

## FREQUENTLY ASKED QUESTIONS (FAQs)

Please read these FAQs on the Conversion of General Investment Account-i (GIA-i) to Commodity Murabahah Term Deposit-i (CMTD-i).



1.	<p><b>What is IFSA 2013?</b></p> <p>Islamic Financial Services Act (IFSA) 2013 is an Act that regulates and supervises Islamic Financial Institutions in order to promote financial stability, ensure compliance with Shariah and also for any related, consequential or incidental matter.</p> <p>The Act introduces two major classifications of products for the acceptance of money from customers by Islamic Banks into either Islamic deposits or investment accounts.</p> <p>Under the new definition, all term deposit products which apply the Shariah contract of Mudarabah (profit sharing) and Wakalah bi al-istithmar (agency for investment) will be classified as investment products instead of deposits. Hence, the benefits and privileges of being deposit products will no longer be applicable e.g. Perlindungan Insurans Deposit Malaysia (PIDM) coverage.</p>
2.	<p><b>Why is the Conversion necessary?</b></p> <p>The Conversion exercise is necessary to be in compliance with the new regulatory landscape of IFSA which differentiates between Islamic Deposit Account and Islamic Investment Account. As such, to maintain the status of your General Investment Account (GIA) as Islamic Deposit, MBSB Bank Berhad ("MBSB Bank") will convert your existing GIA-i account(s) into Commodity Murabahah Term Deposit-i (CMTD-i) account(s) by end of <b>July 2018 or at any earlier date as advised by MBSB Bank.</b></p>
3.	<p><b>What is CMTD-i?</b></p> <p>CMTD-i is a fixed rate term deposit account based on the Shariah concept of Tawarruq. The profit rate/return of CMTD-i is contracted upfront whilst the returns are derived through the trading of Shariah compliant commodities as the underlying assets. In comparison, the profit rate /return of GIA-i account is determined only upon maturity of the investment.</p>
4.	<p><b>What is the Shariah contract applicable under CMTD-i?</b></p> <p>The Shariah concept applied is Tawarruq which comprises Wakalah and Murabahah. This refers to two sale and purchase contracts where the first involves the sale of an asset to a purchaser on a deferred basis and the subsequent sale involves sale of the asset to a third party on a cash basis.</p> <p>Under the CMTD-i arrangement, the Tawarruq arrangement shall be as follows: Upon Conversion, you will appoint MBSB Bank as your agent to purchase Commodity, which MBSB Bank deems fit, from any commodity trader and thereupon sell the Commodity to MBSB Bank at Selling Price.</p> <p>MBSB Bank, acting as your agent, will purchase the Commodity on your behalf at Purchase Price equivalent to the principle amount. (You are also entitled to request and take physical delivery of the Commodity at your own cost and expense).</p> <p>Thereafter, MBSB Bank will on its own capacity purchase the Commodity from you at Selling Price which shall be paid to you upon maturity. To facilitate the process, MBSB Bank shall act as your agent in the selling of the Commodity. MBSB Bank may thereafter sell the Commodity to a third party. The sale and purchase contracts in the Tawarruq arrangement will be executed upon Conversion.</p> <p>Definition:</p> <ul style="list-style-type: none"><li>• Purchase Price refers to the amount equivalent to the placement amount which will be used to purchase the Commodity on the trading day.</li><li>• Selling Price refers to the amount payable by MBSB Bank to acquire the Commodity from the Customer(s) on <i>Murabahah</i> basis which comprise of the Purchase Price of the Commodity and the profit.</li></ul> <p>Note: <b>Trading of Commodity is executed via commodity platform.</b></p>
5.	<p><b>Will there be any change to the terms of my/our account(s) upon Conversion?</b></p> <p>There will be no change to your existing terms. After the Conversion, your account number, maturity date, renewal term, and standing instructions will remain unchanged.</p>

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### 6. How is the profit calculation structured upon Conversion?

#### Example:

GIA-i placement	Principal (P)	: RM10,000
	Tenure (T)	: 12 months
	Expected Profit Rate (R)	: 3.40% p.a.
	Value Date	: 1/3/2017 - 1/3/2018

$$\begin{aligned} \text{Computation of expected profit upon maturity of GIA-i placement} &= P \times R \times T/365 \\ &= \text{RM10,000} \times 3.40\% \times 365/365 \\ &= \text{RM340.00} \end{aligned}$$

$$\begin{aligned} \text{Total expected return upon maturity} &= \text{Principal} + \text{expected profit upon maturity} \\ &= \text{RM10,000} + \text{RM340} \\ &= \text{RM10,340.00} \end{aligned}$$

#### Profit calculation structure due to Conversion from GIA-i to CMTD-i (Conversion date: 1 Dec 2017)

##### Profit calculation for GIA-i from 1/3/2017 - 1/12/2017

$$\begin{aligned} &= \text{Principal} \times \text{Expected Profit Rate} \times \text{Tenure} \\ &= \text{RM10,000} \times 3.40\% \times 275/365 \\ &= \text{RM256.16} \end{aligned}$$

##### Profit calculation for CMTD-i from 1/12/2017 - 1/3/2018

$$\begin{aligned} &= \text{Principal} \times \text{Fixed Profit Rate} \times \text{Tenure} \\ &= \text{RM10,000} \times 3.40\% \times 90/365 \\ &= \text{RM83.84} \end{aligned}$$

$$\text{Total Profit: RM340.00 (RM256.16 + RM83.84)}$$

$$\begin{aligned} \text{Total Payment received upon maturity} &= \text{Principal} + \text{GIA-i expected profit (1/3/17 - 1/12/17)} + \text{CMTD-i Profit (1/12/17-1/3/18)} \\ &= \text{RM10,000} + \text{RM256.16} + \text{RM83.84} \\ &= \text{RM10,340.00} \end{aligned}$$

### 7. Will MBSB Bank pay the GIA-i profit portion to me/us before the Conversion?

The payment of profit will only be paid to you upon maturity of your deposit placement. At the end of the maturity tenure, you will receive total payment which will comprise the principal, GIA-i expected profit and CMTD-i profit amount as illustrated under item 6 above.

### 8. What if I/we decide to make an early withdrawal after the Conversion?

In the event you decide to uplift your CMTD-i prior to maturity, you will be required to provide rebate (ibra') on the agreed Selling Price based on the Terms and Conditions (T&C) of the CMTD-i.

### 9. How would the Conversion impact my/our existing deposit under lien?

Any existing lien, rights, charge, security interest and / or restrictions applicable to the existing deposit shall continue under your new CMTD-i.

### 10. Does this Conversion involve issuance of a new certificate?

You may continue holding your GIA-i certificate until maturity. In addition, you will also receive the Notification of Commodity Trading providing details of the Commodity transacted upon Conversion.

For auto renewal, a new CMTD-i advice will be issued when you surrender your old certificate during your visit to your Home Branch.

### 11. What will happen if I/we have lost my/our existing certificate?

You will need to immediately report in writing to MBSB Bank.

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12.	<b>Does company / corporate customer need to issue new Board Resolution to convert the GIA-i account(s) to CMTD-i?</b>  There is no need for a new Board Resolution for the Conversion to take place.
13.	<b>What are the actions required from me/us for the Conversion exercise?</b>  No action is required from you; the Conversion will take place after the expiry of the Conversion notice period. i.e. twenty one (21) calendar days.
14.	<b>What happens after the expiry of the Conversion notice period?</b>  MBSB Bank will proceed with the Conversion deeming that you have consented to the Conversion of your account and agreed to the Terms & Conditions (T&C) of the CMTD-i.
15.	<b>What if I/we disagree with the Conversion to CMTD-i?</b>  If you do not wish for your account to be converted, you may visit your Home Branch to perform early withdrawal of your GIA-i account(s) within 21 days from the date of this Conversion Notice. Profit amount will be paid up to the withdrawal date and there will be no penalty imposed by MBSB Bank for the early withdrawal.
16.	<b>What if I/we do not receive the Conversion Notice?</b>  The Conversion Notice will be delivered to you based on the last registered address with MBSB Bank. As such, you are advised to notify us of any change in address to ensure successful delivery of the Notice.  Alternatively, you may also visit our website at <a href="http://www.mbsbbank.com">www.mbsbbank.com</a> to view the sample template of the Conversion Notice and FAQs which are made available in both English and Bahasa Malaysia. You may even request for a copy of the Conversion Notice and FAQs by contacting our Customer Call Centre (CCC) at <b>03-2096 3000</b> or e-mailing them directly at <a href="mailto:conversion@mbsbbank.com">conversion@mbsbbank.com</a> .
17.	<b>How can I obtain further information / clarification?</b> <ul style="list-style-type: none"><li>✓ Contact our Customer Call Centre (CCC) at <b>03-2096 3000</b> between 8.30a.m to 5.30p.m Mondays to Fridays (save and except for Public Holidays);or</li><li>✓ E-mail us at <a href="mailto:conversion@mbsbbank.com">conversion@mbsbbank.com</a>; or</li><li>✓ Visit MBSB's website at <a href="http://www.mbsbbank.com">www.mbsbbank.com</a>.</li></ul>