IS Guidelines") in relation to the issuance of Islamic negotiable instruments ("INIs") with original tenures of more than five years by an Islamic bank and an eligible licensed institution participating in the Skim Perbankan Islam approved by Bank Negara Malaysia.
2. For the purposes of this Note,
  - (a) the term "Islamic bank" has the meaning assigned to it under section 2 of the Islamic Banking Act 1983; and
  - (b) the term "licensed institution" has the meaning assigned to it under subsection 2(1) of the Banking and Financial Institutions Act 1989 ("BAFIA").

#### **Waiver from various provisions of the Guidelines**

3. The provisions under the IS Guidelines are hereby waived in respect of issuance of INIs with original tenures of more than five years, save for the declaration by the issuer (as in Appendix 3(a) of the IS Guidelines) and the following information that must be submitted to the SC:
  - Size of issue/programme;
  - Validity period of issue/programme;
  - Prevailing credit rating of the Islamic bank or eligible licensed institution; and

Paragraph 10 of the IS Guidelines relating to mode of issue shall apply in the event that the instruments are required by the SC to be issued in scripless form.

### **Mode of approval by the SC**

4. A proposal to issue such INIs shall be deemed approved by the SC on the date of receipt of a complete submission of the documents specified in paragraph 3 above.

### **Clarification of various requirements in the IS Guidelines**

5. The following information relating to each issuance must be submitted on a monthly basis to the SC (in soft copy and hard copy) within seven business days from the end of each calendar month:
  - Description of instrument (e.g. concept of Bai' Bithaman Ajil, Al-Mudharabah etc.)
  - Nominal value
  - Issue date
  - Tenure
  - Maturity date
  - Profit rate/yield (%)
  - Type of investors by category on issue/placement date (e.g. banks, insurance companies, non-FI corporates and individuals)
  - Terms of the issue, where applicable
  - Prevailing credit rating of the issuing bank
  - Outstanding amount of INIs issued as at month-end (on aggregate basis)

For purposes of consistency, the soft copy and hard copy documents containing the above information should be submitted to the SC in the format attached. The soft copy document should be prepared using MS Excel software and submitted to the SC via e-mail to the following address: DS@seccom.com.my. Should the issuer choose to submit soft copy documents via CD-ROM or diskette, it should be clearly labeled with the name of the issuer and date of submission to the SC.

6. The Islamic bank and eligible licensed institution must undertake to disclose to investors the inherent risks, including credit risks and price risks, in investing in INIs and state clearly the settlement procedures for any early redemption or termination of the INIs.

**Monthly Reporting on Issuance of Islamic Negotiable Instruments**

**Reporting Institution:**

**Reporting Month/Year:**

	<b>Information to be submitted</b>	<b>Details</b>
1.	Description of instrument (e.g. concept of Bai' Bithaman Ajil, Al-Mudharabah etc.)	
2.	Nominal value	
3.	Issue date	
4.	Tenure	
5.	Maturity date	
6.	Profit rate/yield (%)	
7.	Type of investors by category on issue/placement date (e.g. banks, insurance companies, non-FI corporates and individuals)	
8.	Terms of the issue, where applicable	
9.	Prevailing credit rating of the issuing bank	
10.	Outstanding amount of INIs issued as at month-end (on aggregate basis)	

**Format**

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