

Terms and Conditions for Islamic Banking Deposits

These Terms and Conditions for Islamic Banking Deposits are to be read as a whole with the General Terms & Conditions of Accounts and any other relevant terms and conditions as Hong Leong Islamic Bank Berhad (“**HLISB**” or “**the Bank**”) may impose from time to time with prior notice, as well as other rules and regulations binding on HLISB.

1. Definitions and Interpretations

1.1. Definitions

In these Terms and Conditions (“**T&Cs**”), the following terms and expressions shall have the meaning designated to them unless the context requires otherwise:

“**Agent**” means HLISB which shall be appointed by the Customer to perform Commodity Trading on behalf of the Customer under the Shariah contract of Wakalah (Agency) in matters pertaining to Tawarruq in accordance to the terms herein.

“**Commodity Trading Platform**” means a commodity trading platform which facilitates Tawarruq transactions that has been approved by the Shariah Committee of HLISB.

“**Commodity Trading (CT)**” means sale and purchase transactions performed in accordance with the Shariah contract of Tawarruq.

“**Commodity**” means goods or assets that are approved by the Shariah Committee of HLISB. The agreed type of commodity to be purchased at HLISB’s sole discretion as the agent for the Customer on the agreed price.

“**Contracted Profit Rate (CPR)**” means the rate used to compute the total profit of Selling Price, based on the highest tier rate (inclusive of extra / bonus / auto-sweep / other profit, if any) of the respective CASA-i.

“**Current Date**” means the day when the transaction / event occurs.

“**Delivery of Commodity**” means delivery of the Commodity to the Customer who has requested to take physical possession of the Commodity.

“**Effective Profit Rate (EPR)**” means the actual profit rate used for profit accrual and profit crediting.

“**End of Day (EOD)**” is the end of day cut off time at 2359 hours.

“**Float days**” means the number of days required to clear the cheque.

“**Hamish Jiddiyah**” means a security deposit placed to secure the undertaking to purchase an asset before the execution of the sale and purchase agreement.

“**Musawamah**” means a sale contract without the disclosure of the asset cost price and profit margin to the purchaser. For the purpose of Islamic Banking Deposit products, it will be used for non-profit bearing accounts.

“**Murabahah**” refers to a sale and purchase of a Commodity where the acquisition/purchase cost and the mark-up are disclosed to the purchaser.

“**Net Deposit**” is EOD balances on Day 1 or subsequently any incremental of deposit at EOD balances on any single day, excluding floats.

“**Profit**” is the difference between Purchase Price and Selling Price of Commodity.

“**Profit Crediting Day**” is where the total accrued profit for a particular period will be credited into the Customer’s account being settlement of the Selling Price by HLISB for the Murabahah transactions for the tenure.

“**Purchase Price**” an amount equivalent to Customer’s Net Deposit which will be used to purchase Commodity on Trading Day.

“**Rebate**” represents the “waiver on rights of claim” accorded by a person to another person that has an obligation which is due to him. In this case, with reference to item 2.14, Rebate is granted by the Customer to HLISB on the Selling Price.

“**Remaining Days**” means number of days from Current Date up to Tenure Expiry Date.

“**Security Deposit (SD)**” means amount paid by HLISB to secure an undertaking to purchase the Commodity from Customer.

“**Selling Price**” means the sum payable by HLISB to acquire the Commodity from the Customer on Murabahah/Musawamah basis which comprises of the Purchase Price of the Commodity (Net Deposit) and the Profit (if any).

“**Sub Agent**” means HLISB appoints a third party (commodity trading platform provider) under the Shariah contract of Wakalah to do such acts on behalf of HLISB in matters pertaining to Tawarruq in accordance to the agreed terms and conditions (where applicable).

“**Supplier**” means the commodity trader and/or supplier registered with the relevant exchange and/or any other parties acceptable to HLISB.

“**Tawarruq**” or also known as “**Murabahah (via Tawarruq arrangement)**” refers to an arrangement which consists of multiple sale and purchase transactions. The mechanics involve:

- (a) HLISB acting as an Agent purchases the Commodity on behalf of the Customer at Purchase Price.
- (b) HLISB thereafter as an Agent to the Customer sell the Commodity to HLISB at Selling

Price on the basis of Murabahah which shall be paid to the Customer on deferred basis throughout the Tenure (after taking into consideration any Rebates if any).

(c) HLISB thereafter sells the Commodity to a third party on a cash and spot basis.

Apart from that, Tawarruq can happen where the Customer sells the Commodity to HLISB on the basis of Musawamah.

“**Tenure**” means duration in days from Tenure Effective Date to Tenure Expiry Date.

“**Tenure Effective Date**” means Day 1 after Tenure Expiry Date and subsequently Net Deposit placement (if any).

“**Tenure Expiry Date**” refers to 31st December every year. Profit that is credited into the account on this date is considered as settlement of the remaining Selling Price for the Tenure. For accounts with agreed minimum balance, Tenure Expiry Date is on the profit crediting date.

“**Trading Day**” means the days where CT is executed from Mondays to Sundays and on which the Commodity Trading Platform is open for trading.

“**Wakalah**” refers to a contract in which a party (Principal/Customer) authorises another party as his agent (Wakil/Bank) to perform particular tasks in matters that may be dedicated, either on voluntary basis or with imposition of a fee.

2. Hong Leong Current Account-i and Savings Account-i (CASA-i)

- 2.1. This is a deposit account based on the Shariah contract of Tawarruq.
- 2.2. The minimum initial deposit required for opening of the CASA-i and the minimum balance shall be such amounts determined by HLISB from time to time with prior notice.
- 2.3. Tenure
 - (a) For CASA-i, the tenure (in days) is computed from Tenure Effective Date to Tenure Expiry Date. Tenure Effective Date shall be:
 - (i) Day 1 after Tenure Expiry Date; or
 - (ii) On account opening date; or
 - (iii) Where there is Net Deposit on any particular day.
 - (b) Accrued profit that is credited on Tenure Expiry Date is considered as settlement of remaining Selling Price for Murabahah transaction that has been contracted earlier.

2.4. SD based on the Shariah concept of Hamish Jiddiyah will be paid by HLISB to the Customer to secure the undertaking made by HLISB to purchase Commodity from the Customer.

(a) SD is derived from the following formula which is calculated on T:

Formula: Net Deposit x EPR x 1/365

(b) The implementation of SD is on daily accrual on Net Deposit prior to CT.

(c) SD will be paid by HLISB to the Customer to secure the undertaking made by HLISB to purchase Commodity from the Customer.

(d) Once CT is performed, the SD becomes part of payment of the Selling Price.

(e) Once SD is computed, HLISB will honour the amount and the Customer shall be able to know the amount. However, the amount cannot be utilised by the Customer.

(f) In the event the purchase of Commodity by HLISB from the Customer does not take place, SD will be returned to HLISB. However, HLISB may waive its right on the SD amount due to closing of account by the Customer prior to CT.

(g) In the event the purchase of Commodity by HLISB from the Customer does not take place which is due to the cheque returned prior to CT, SD will be returned to HLISB. However, HLISB may waive its right on the SD amount.

2.5. Commodity Trading (CT)

The Customer shall enter into purchase and sale transactions for Shariah compliant Commodities for Net Deposit placement as follows:

(a) CT will be transacted on daily basis on Trading Day at a specified cut-off time determined by HLISB;

(b) As a general rule, CT shall be performed for EOD balance on Day 1 or any subsequent Net Deposit on any single day;

(c) CT will be traded at T+1 based on Net Deposit at T which forms the Customer's Purchase Price. The Customer's Purchase Price shall exclude any cheque floats;

(d) For CASA-i where Profit is subjected to an agreed minimum balance, the following applies:

(i) CT will only be transacted once the EOD balance on Day 1 of the month is equal to or more than the agreed minimum balance;

(ii) In the event where CT is transacted on Day 1, the Profit will only be paid based on the lowest balance throughout the month;

(iii) In the absence of CT on Day 1, Profit will not be paid for the month.

2.6. For the purpose of CT, the Customer has agreed to appoint HLISB as the Agent for the purchase and sale of the Commodity in accordance with these T&Cs.

The Customer agrees that HLISB will act on behalf of the Customer as the absolute Agent for the purchase and sale of the Commodity. The appointment as Agent will immediately take effect upon the time of account opening. Each sale and purchase contract in the CT is binding automatically and shall not be terminated unilaterally by any of the contracting parties.

The appointment of Agent shall cease upon closure of the CASA-i.

2.7. HLISB, as the Customer's Agent shall look after the best interest of the Customer and in good faith during:

(a) the placement of the deposits; and

(b) the performance of transactions to purchase the Commodity on cash basis ("Purchase Transaction") through purchase agreements, certificates and other instruments as fully;

as the Customer could do himself/itself and to negotiate with the Supplier on behalf of the Customer in relation thereto.

2.8. The Commodity will be sold on an "as is where is" basis without any representation or warranty and upon issuance of the purchase agreements, certificates and other instruments, the parties agree to waive the liability of the seller for any defect on the Commodity before entering into the sale and purchase contract. All risks shall pass to the purchaser and the seller shall be freed from any liabilities, responsibilities or obligations relating to the Commodity in any form or manner whatsoever. Any defects or non-delivery or any disputes whatsoever in relation to the Commodity shall not in any way affect or absolve the contracting parties' obligations or undertakings hereunder.

2.9. HLISB hereby promise to purchase the Commodity from the Customer upon constructive possession of Commodity through its Agent as proven by e-certificate (or any other evidence of ownership) from the Commodity Trading Platform at an agreed Selling Price (Purchase Price plus Profit). The formula to derive Selling Price is stated in item 2.12.

2.10. The Customer agrees and undertakes to reimburse and pay HLISB upon HLISB's written demand : -

(a) all actions, claims, demands, liabilities, losses, damages, costs and expenses which HLISB may sustain, suffer or incur as a result of acting as the Customer's Agent in the CT transactions;

(b) or for breach of the Customer's obligations herein;

except for any losses or damages for default, omission, negligence, or breach of contract by HLISB.

In the event the Customer is held liable by a court of competent jurisdiction for any damages notwithstanding the foregoing, the total amount of the Customer's entire liability shall not exceed the principal amount of the transaction involved which gave rise to the claim.

- 2.11. Pricing structure shall be determined by HLISB from time to time with prior notice, based on the following:
- (a) Single flat rate subject to minimum balance;
 - (b) Single flat rate regardless of any amount;
 - (c) Tier rate subject to tier balances; only single rate will be applied on the EOD balance at any point of time;
 - (d) Split rate subject to next tier balances; multiple rates will be applied on the EOD balance (if applicable); and
 - (e) Zero rate.

Note: For (c) and (d), Contracted Profit and Selling Price will always be computed at the highest rate (inclusive of extra / bonus / auto-sweep / other profit, if any).

- 2.12. On Day 1, Profit and Selling Price will be computed as follows:

- (a) Profit on Day 1

$$\text{Formula: Profit } CT_1 = EOD_1 \text{ Balance} \times CPR \times \text{Tenure}/365$$

- (b) Selling Price on Day 1

$$\text{Formula: } EOD_1 \text{ Balance} + \text{Profit } CT_1$$

- 2.13. After Day 1, if deposit is greater than withdrawal i.e. Net Deposit, Profit and Selling Price will be computed as follows:

- (a) Profit

$$\text{Formula: Profit } CT_n = (EOD_n - EOD_{n-1}) \text{ Balance} \times CPR \times \text{Remaining Days } (N - n)/365$$

Where;

N is Tenure Expiry Date

n is Current Date

- (b) Selling Price

$$\text{Formula: } (EOD_n - EOD_{n-1}) \text{ Balance} + \text{Profit } CT_n$$

- 2.14. Rebate by the Customer(s) will be triggered on the following events:

- (a) Withdrawal is greater than deposit for the day

$$\text{Formula: Difference in Amount} \times CPR \times \text{Remaining Days}/365$$

- (b) Upward Change in CPR (the Customer(s) and Bank will enter into a new contract with a higher CPR upon dissolution of the previous contract)

Formula: EOD Balance X Previous CPR X Remaining Days/365

- (c) When the CPR is higher than the EPR

Formula: EOD Balance X (CPR – EPR) x1/365

- (d) For CASA-i where profit is subjected to an agreed minimum balance, the Rebate will be on the difference between CT Profit on Day 1 and Profit credited, if any.

2.15. HLISB may waive its right to the Rebate given by the Customer(s), in the form of extra / bonus / auto-sweep / other profit payable to the Customer, if applicable.

2.16. Profit / remaining Profit will be credited on Tenure Expiry Date where the transaction is considered as settlement of the remaining Selling Price for Murabahah transaction for the tenure.

2.17. A Statement of Account will be rendered once a month or at such periods as may be determined by HLISB. A Tawarruq Notice will be auto generated on monthly basis detailing the following:

- (a) CT for the month;
- (b) Year-To-Date (YTD) total Profit;
- (c) YTD periodic Profit credited;
- (d) YTD Rebate; and
- (e) YTD Auto-Sweep Profit.

The mode of notification for Tawarruq Notice are as follows:

- (i) For individual CASA-i Customers, the Customer may download the Tawarruq Notice via HLB Connect . For non-individual Current Account-i Customers, the Customer may download the Tawarruq Notice via Corporate Internet Banking (CIB); or
- (ii) Alternatively, Customers may request for the hardcopy of the Tawarruq Notice from any HLISB or Hong Leong Bank Berhad (HLBB) branches.

2.18. Request for delivery of Commodity

- (a) Customers have the right to request and take physical possession and delivery of the Commodity to Customers, subject to minimum requirements and have to comply with rules and regulations of the commodity trading platform provider.

- (b) Request for delivery of Commodity can be done at any HLISB or HLBB branches during normal business hours; and
- (c) The delivery arrangement is to be made between the Customer and the commodity trading platform provider at the Customer's own costs.

3. Hong Leong Fixed Deposit-i ("FD-i") Accounts

- 3.1. This is a fixed or term deposit account based on the Shariah contract of Murabahah (via Tawarruq arrangement).
- 3.2. Commodity Trading transactions shall be executed on Trading Days.
- 3.3. For the purpose of Commodity Trading Transaction, the Customer has agreed to appoint HLISB as the Agent for the purchase and sale of the Commodity in accordance with these T&Cs.
- 3.4. The Customer agrees that HLISB shall act only as the absolute Agent of the Customer for the Commodity Murabahah transactions. Each sale and purchase contract in the Commodity Murabahah transaction is binding in nature and shall not be terminated unilaterally by any of the contracting parties.
- 3.5. HLISB, as the Customer's Agent shall look after the best interest of the Customer and in good faith during:
 - (a) the placement of the deposit or any renewal thereof,
 - (b) perform transactions to purchase the Commodity on cash basis ("Purchase Transaction") through purchase agreements, certificates and other instruments as fully as the Customer could do himself/ herself and to negotiate with the Supplier behalf of the Customer in relation thereto.
- 3.6. The Customer hereby offers to sell the Commodity to HLISB upon constructive possession of Commodity through its Agent as proven by e-certificate (or any other evidence of ownership) from the Supplier at an agreed Selling Price (cost plus mark-up) determined upon placement of deposit.
- 3.7. The Commodity will be sold on an "as is where is" basis without any representation or warranty in respect thereof and upon issuance of the purchase agreements, certificates and other instruments; the parties agree to waive the liability of the seller for any defect on the Commodity before entering into the sale and purchase contract. All risks shall pass to the purchaser and the seller shall be freed from any liabilities, responsibilities or obligations relating to the Commodity in any form or manner whatsoever. Any defects or non-delivery or any disputes whatsoever in relation to the Commodity shall not in any way affect or absolve the contracting parties obligations or undertakings hereunder.
- 3.8. HLISB hereby promises to purchase the Commodity from the Customer upon constructive possession of Commodity through its Agent as proven by e-certificate (or any other evidence of ownership) from the commodity trading platform at an agreed Selling Price (cost plus mark-up) determined upon placement of FD-i.
- 3.9. Request for delivery of Commodity as per reference to item 2.18 above.

- 3.10. The Customer agrees and undertakes to reimburse and pay HLISB upon HLISB's written demand -
- (a) all actions, claims, demands, liabilities, losses, damages, costs and expenses which HLISB may sustain, suffer or incur as a result of acting as the Customer's Agent in the Commodity Murabahah transactions; or
 - (b) for any breach of the Customer(s)'s obligations. This undertaking shall continue in spite of the termination of HLISB's agency;
- except for any losses or damages for default, omission, negligence, breach of contract by HLISB. In the event the Customer(s) is held liable by a court of competent jurisdiction for any damages notwithstanding the foregoing, the total amount of the Customer's entire liability shall not exceed the principal amount of the transaction involved which gave rise to the claim.

These T&Cs shall be additional to the Terms and Conditions of each type of the products/accounts appearing in the General Terms & Conditions. In the event of any discrepancy, ambiguity or dispute in the interpretation of these T&Cs and the said T&Cs for each product/account, the said T&Cs for each product/account shall prevail.

Member of Perbadanan Insurans Deposit Malaysia. Protected by PIDM up to RM250,000 for each depositor.