

PRODUCT DISCLOSURE SHEET
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**Hong Leong
Onshore Foreign Currency Financing-i
(OFCF-i)**

December 2024

Kindly read this Product Disclosure Sheet ("PDS") together with the terms in the Letter of Offer before you decide to take up the Hong Leong Onshore Foreign Currency Financing-i ("OFCF-i") with Hong Leong Islamic Bank Berhad ("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 PDS are tentative/ indicative and may change at the discretion of the Bank. Final terms and conditions will be read jointly and/or superseded as stipulated in the letter of offer and facility agreement after credit assessment and approval for the financing.

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

1. What is this product about?

OFCF-i is an Islamic trade financing facility in foreign currency(ies) (approved by the Bank) which complies with Shariah principles for financing of domestic and/or international trade related activities involving goods and services such as imports, exports, local purchases (for pure local purchases / export purpose only) and local sales (for pure local sales / where the customer has import or foreign currency obligations) and domestic and foreign operating expenses and services payables which adds to the cost of the trade transaction.

OFCF-i can only be used to finance goods/services payables/items permissible by Shariah and should not be extended to Customers involved in Shariah non-compliant businesses/services/activities.

Note: For financing of pure local purchases, pure local sales and domestic services and/or operating expenses, the OFCF-i must be complemented with an Islamic Foreign Exchange ("FEC-i") facility.

2. What is the Shariah contract applicable?

OFCF-i is based on the Shariah contract of Tawarruq, which refers to two (2) sale and purchase contracts. The first involves the sale of an asset by the Bank to the Customer on a deferred payment basis. Subsequently, the Customer will sell the same asset to a third party to obtain cash.

The mechanics involved in OFCF-i are as follows :

1. The Bank buys the commodity* (which is used as underlying asset) at a price equivalent to the financing amount (same value as the commodity purchase price) from a commodity supplier on spot as principal (Bank now owns commodity).
2. Customer appoints the Bank as an agent (wakil) to purchase the commodity from the Bank on the Customer's behalf and also appoints the Bank as an agent to sell the commodity to a third party.
3. Bank sells the commodity to Customer at cost plus mark-up (Murabahah) at selling price (same value as the commodity sale price) on deferred payment (bullet 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) 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 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 an approved multi-commodity trading platform for Islamic trade financing products, which, facilitates Tawarruq transactions and has been approved by the Shariah Committee of the Bank.

3. What do I get from this product?

- a) Access to alternate funding in foreign currency at competitive profit rate.
- b) Improve cash flow for better cash management and business expansion.
- c) Net exporters have the advantage of natural hedging of exchange risk.
- d) Minimum period of financing is five (5) days and the maximum period must not exceed the approved financing tenure.
- e) For financing of imports / local 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
- f) For financing of exports / local sales, the aggregate maximum period of financing should be based on the credit terms in the invoice or approved financing tenure, whichever is shorter.
- g) Scope of financing includes operational expenses and services payables.
- h) OFCF-i is drawn against presentation of supporting documents with minimum OFCF-i financing amount is set at USD5,000.00 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 authorize 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)	12 p.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)	2 p.m.*

- f) **Pricing:**

Profit Rate (All In Rate (AIR)) = Foreign Currency Islamic Cost Of Fund (FCY ICOF) + financing spread [_% per annum (p.a.)]

Note: Profit Rate will be fixed at point of each disbursement for an agreed financing period and must be paid in full on maturity date.

Pricing = $\frac{\text{Principal} \times (\text{FCY ICOF} + \text{financing spread}) \times \text{financing tenure}}{360^* \text{ or } 365^*}$

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

- g) Selling Price which is inclusive of profit amount is fixed at point of each disbursement calculated based on prevailing profit rate illustrated as follows and to be fully paid at maturity of every disbursement. However, all other applicable charges are to be collected upfront (e.g. remittance charges, trading fees, postage etc.).

Profit Method	Calculation	Discounting Method	Cost-Plus Method
Facility Limit	:	USD1,000,000.00	USD1,000,000.00
Invoice Amount	:	USD100,000.00	USD100,000.00
Profit Rate	:	6.05%	6.05%
Financing Tenure	:	60 days	60 days
Profit Amount	:	USD1,008.33	USD1,008.33
Financing Amount	:	USD98,991.67	USD100,000.00
Selling Price	:	USD100,000.00	USD101,008.33

Numbers are for illustration purposes only.

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

Stamp Duties	As per Stamp Duty Act 1949 (revised 1989).
Legal and Disbursement Fees	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.
Others	Please refer Trade Services Fees & Charges in our website at URL: https://www.hlisb.com.my/en/personal-i/help-support/fees-and-charges/trade-service-i.html

6. What if I fail to fulfil my obligations?

Past Due Bill (PDB)	<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 past due OFCF-i shall be in foreign currency, unless 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>
Compensation Charges for Late Payment	<p>a) For default in 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 in 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 computation 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>
Right to set-off	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 by the Bank to you.
Right to commence recovery or legal action	<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) The Bank shall grant rebate (*ibra'*) at the point of early (partial/full) settlement. Rebate (*ibra'*) shall be calculated as follows:

$$\text{Rebate (Ibra) on early settlement} = \text{Remaining unearned profit}$$

No unwinding fee and early settlement fee will be charged for OFCF-i early settlement.

- b) No rebate (*ibra'*) for OFCF-i settlement on or after maturity date.

Note:

- (i) $\text{Remaining Unearned Profit} = \text{Total Profit} - \text{Accrued Profit}$
(ii) $\text{Total Profit} = \text{Selling Price} - \text{Financing Amount}$

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, 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, please contact us at +603-76268899 or visit any of our branches/ business centres nationwide.

11. Where can I get assistance and redress?

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

Contact Centre : 03-7626 8899 / 03-7661 7777
Fax : 03-7946 8888
E-mail : HLOnline@hlbb.hongleong.com.my

- Alternatively, you may seek the services of:

- a) **Khidmat Nasihat Pembiayaan (MyKNP)**, 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 MyKNP 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-Mail : myknp@cgc.com.my
Website : <https://www.bnm.gov.my/MyKNP>

- b) **Agensi Kaunseling dan Pengurusan Kredit (AKPK)**, an agency established by Bank Negara 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)
Address : 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
Website : <https://www.akpk.org.my>

- To make a complaint on products or services offered, you may contact us at:

Customer Advocacy

Address : Level 13A Floor, Menara Hong Leong, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur
Telephone : 03-76268821 / 03-76268802 / 03-76268812
E-mail : customerservice@hlbb.hongleong.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 BNMLINK

Address : Block D, Bank Negara Malaysia Jalan Dato' Onn 50480 Kuala Lumpur.
Telephone : 1-300-88-5465
Fax : 03-2174 1515
Website : <http://bnmlink.bnm.gov.my>

12. Where can I get further information?

Should you require additional information on Hong Leong Onshore Foreign Currency Financing-i ("OFCF-i"), please visit any of our business centres nationwide or you may visit our website at www.hlisb.com.my

13. Other Business Trade Services-i Available

- Letter of Credit-i
- Trust Receipt-i
- Accepted Bills-i Purchase/ 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 PROMPTLY

The information provided in this disclosure sheet is valid as at December 2024.