



PRODUCT DISCLOSURE SHEET

Kindly read this Product Disclosure Sheet before you decide to take up the Hong Leong Onshore Foreign Currency Financing-i.

Be sure to read the final terms and conditions in the Letter of Offer. The information provided is merely general information of the product.

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

Hong Leong Onshore Foreign Currency Financing-i (OFCF-i)

October 2020

1. What is this product about?

Onshore Foreign Currency Financing-i (OFCF-i), is an Islamic trade financing facility which complies with Shariah principles in foreign currency(ies) (approved by the Bank) to finance importation of goods for trade purposes, including capital goods such as machinery and plant from foreign suppliers, exportation of goods related to Customer's nature of business and local purchases (for export purpose only) from approved suppliers.

OFCF-i only permits financing of tangible goods permissible by Shariah and should not be extended to Customer whose activities explicitly involve in Shariah non-compliant activities/non-halal goods/ items.

2. What is the Shariah concept applicable?

- OFCF-i is based on 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 OFCF-i :
 1. The Bank buys the commodity* (which is used as underlying asset) (same value as financing amount) from a commodity supplier on spot as principal (Bank now owns commodity);
 2. Customer has appointed the Bank as an 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) (same value as selling price) on deferred payment (instalments). 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) above, 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.
 7. Customer pays the Bank on deferred basis (bullet payment) on maturity date.

**Commodity:*

- (a) *The commodity is in the form of Platinum 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' (BSAS) or Eiger Trading Platform (EIGER) 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?

a) Onshore Foreign Currency Financing Facility

Item	Description
Facility Amount	RM < Total Facility Amount >
Margin of Financing (financing spread)	< _____ > % per annum (p.a)

- b) Access to alternate funding in foreign currency at competitive profit rate.
- c) Improve cash flow for better cash management and business expansion.
- d) Net exporters have the advantage of natural hedging of exchange risk.
- e) Minimum period of financing is 14 days and the maximum period must not exceed the approved financing tenure subject to a maximum period of 180 days.
- f) For financing of imports / purchases on usance (payable on future date) basis, the aggregate maximum period of financing inclusive of the usance period should not exceed the aforesaid period.
- g) For financing of exports, the aggregate maximum period of financing should be based on the credit terms in the invoice or approved financing tenure, whichever is shorter.
- h) OFCF-i is drawn against presentation of import/export/local purchases (for export purpose only) supporting documents and the financing amount is up to 100% of invoice value. The minimum OFCF-i financing amount is set at USD50,000 or its equivalent.

4. What are my obligations?

- a) The documents presented to the Bank to support the financing must relate to genuine and current trade transactions.
- b) Deliver to the Bank such satisfactory documentary evidence of the trade transaction (e.g. the original invoice, transport documents etc.) as may be required by the Bank.
- c) You have not obtained any and will not obtain another source of financing for the trade transaction concerned, including financing pursuant to a lease, hire purchase or factoring agreement.
- d) You authorise the Bank to debit your account in the Bank for the payment of any charges, profits, costs or expenses in respect of disbursement and payment of the OFCF-i.
- e) What are the cut-off times to observe for OFCF-i issuance?

TRADE PRODUCT	CUT- OFF TIME
OCF-i financing (RENTAS)	11 a.m.
OCF-i financing (Non-RENTAS) * (Foreign currency payment is subject to cut-off time for each currency. Refer to Trade Services Centre for cut-off time for each currency)	12 p.m.*

- f) Selling price is to be fully paid at maturity of every disbursement.
- g) **OCF-i Pricing:**
Profit Rate (All In Rate (AIR)) = FCY Islamic Cost Of Fund (FCY ICOF) + financing spread [_% per annum (p.a.)]
Profit Rate is fixed and collected upfront for the financing tenure until maturity date.
- h) Computation of Profit

$$Pr = \frac{P * r * t}{36000}$$

Where:

Pr	=	Profit
P	=	Selling Price/ Invoice Value
r	=	Profit Rate in percentage per annum
t	=	Tenure/ Number of remaining financing days to maturity

Note :

- Year base depends on the currency type, e.g. 360 days for USD.

i) Computation of Financing Amount (Cost Price)

$$FA = P \left(1 - \frac{(r * t)}{36000} \right)$$

Where:

P	=	Selling Price/Invoice Value
FA	=	Financing Amount/ Cost Price
r	=	Profit rate in percentage per annum
t	=	Tenure/ Number of remaining financing days to maturity

j) Example for computation of Financing Amount, Profit and Selling Price.

Example: Invoices of USD 100,000 is financed under OFCF-i for 90 days with FCY ICOF charged at 2.5% per annum plus financing spread charged at 3% per annum, based on the above formula, the Financing Amount is derived as follows:

Financing Amount/ Cost price	=	USD 100,000	$\left[1 - \frac{5.50 * 90}{36000} \right]$
	=	<u>USD 98,625.00</u>	

Note:

OCF-i Invoice Value/ Selling Price	:	USD 100,000
Facility/ Financing Amount/ Cost price	:	USD 98,625.00
Profit	:	$\frac{USD100,000 * 5.5 * 90}{36000}$
	=	USD1,375.00

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

Cost of SWIFT

- RM30.00

Cost of RENTAS

- SME Customer - RM 5.00
- Non-SME Customer - RM 14.00 (1st party); RM 15.00 (Bank to Bank)

Cost of Inter-Bank Giro (IBG)

- RM 2.00 per IBG

Cost of Postage

- RM 5.00 flat

Trading Fee

- For SME Customers - USD4.00 for every USD1.0 million of financing amount* on a pro-rated basis, subject to minimum RM1
- For non-SME Customers - USD8.00 for every USD1.0 million of financing amount* on a pro-rated basis, subject to minimum RM2

*Each non-USD transaction is converted to USD for the purposes of deriving the commodity trading fee, as the commodity trading fee is based on USD basis. This commodity trading fee is subject to the exchange rate that is used by the commodity trading platform provider.

Note:

All fees, commission, 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?

<p>Past Due Bill (PDB)</p>	<p>OFCF-i bill which fall due on its maturity date but customer is unable to settle the bill until end of that banking day, will be deemed as past due. The OFCF-i past due shall be in foreign currency, unless other instruction is received from the Customer or from the Bank to convert the past due OFCF-i bill into Ringgit Malaysia equivalent based on the prevailing exchange rate quoted by the Bank and as agreed by the Customer on the conversion day.</p> <p>The OFCF-i facility and other trade facility(ies) will be suspended immediately.</p>
<p>Compensation Charges for Late Payment</p>	<p>a) For default payment after expiry of facility tenure = Bank Negara Malaysia (BNM) Islamic Interbank Money Market ("IIMM") rate on the outstanding balance (outstanding principal plus accrued profit);</p> <p>b) For default payment after court judgment has been obtained against you = IIMM rate on the basic judgment sum.</p> <p>Note: (i) Compensation charges shall not be added to the outstanding principal and shall 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>
<p>Right to set-off</p>	<p>The Bank may set-off any credit balance in your deposit account maintained with the Bank against any outstanding balance subject to issuance of a seven (7) day's prior written notice to you.</p>
<p>Right to commence recovery or legal action</p>	<ul style="list-style-type: none"> • Legal action will be taken if you fail to respond to reminder notices. • 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 are also responsible to settle any shortfall. • The Bank may commence recovery activities (including engaging third-party debt collection agencies), foreclosure and bankruptcy proceedings. <p>Note: 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?

- a) Request for early settlement is allowed subject to early settlement in FULL. Rebate (ibra') will be granted for early settlement in full. Rebate (ibra') shall be given to the un-accrued profit portion after deducting the settlement charges, if any. The rebate (ibra') shall be calculated as follows:
- Ibra'* = Remaining unearned profit – early settlement charges
- No unwinding fee to be charged for OFCF-i early settlement.
- b) No rebate (ibra') for OFCF-i settlement on or after maturity date.
- c) Partial early settlements are not allowed.

8. Do I need any takaful coverage?

- The following takaful coverage are recommended to be taken from the Bank's panel:
- Takaful coverage to cover the company in the event of death or permanent disability of the customer or key men of the company (if applicable).
 - Takaful over the goods (where applicable).

9. What are the major risks?

In the event of non-payment of OFCF-i bill on the maturity date, the OFCF-i bill shall be converted into past due Ringgit Malaysia equivalent based on the Bank's prevailing exchange rate as agreed by you on the date of conversion, and you are not allowed to further utilize (Bank will suspend) the financing facility granted to you.

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,

E-mail	No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur : sme@hbb.hongleong.com.my
11. Where can I get assistance and redress?	
<ul style="list-style-type: none"> If you have any queries or 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 : +603-7661 7777 E-mail : sme@hbb.hongleong.com.my Website : www.hlisb.com.my Alternatively, you may seek the services of Credit Counselling and Debt Management Agency [Agensi Kaunseling dan Pengurusan Kredit] (AKPK), an agency established by Bank Negara to provide free services on money management, credit counselling and debt restructuring for individuals and SMEs. You can contact AKPK at: Address : Agensi Kaunseling dan Pengurusan Kredit (AKPK), Tingkat 5 and 6, Menara Bumiputra Commerce 11 Jalan Raja Laut 50350 Kuala Lumpur Tel : +603-2616 7766 E-mail : 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 : +603 7661 7777 E-mail : sme@hbb.hongleong.com.my Website : 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 : 1-300-88-5465 Fax : 03-2174 1515 E-mail : bnmtelelink@bnm.gov.my Website : www.ofs.gov.my 	
12. Where can I get further information?	
Should you require additional information on OFCF-i, please visit any of our business centres nationwide or you may visit our website at www.hlisb.com.my or www.bankinginfo.com.my website	
13. Other Business Trade Services-i Available	
<ul style="list-style-type: none"> Letter of Credit-i Trust Receipt-i Accepted Bills-i Purchase Accepted Bill-i Sale Bank Guarantee-i Shipping Guarantee-i Invoice Financing-i Inward/Outward Bill For Collection-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 DUE PROMPTLY.	

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