

## PRODUCT DISCLOSURE SHEET

Kindly read this Product Disclosure Sheet together with the terms and conditions before you decide to take up Letter of Credit-i (LC-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 Final terms and conditions will be read jointly and superseded as stipulated in the letter of offer and facility agreement after credit assessment and financing approval for the financing.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 Letter of Credit-i (LC-i)

October 2020

#### 1. What is this product about?

LC-i is an Islamic trade financing facility, which complies with Shariah principles. LC-i is a irrevocable written undertaking by a bank, given to a seller (as the beneficiary) at the request and on the instructions of the buyer ("the Applicant), to pay at sight or at a determinable future date up to a stated sum of money that must be paid within a prescribed time limit and against stipulated documents which are in compliance with the terms and conditions of the documentary credit.

The main governing set of rules for an LC is the latest version of **Uniform Customs and Practice for Documentary Credits (UCP)** and **Uniform Rules for Bank-to-Bank Reimbursements under Documentary Credits (URR)**.

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

- LC-i falls under a service and applies Shariah principle of wakalah bi al-ujrah (agency contract with service fee).
- Under this concept, the Bank acts as the Agent of the customer.
- Four principles of Wakalah are Agent ("the Bank"), Principle / Buyer ("the Customer"), subject matter of the wakalah contract and Offer and Acceptance.
- The mechanics involved in LC-i facility:
  1. The Customer informs the Bank of his LC-i requirement and requests the Bank to provide the facility;
  2. The Bank requires the Customer to place a deposit to the full amount (subject to credit requirement) of the price of the goods to be purchased / imported which the Bank accepts as deposit into Customer's current account where the amount deposited will be earmarked / hold as security for the facility;
  3. The Bank establishes the LC-i;
  4. Once negotiated, the Bank utilises the Customer's deposit (to retire the facility) and subsequently releases the documents to the customer

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

- Better opportunity to negotiate with the supplier for better credit terms and pricing
- Bank may assist to clear Exchange Control matters and related trade issues when the LC-i is issued
- The Bank charges the Customer fees or commission for its services under the principle of Ujrah ranges as follow:
  1. **LC-i Issuance Commission**
    - 0.1% per month or part thereof, subject to a minimum of RM50.00 or rate specified in the Letter of Offer
  2. **LC-i Amendment Commission**
    - If related to extension or increase in amount, 0.1% per month or part thereof, with a minimum of RM50.00 or rate specified in the Letter of Offer.
    - If not related to extension or increase in amount, a flat fee of RM50.00 is charged.

#### 4. What are my obligations?

- The Customer may require submitting a list of local suppliers to the Bank for approval for local purchase. The approved suppliers list may be reviewed by the Bank and is subject to change from time to time.
- To fulfil your obligation as per conditions set out in the LC-i.
- For every utilisation of LC-i facility, you will have to pay commission upfront.

- To reimburse to the Bank immediately the same day for any payment made by the Bank as the Customer's or third party authorised by the Customer's payment agent

#### 5. Besides commission fee 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>Others</b>	Please refer Trade Services Fees & Charges in our website at URL: <a href="https://www.hlisb.com.my/en/personal-i/help-support/fees-and-charges/trade-service-i.html">https://www.hlisb.com.my/en/personal-i/help-support/fees-and-charges/trade-service-i.html</a>

**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 fulfill my obligations?

<b>Compensation Charges for Late Payment (for each transaction)</b>	<p>(a) For default payment during facility tenure = 1% p.a. on the overdue amount;</p> <p>(b) For default causing the facility to be terminated or brought to court = 1% p.a. on the outstanding balance (outstanding principal plus accrued profit);</p> <p>(c) For default payment after expiry of facility tenure = BNM Islamic Interbank Money Market ("IIMM") rate on the outstanding balance (outstanding principal plus accrued profit);</p> <p>(d) For default payment after court judgement has been obtained against you = IIMM rate on the basic judgment sum.</p> <p><b>Note:</b></p> <p>(i) Compensation charges shall not be compounded and more than the outstanding principal</p> <p>(ii) Compensation charges method and rate are subject to changes as may be prescribed by BNM</p> <p>(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 in this account subject to issuance of seven (7) days' prior written notice to you.
<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?

Early settlement is not applicable.

#### 8. Do I need any takaful coverage?

The following takaful coverage are recommended/required to be taken from the Bank's panel:

- Fire takaful if property is given as security for the financing (compulsory)

#### 9. What are the major risks?

Where the shipping documents contain discrepancies, Bank may refuse to honour or negotiate the documents.

#### 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, you may visit any of our branches/ business centres nationwide or inform us in writing 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  
E-mail : [sme@hlbb.hongleong.com.my](mailto:sme@hlbb.hongleong.com.my)

#### 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)

- Agensi Kaunseling Dan Pengurusan Kredit (AKPK), an agency established by Bank Negara Malaysia to provide free services on Money Management, Credit Counselling, Financial Education and Debt Restructuring for Individuals and small and medium scale enterprises (SMEs). you may contact AKPK at:-

Address : Agensi Kaunseling dan Pengurusan Kredit (AKPK),  
Tingkat 5 dan 6, Menara Bumiputra Commerce  
11 Jalan Raja Laut  
50350 Kuala Lumpur

Telephone No. : 03-2616-7766  
E-mail : [enquiry@akpk.org.my](mailto:enquiry@akpk.org.my)  
Website : <https://www.akpk.org.my/>

- If you wish to complaint 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 LINK or TELELINK  
Address : Block D, Bank Negara Malaysia, Jalan Dato' Onn, 50480 Kuala Lumpur.  
Telephone No. : 1-300-88-5465  
Fax : +603-2174 1515  
E-mail : [bnmtelelink@bnm.gov.my](mailto:bnmtelelink@bnm.gov.my)  
Website : [www.ofs.org.my](http://www.ofs.org.my)

#### 12. Where can i get further information?

Should you require additional information on LC-i, please visit any of our branches 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 Commodity Murabahah Revolving Credit-i
- Hong Leong CM Cashline-i
- Other Islamic Trade Financing-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.**

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