

## PRODUCT DISCLOSURE SHEET



Kindly read this Product Disclosure Sheet together with the terms in the letter of offer before you decide to take up the Hong Leong Commodity Murabahah Revolving Credit-i (CMRC-i) with Hong Leong Islamic Bank ("Bank"). Be sure to also read the general terms and conditions.

The information provided is merely general information of the product. The terms and conditions indicated in this Product Disclosure Sheet are tentative/ indicative and may change at the discretion of the Bank. Final terms and conditions will be read jointly and superseded as stipulated in the letter of offer and facility agreement after credit assessment and approval for the financing.

Please seek clarification from Hong Leong Islamic Bank Berhad if you do not understand any part of this document or the general terms.

## Hong Leong Commodity Murabahah Revolving Credit-i (CMRC-i)

October 2020

### 1. What is this product about?

- CMRC-i is a short-term revolving Islamic financing facility which complies with Shariah principles. Under the Facility, the actual sale price (principal plus profit), financing tenure and maturity date must be determined at the point of each disbursement/utilization.
- It is generally used for working capital operations and purchase of asset to support company's day-to-day operations.

### 2. What is the Shariah concept applicable?

The Shariah principle used is *Tawarruq* arrangement which refers to two sale and purchase contracts. The first involves the sale of an asset by the Bank to the Customer on a deferred basis. Subsequently the Customer will sell the same asset to a third-party to obtain cash.

The mechanics involved in CMRC-i:

1. Bank buys the commodity (which is used as underlying asset)\* (at same value as financing amount) from a commodity supplier on spot as principal (Bank now owns commodity);
2. Customer appoints the Bank as agent (*wakil*) to purchase the commodity and has also appointed the Bank as an agent to sell the commodity.
3. Bank sells the commodity to Customer at cost plus mark up (*Murabahah*) (at same value as selling price) on deferred payment. Upon the purchase, the Customer now owns the commodity. *Murabahah* is a sale and purchase of an asset where the acquisition cost and mark-up are disclosed to the Customer.
4. As owner of the commodity, Customer may opt to:
  - (a) take physical delivery/possession at his own expense; or
  - (b) sell the commodity to a third party for cash;
5. If the Customer chooses 4 (b), the Bank (as agent of the Customer) sells Customer's commodity (at same value as financing amount) to third party on spot for cash;
6. Bank disburses sale proceeds (financing amount) to Customer.

\* *Commodity:*

- (a) *The commodity is in the form of Crude Palm Oil or any other Shariah compliant commodities to be traded under the Facility which shall be acceptable to the parties and as approved by the Shariah Committee of the Bank;*
- (b) *The trading is carried out on a multi-commodity trading platform such as Bursa Suq Al Sila' or any other commodity trading platform, which, facilitates Tawarruq transactions and has been approved by the Shariah Committee of the Bank.*

### 3. What do I get from this product?

- Customer is able to make multiple disbursements ("Note Transaction") so long the total disbursements amount do not exceed the approved Facility Limit.
- Financing tenure for each Note Transaction (disbursement) will be subject to approval by the Bank and can range from a minimum of 1 month up to a maximum of 12 months.
- Sale Price which is inclusive of profit charges is fixed at point of each disbursement/utilization calculated based on prevailing Profit Rate illustrated as follows:

#### **Illustration only**

Facility Amount/Limit	:	RM1,000,000.00
Notes Transaction or Disbursement Amount (Commodity Purchase Price)	:	RM400,000.00
Tenure	:	60 days
Profit Rate	:	5.35% p.a.
Commodity Sale Price	:	RM403,517.81
Profit Amount	:	RM3,517.81

#### 4. What are my obligations?

- For every disbursement, you will have options to pay either:
  - Periodic profit servicing (monthly, quarterly, or half yearly) and bullet principal payment; or
  - Bullet payment of profit and principal (at maturity)
- Commodity Sale Price (principal plus profit) is to be fully paid at maturity for every disbursement.

#### 5. What are the fees and charges I have to pay?

<b>Stamp Duties</b>	As per Stamp Duty Act 1949 (revised 1989).
<b>Legal and Disbursement Fees</b>	Solicitor fee as per the Solicitor's Remuneration Order 2005 including fees for registration of charge, land search, bankruptcy search, related government tax and other tax or levy as per the scale fees charged by the respective authorities.
<b>Trading Fee</b>	RM7.50 (SME) or RM15.00 (Non-SME) for every RM1.0 million of financing amount (and its equivalent in another currency e.g. USD7.50 (SME) or USD 15.00 (Non-SME)/USD 1.0 million) on a pro-rated basis for tenure of 22 days and above.  Note: In the event where the facility currency and fee settlement currency is different, the exchange rate used by the commodity trading platform provider shall apply.

**Note:** All fees, commissions, charges and other monies payable shall be exclusive of and subject to any Government Tax, where applicable.

#### 6. What if I fail to fulfil my obligations?

<b>Compensation Charges for Late Payment</b>	<ol style="list-style-type: none"><li>For default payment(s) <b>during facility tenure</b> = 1% p.a. on the overdue amount;</li><li>For default causing the facility to be terminated or brought to court = 1% p.a. on the outstanding balance (outstanding principal plus accrued profit);</li><li>For default payment <b>after expiry of facility tenure</b> = BNM Islamic Interbank Money Market ("IIMM") rate on the outstanding balance (outstanding principal plus accrued profit);</li><li>For default payment after court judgment has been obtained against you = IIMM rate on the basic judgment sum.</li></ol> <p><b>Note:</b> (i) Compensation charges must not be added to the outstanding principal (compounded) and must not be more than the outstanding principal (ii) Compensation charges method and rate are subject to changes as may be prescribed by BNM (iii) Compensation charges is computed on a daily basis from the payment due date/maturity date/judgment date</p>
<b>Right to set-off</b>	The Bank may set-off/deduct any credit balance in your deposit account maintained with the Bank against any outstanding balance of the Facility subject to issuance of <u>seven (7) days' prior written notice to you.</u>
<b>Right to commence recovery or legal action</b>	<ul style="list-style-type: none"><li>Legal action will be taken if you fail to respond to reminder notices.</li><li>Your asset may be foreclosed and you will have to bear all costs. In the event the sale proceeds are insufficient to settle in full the outstanding amount due and owing, you will be responsible to settle any shortfall.</li><li>The Bank may commence recovery activities (including engaging third-party debt collection agencies), foreclosure and bankruptcy proceedings.</li></ul> <p><b>Note:</b> Legal action against you may affect your credit rating leading to credit being more difficult or expensive.</p>

#### 7. What if I fully settle the financing before its maturity?

- The Bank undertakes to grant you rebate (Ibra') at the point of full early settlement. Rebate formula as below:

Rebate on early settlement = Remaining Unearned Profit (-) Early Settlement Charges\* (if any)

- Note:** (i) Remaining Unearned Profit = Total Profit (-) Accrued Profit  
(ii) Total Profit = Sale Price (-) Financing Amount  
(iii) Accrued Profit is calculated based on Effective Profit Rate on the outstanding Financing Amount being disbursed

\* for any actual cost incurred by the Bank e.g. discounted rate, legal fees, disbursement fees, stamp duty and valuation fees.

## 8. Do I need any takaful coverage?

The following takaful coverage are recommended/required to be taken from takaful companies that are acceptable to the Bank:

- (a) Mortgage Reducing Term Takaful (MRTT) or any equivalent takaful coverage policies to cover the company in the event of death or permanent disability of the customer or key men of the company (if applicable)
- (b) Fire takaful if property is given as security for the financing (compulsory)

## 9. What are the major risks?

Should there be a reduction in prevailing Profit Rate during the Financing Tenure, you are not be able to enjoy any reduction in the agreed profit/financing rate. Profit/financing rate for each disbursement/utilization shall be determined upfront on the disbursement/utilization date.

## 10. What do I need to do if there are changes to my contact details?

It is important that you inform us of any changes in your contact details to ensure that all correspondences reach you in a timely manner. To update your correspondence details, please contact us at +603-76268899 or visit any of our business centres nationwide.

## 11. Where can I get assistance and redress?

- If you have difficulties in making payments, you should contact us earliest possible to discuss payment alternatives. You may contact us at:

Hong Leong Islamic Bank Berhad, Commercial and SME Banking

Address : Level 9, Menara Hong Leong, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur

Telephone No. : +603-7661 7777

E-mail : [sme@hlbb.hongleong.com.my](mailto:sme@hlbb.hongleong.com.my)

Website : [www.hlisb.com.my](http://www.hlisb.com.my)

- Alternatively, you may seek the services of :

- a) **Khidmat Nasihat Pembiayaan (KNP)**, a service formalized by Bank Negara Malaysia (BNM) in collaboration with Credit Guarantee Corporation Malaysia Berhad (CGC) and Agensi Kaunseling & Pengurusan Kredit (AKPK) via MyKNP@CGC that provides financial advisory and recommendations to Small & Medium Enterprises (SMEs) who were unsuccessful in obtaining business financing from banks. You may contact KNP at:

MyKNP@CGC Advisory Unit under CGC

Address : CGC Advisory at any CGC branches nationwide.

Please refer to CGC website for the branch location at <https://www.cgc.com.my/cgc-branches>.

Telephone : 03- 7880 0088

E-Mel : [myknp@cgc.com.my](mailto:myknp@cgc.com.my)

Website : [www.myknp.com.my](http://www.myknp.com.my)

- b) **Agensi Kaunseling dan Pengurusan Kredit (AKPK)**, an agency established by Bank Negara Malaysia as a one-stop platform for both individuals and SMEs seeking financing restructuring services as well as financial education and credit advisory. You may contact AKPK at:

Agensi Kaunseling dan Pengurusan Kredit (AKPK)

Alamat : Tingkat 5 & 6, Menara Bumiputra Commerce, Jalan Raja Laut 50350 Kuala Lumpur, Federal Territory

Telephone : 1-800-88-2575

E-mail : [enquiry@akpk.org.my](mailto:enquiry@akpk.org.my)

- If you wish to complain on the products or services provided by us, you may contact us at:

Hong Leong Islamic Bank Berhad, Commercial and SME Banking

Address : Level 9, Menara Hong Leong, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur

Telephone No. : +603-7661 7777

E-mail : [sme@hlbb.hongleong.com.my](mailto:sme@hlbb.hongleong.com.my)

Website : [www.hlisb.com.my](http://www.hlisb.com.my)

- If your query or complaint is not satisfactorily resolved by us, you may contact Bank Negara Malaysia at:

Bank Negara Malaysia LINK or BNMTELELINK

Address : Block D, Bank Negara Malaysia Jalan Dato' Onn 50480 Kuala Lumpur.

Telephone No. : 1-300-88-5465 Fax : 03-2174 1515

E-mail : [bnmtelelink@bnm.gov.my](mailto:bnmtelelink@bnm.gov.my)

## 12. Where can I get further information?

Should you require additional information on CMRC-i financing, please visit any of our business centers nationwide or you may visit our website at [www.hlisb.com.my](http://www.hlisb.com.my) or [www.bankinginfo.com.my](http://www.bankinginfo.com.my) website

## 13. Other Financing Packages Available

- Hong Leong Commodity Murabahah Term Financing-i
- Hong Leong CM Flexi Term Financing-i
- Hong Leong CM Cashline-i
- Islamic Trade Financing-i
- Industrial Hire Purchase-i

### **IMPORTANT NOTICE**

**THE BANK MAY PROCEED WITH LEGAL ACTION AND FORECLOSURE OF YOUR ASSET FINANCED BY OR CHARGED AS COLLATERAL TO THE BANK SHOULD YOU FAIL TO PAY YOUR PAYMENT PROMPTLY.**

**READING THROUGH CAREFULLY THE DETAILS IN THE PDS IS VERY IMPORTANT SO AS TO ENSURE THAT YOU GET TO KNOW AND UNDERSTAND THE PRODUCT TERMS AND YOU HAVE AGREED.**

The information provided in this disclosure sheet is valid as at October 2020