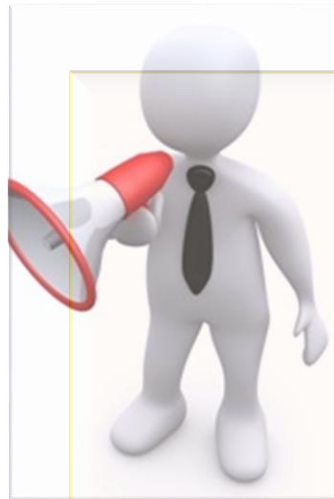


ISLAMIC CORPORATE BANKING



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INTRODUCTION

WHAT IS CORPORATE BANKING?

- ❑ Corporate banking is a broad term given to different financial services offered to large clients (wholesale clients).
- ❑ Although many wholesale clients are large corporations, they may also include other institutions like pension funds, governments and other semi-public entities.
- ❑ Corporate banking is a very profitable division for banks, far more profitable than retail banking, which is aimed towards households

CORPORATE BANKING PRODUCTS & INSTRUMENTS?

- ❑ Conventional services range from the relatively simple business of issuing loans; to more complex matters, such as facility of trade finance, working capital, capital restructuring, raising of capital, managing exposure of foreign currency etc.
- ❑ Sometimes, “overlapping” happens between corporate banking and capital market” especially in the course of capital raising activities.
- ❑ Main products and services of Corporate Banking conventionally include cash management, credit facilities, term finance, trade finance, working capital requirements and participation in Syndicated Financing

CORPORATE BANKING FRAMEWORK



CORPORATE BANKING



- ✓ May include government and prominent GLCs
- ✓ Huge financing amount
- ✓ Good financing standing
- ✓ Cross border – more trade solutions requirements
- ✓ Not “collateral” financing – more unsecured and clean financing
- ✓ Less intervention from financier e.g. checking or non-checking OD
- ✓ Project financing -

SELECTED ISLAMIC CORPORATE BANKING PRODUCTS

**ISLAMIC
PROJECT
FINANCE**

**ISLAMIC
TRADE
FINANCE**



ISLAMIC PROJECT FINANCE

TALKING POINTS

Project Financing: Overview & Definition

Shari`ah Perspective on Project Financing

Islamic Project Financing – Instruments & Contracts

Transaction Structures of Islamic Project Financing with Case Studies

Examples of Islamic Project Financing

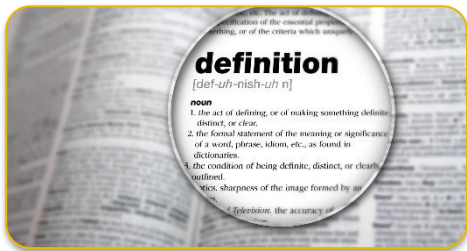
PROJECT FINANCING: AN OVERVIEW



Focus on the financing of projects in which the financiers look to the cash flows of the project for the repayment of the financing amount



Primary means for financing broad range of economic units world-wide, e.g.: power generation, oil & gas industries, mining, various infrastructure projects, manufacturing, etc.



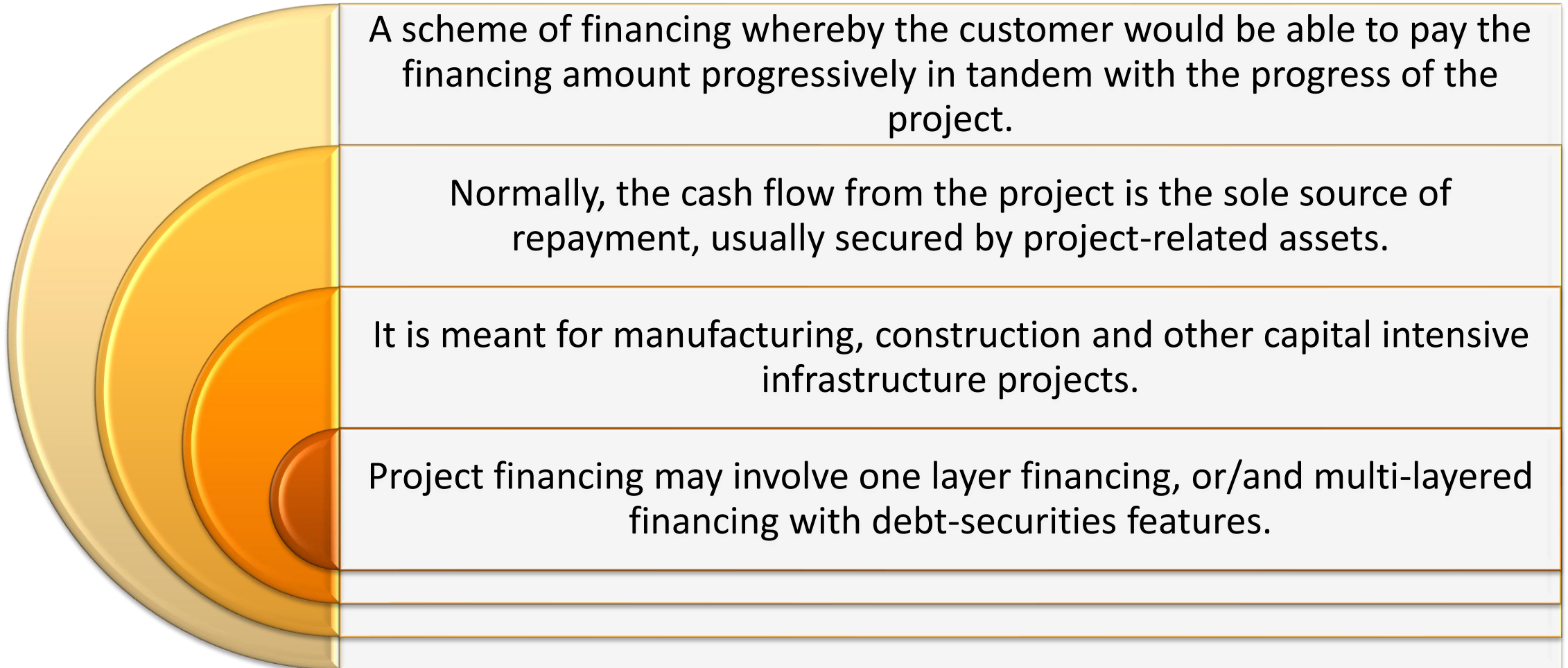
Basic Definition: “The financing of an economic unit (project) in which the lenders look initially to the cash flows & other assets comprising the economic unit as collateral for the loan”

PROJECT FINANCING: KEY HIGHLIGHTS

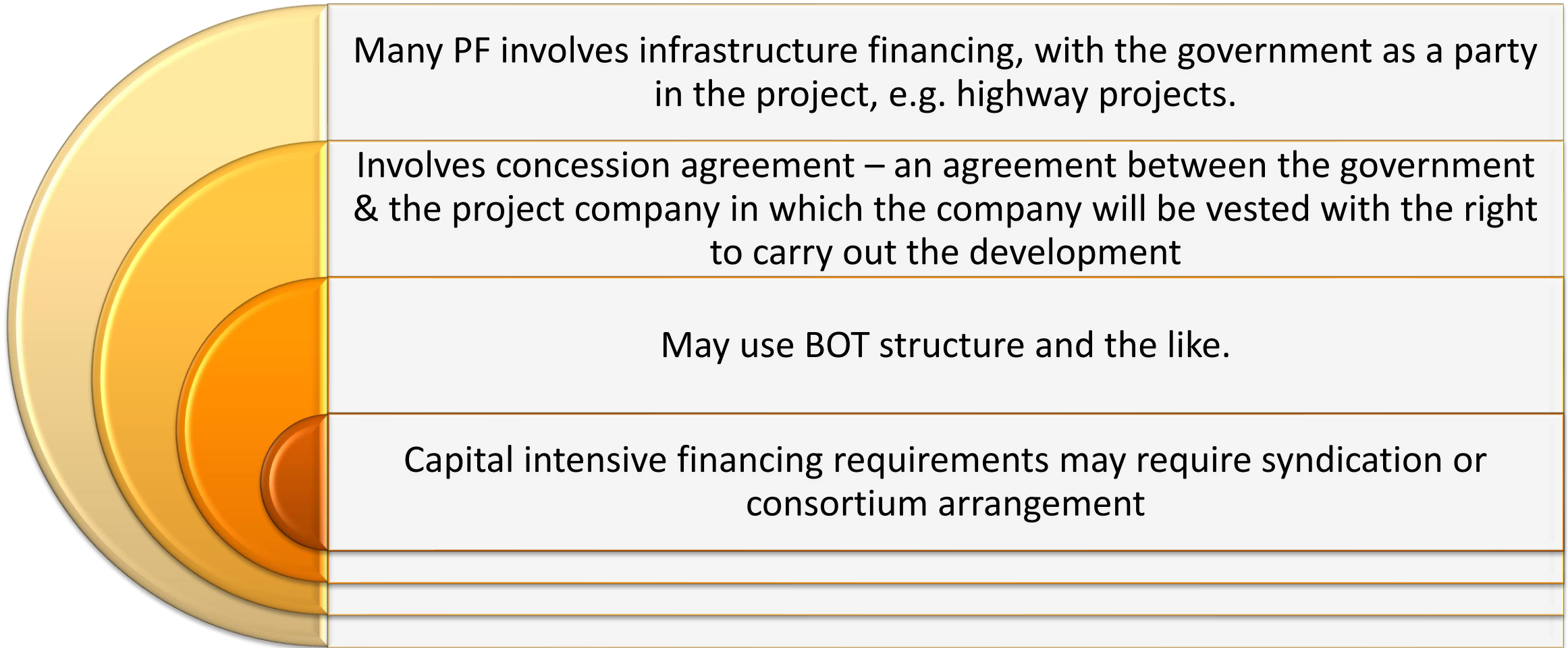


“The raising of finance on a limited recourse basis, for the purpose of developing a large capital intensive infrastructure project, where the borrower is a special purpose vehicle and repayment of the financing by the borrower will be dependent on the internally generated cashflows of the project”

PROJECT FINANCING IN SUMMARY



Cont'd...



MODERN PROJECT FINANCING

Nowadays, project finance is utilised to finance large infrastructure projects by assembling a consortium of participants.



TNB Manjung Plant



Trans-Alaskan pipeline

Characteristics of Project Finance:

- Capital intensive
- Highly leveraged
- Long term tenor
- Independent entity with finite life
- Non-recourse/ limited recourse

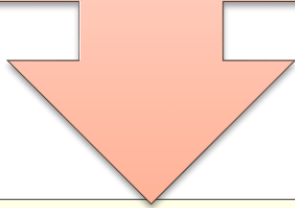
CASE EXAMPLE – LEKAS HIGHWAY



1. The project was approved by the government in 1997 and the construction of the expressway began in 2002.
2. However, the financial problems faced by the original concessionaire, Kajang–Seremban Highway Sdn. Bhd. (Kaseh) had forced the construction works to be delayed.
3. The project was revitalized in November 2006 after a takeover by a new concessionaire, Lebuhraya Kajang-Seremban Sdn. Bhd. (Lekas), which 50% of the stake was held by IJM Corporation Berhad and the rest of the stake was held by the original concessionaire, Kajang–Seremban Highway Sdn. Bhd.
4. This project was fully completed in March 2010.

DEFINITION OF ISLAMIC PROJECT FINANCING

A scheme of financing to assist the developer/owner of a project to complete the project according to Shari'ah principles.



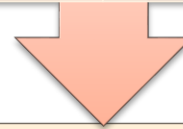
An Islamic project financing is a scheme to finance the cost of construction or manufacturing, as the case may be whereby the mode and purpose of financing are Shari'ah compliant.

FINANCING STRUCTURES?

Can use various structures

Debt based financing structures

Equity based financing structure



Can use one or more underlying contracts

Mudarabah

Musharakah

Murabahah

Istisna'

Ijarah, etc.



Most importantly: The project must be Shari`ah Compliant.

COMMON FINANCING ARRANGEMENTS

BRIDGING - Common contracts for project financing are equally applicable but normally on a smaller scale, due to the smaller amount of financing needed, and the shorter period involved e.g. murabahah, tawarruq, etc

SYNDICATION - a number of financiers taking part in financing a single project that requires huge amount of funding, whether on the basis of Murabahah, Musharakah, Istisna' or Ijarah. The arranger or the leader is compensated through fees & the rest of the contracts may be very similar with the normal project financing

REVOLVING - allows the customer to use the credit facility but not exceeding a certain limit at any point in time. The most common contracts are commodity murabahah/ tawarruq, and perhaps istisna' if the financing is for different phases of a construction contract

ISLAMIC PROJECT FINANCING – INSTRUMENTS & CONTRACTS

Multi-level financing:

- Bridging financing
- Main financing
- Syndication (if needed)
- Tranches (if needed)
- Sukuk (Islamic securities) can also be used

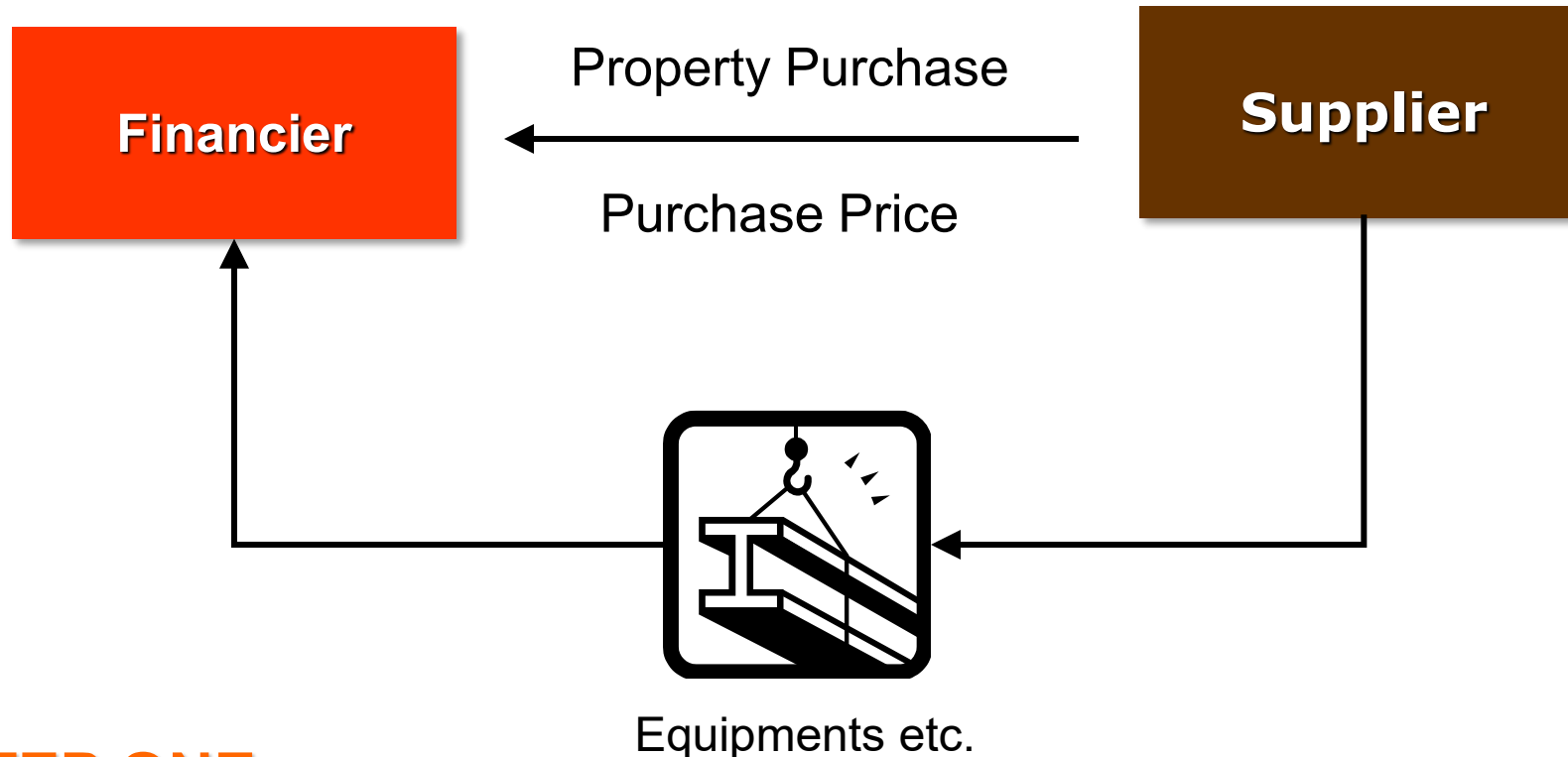
Underlying Contracts:

- Murabahah
- Istisna`
- Tawarruq/CM
- Ijarah / ijarah muntahiyah bit tamlik
- Ijarah mawsufah fi dhimmah
- Musharakah / musharakah mutanaqisah
- Mudarabah

ISLAMIC PROJECT FINANCING: SELECTED TRANSACTION STRUCTURES

MURABAHAH

(Modus Operandi for Project Financing)

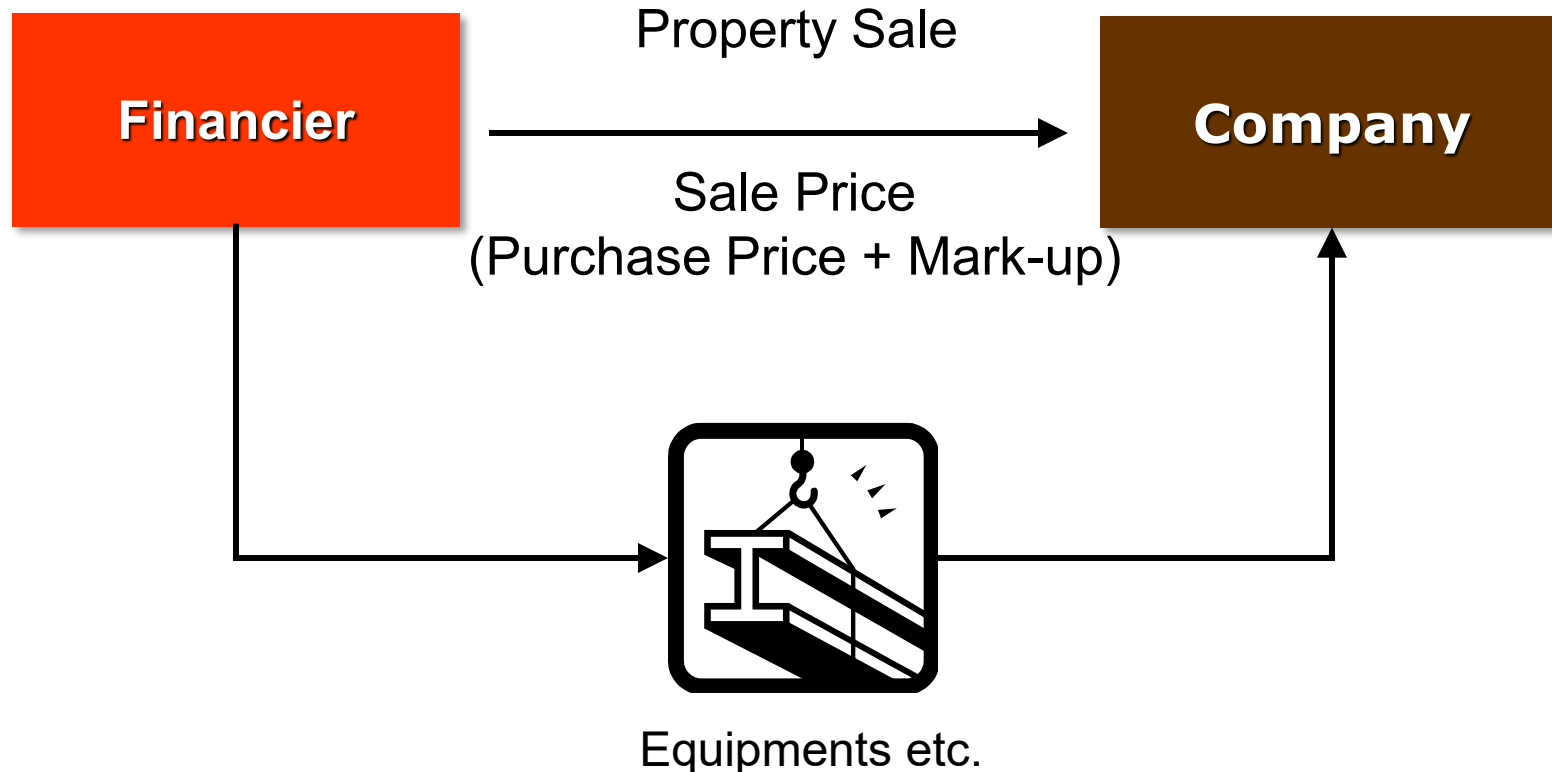


STEP ONE

Equipments etc.
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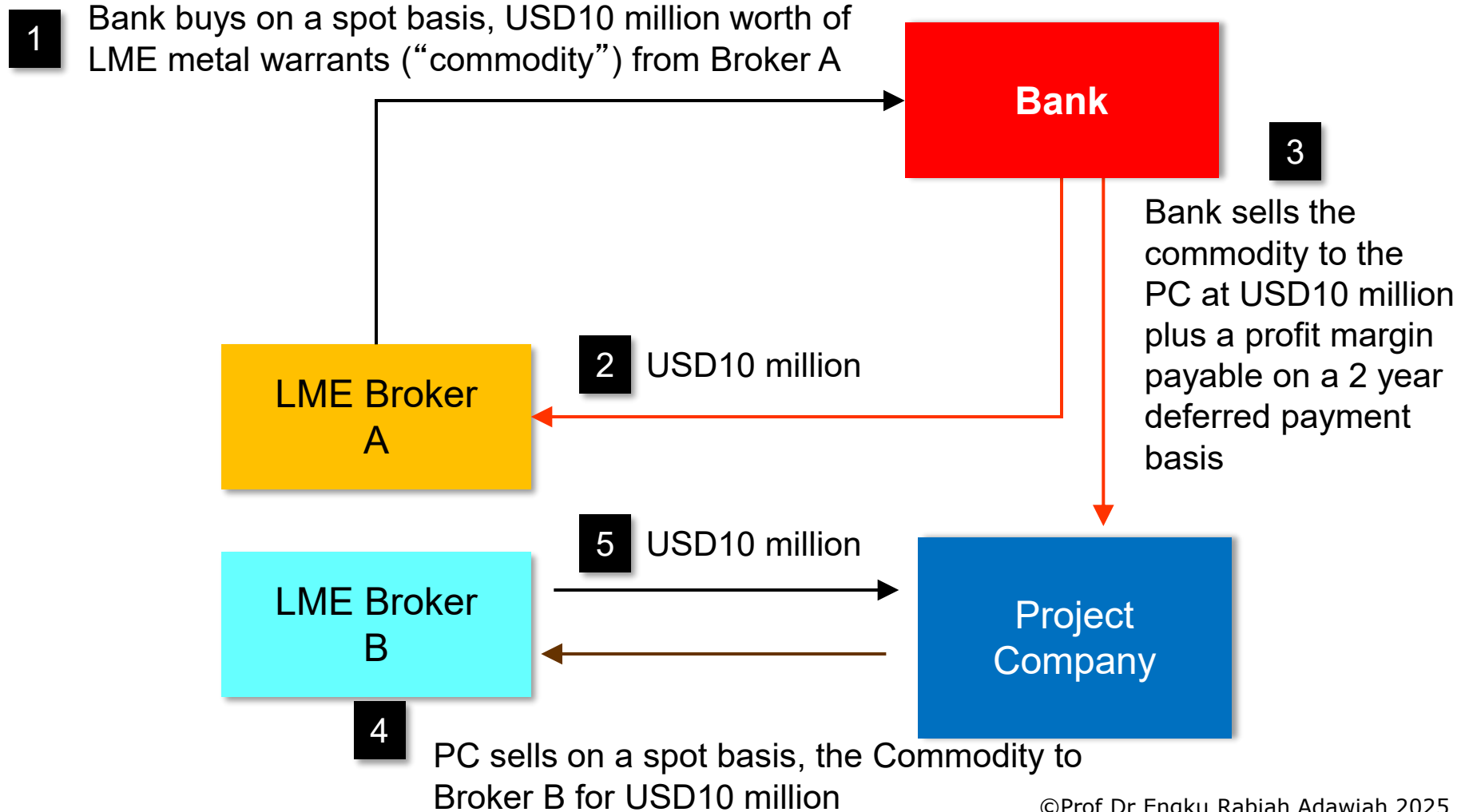
MURABAHAH

(Modus Operandi for Project Financing)



STEP TWO

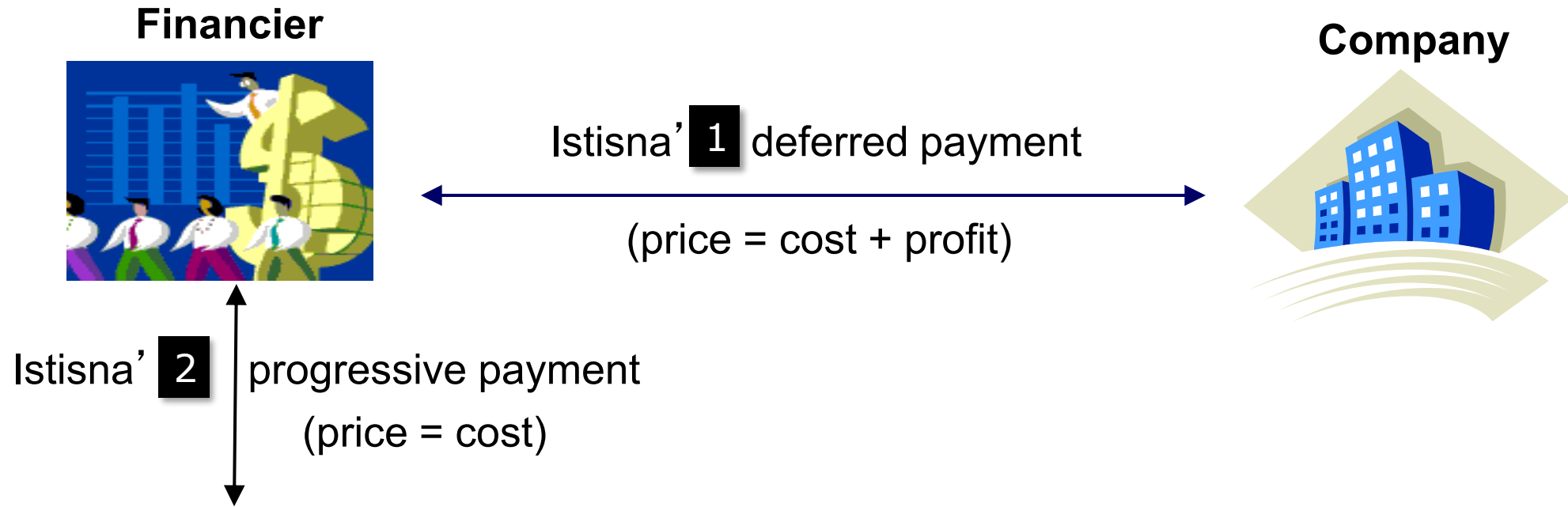
CM / TAWARRUQ FOR PROJECT FINANCING



ISTISNA' CONTRACT FOR PROJECT FINANCING

- ❑ If there is no ready asset for buying & selling, but the project involves constructing certain properties according to agreed specifications, it can use bay` al istisna' contract (construction contract)
- ❑ Parallel istisna' can be used to involve all the parties, including the customer, the financier & the contractor
- ❑ The istisna' contract can also be designed in blocks to meet the different phases of the construction & can have the effect of a 'revolving' financing mechanism

BASIC TRANSACTION STRUCTURE FOR PROJECT FINANCING: PARALLEL ISTISNA`

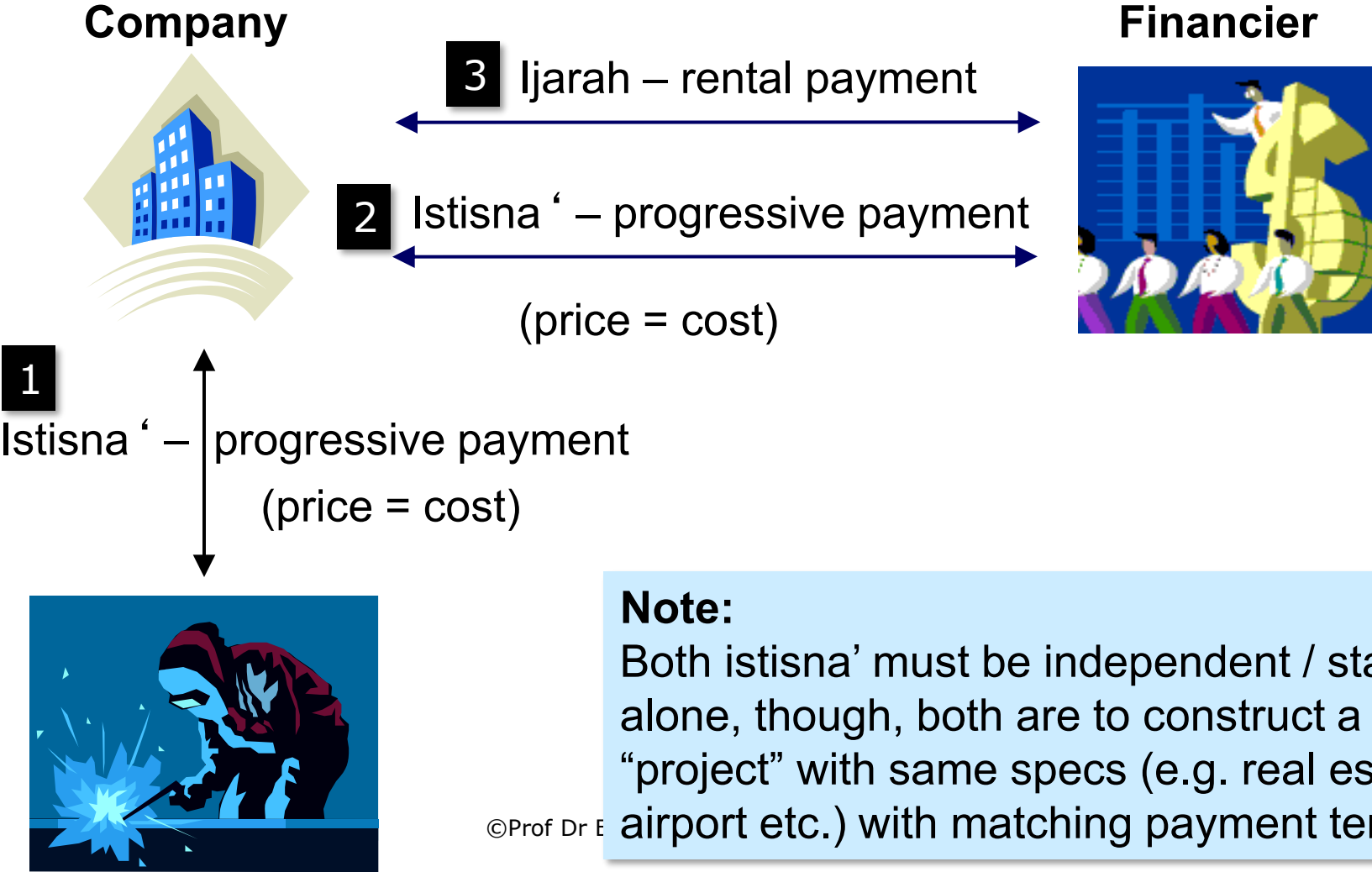


Note:

Both istisna' must be independent / stand-alone, though, both are to construct a "project" with same specs (e.g. real estate, airport etc.)

Contractor

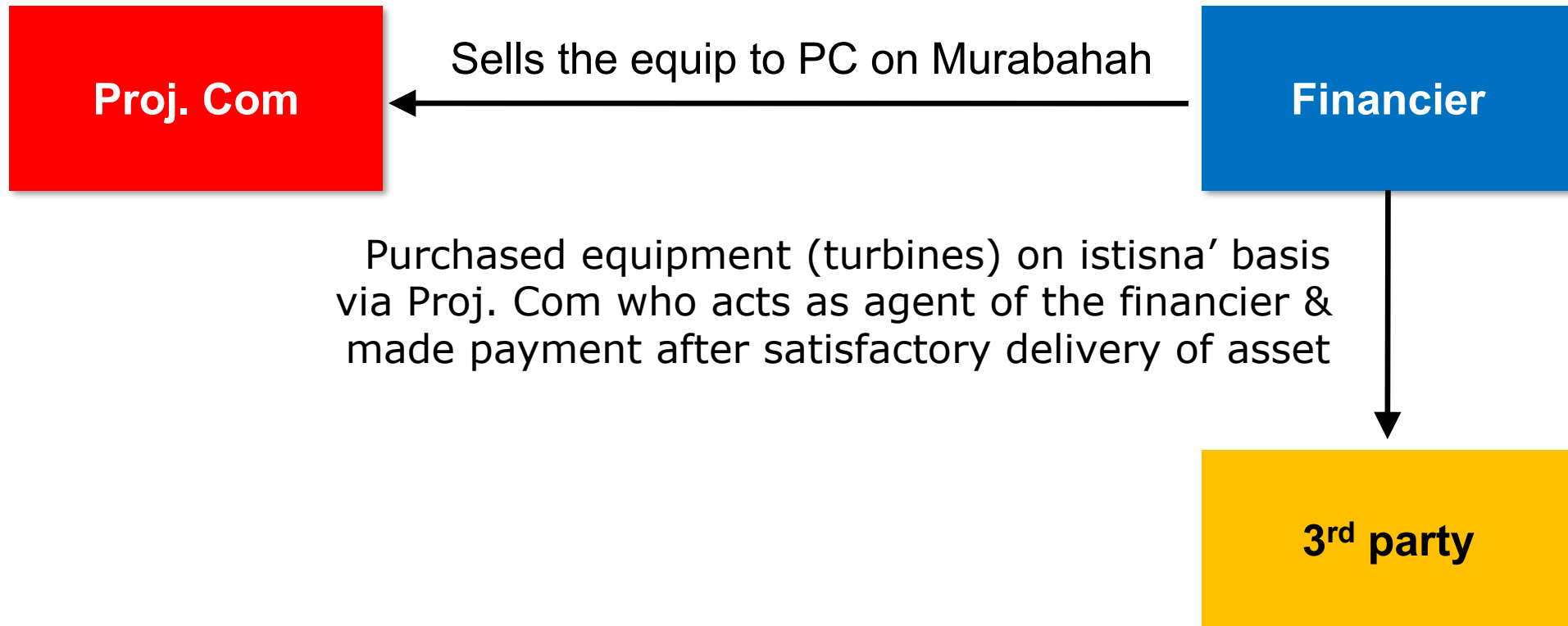
REVERSE ISTISNA'



Note:
Both istisna' must be independent / stand-alone, though, both are to construct a "project" with same specs (e.g. real estate, airport etc.) with matching payment terms

HUB RIVER POWER PROJECT IN PAKISTAN (Total Fund Required - \$1.8b)

Named "Deal of the year 1994" by Euromoney

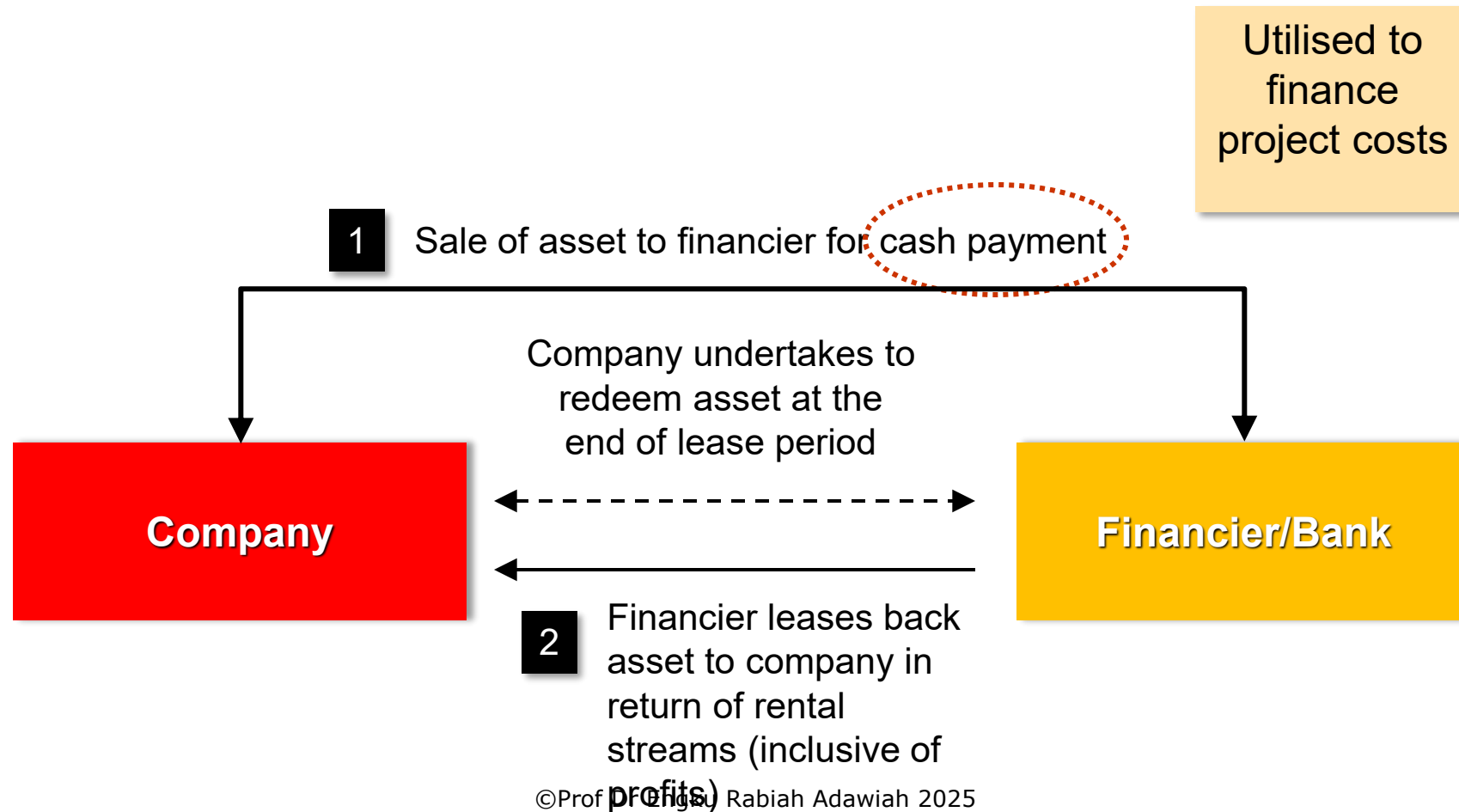


This \$92M IPF was funded by al-Rajhi & Investment Company of Riyadh

PROJECT FINANCING (Lease-Based)

- ❑ Increasingly a preferred structure for medium to long term finance
- ❑ Especially for equipment
- ❑ Less controversial for floating rate arrangement.
- ❑ Can also use leasing structure to raise fund for PF
- ❑ Leased-based PF can be structured via sukuk issuance
- ❑ PF can also involve direct financing without sukuk through sale & lease-back arrangement or through operating lease, financial lease & forward lease

LEASE-BASED PROJECT FINANCING



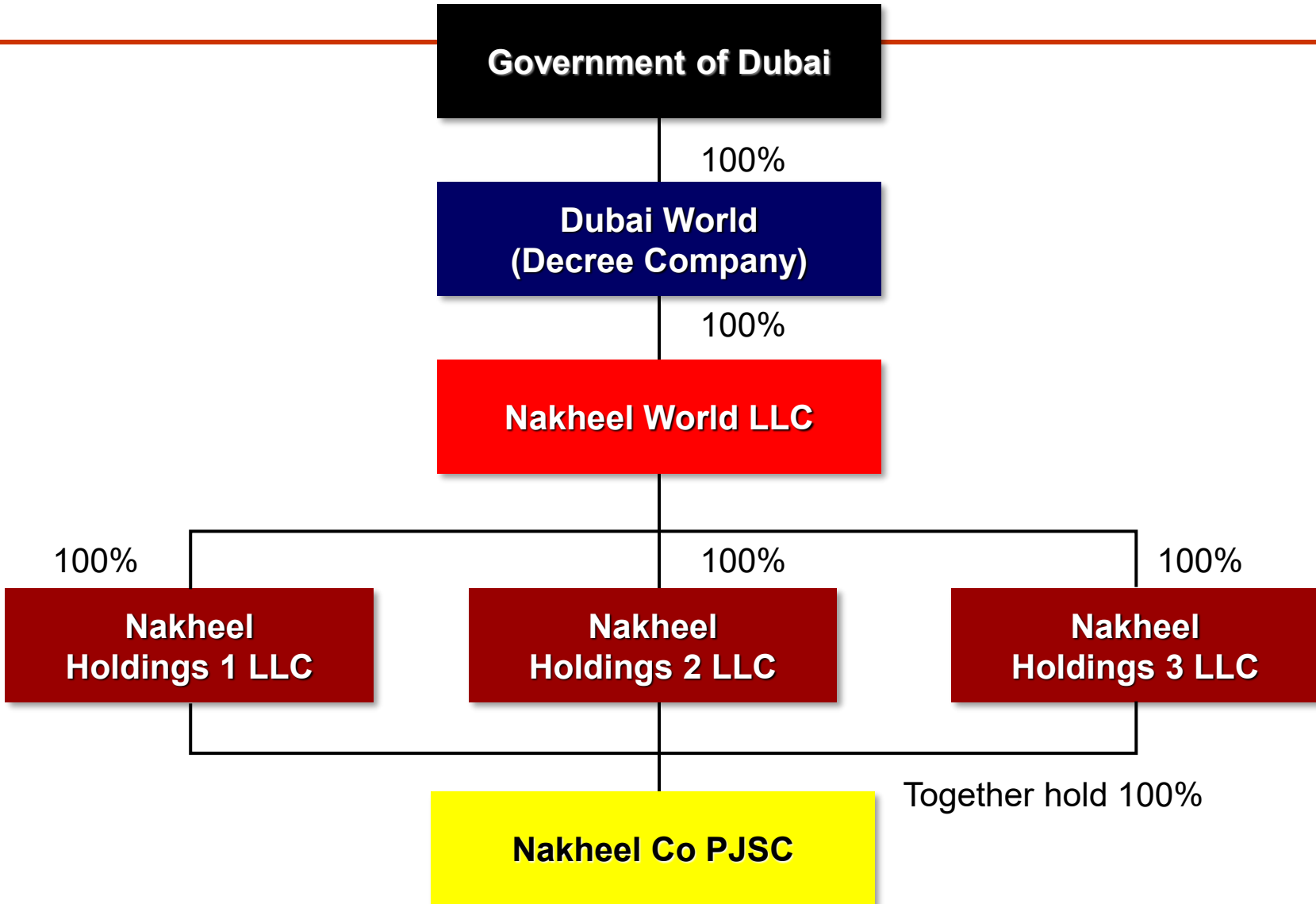
EQUATE PETROCHEMICAL PLANT – KUWAIT

- ❑ Total funding required: \$2B.
- ❑ Three tranches to finance the building of three petrochemical plants to be built in the Shuaiba Industrial area.
- ❑ Each plant has its own engineering, procurement and construction contractor
- ❑ Also integrating Islamic (\$200M) and conventional funds in a single project finance deal
- ❑ Use Ijarah concept to fund one of the three tranches, by which the Financier would purchase assets and then lease them to the Project company for a period of time
- ❑ A variable-rate instrument – jointly sponsored by Union Carbide Corporation, Petrochemical Industry Company, and they formed Equate Petrochemical Company

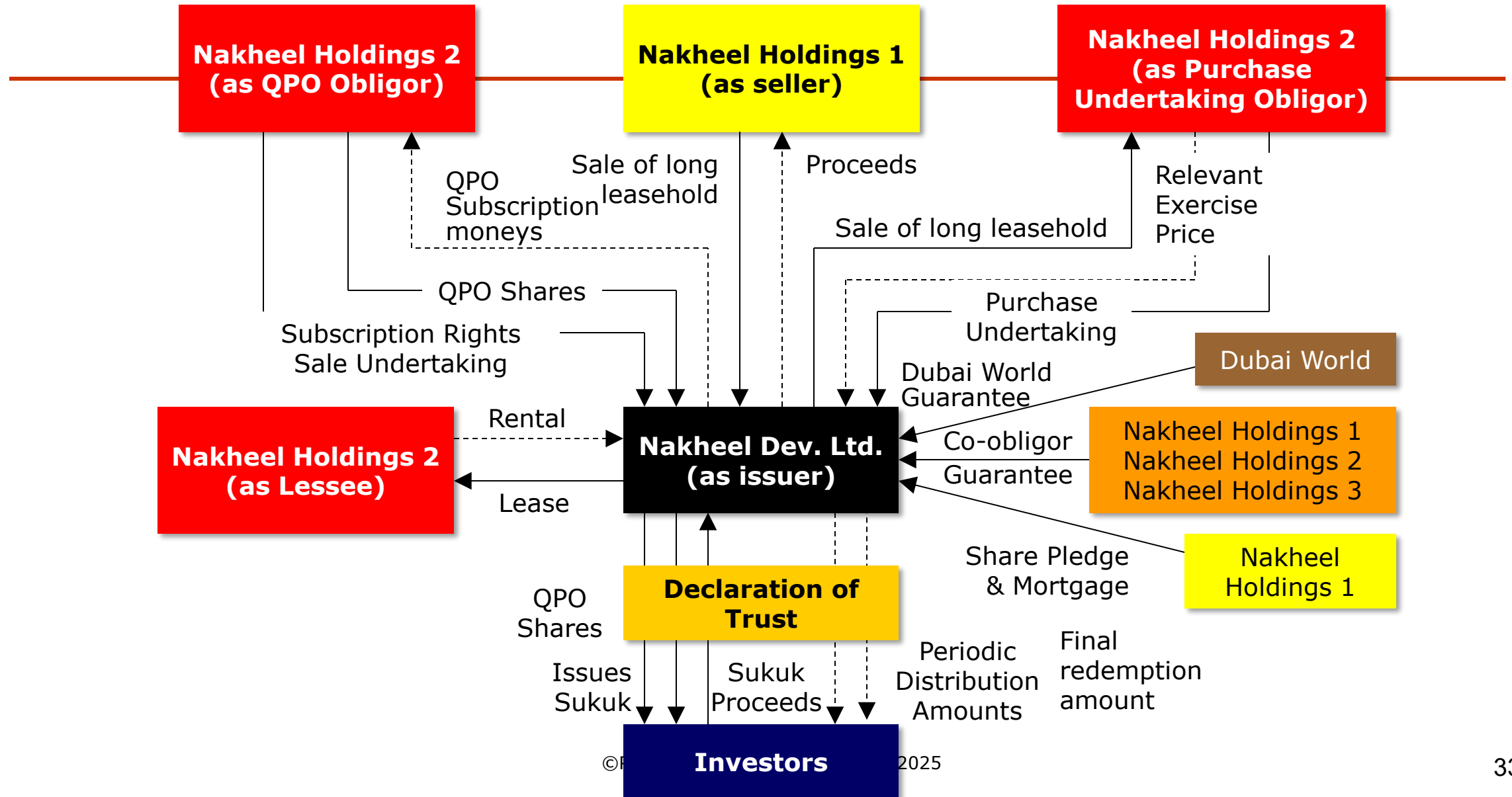
CASE STUDY: NAKHEEL SUKUK TRANSACTION SUMMARY

Issuer	<ul style="list-style-type: none">● Nakheel Development Limited
Size	<ul style="list-style-type: none">● USD 3.52 billion
Format	<ul style="list-style-type: none">● Reg-S
Type	<ul style="list-style-type: none">● Sukuk al Ijarah
Tenor	<ul style="list-style-type: none">● 3 year
Yield & Coupon	<ul style="list-style-type: none">● USD Libor + 120bps
Launch/Pricing Date	<ul style="list-style-type: none">● 2007
Investor Distribution	<ul style="list-style-type: none">● 40% Mid-East; 4% Asia; 38% Europe; 18% Other

OWNERSHIP STRUCTURE OF NAKHEEL



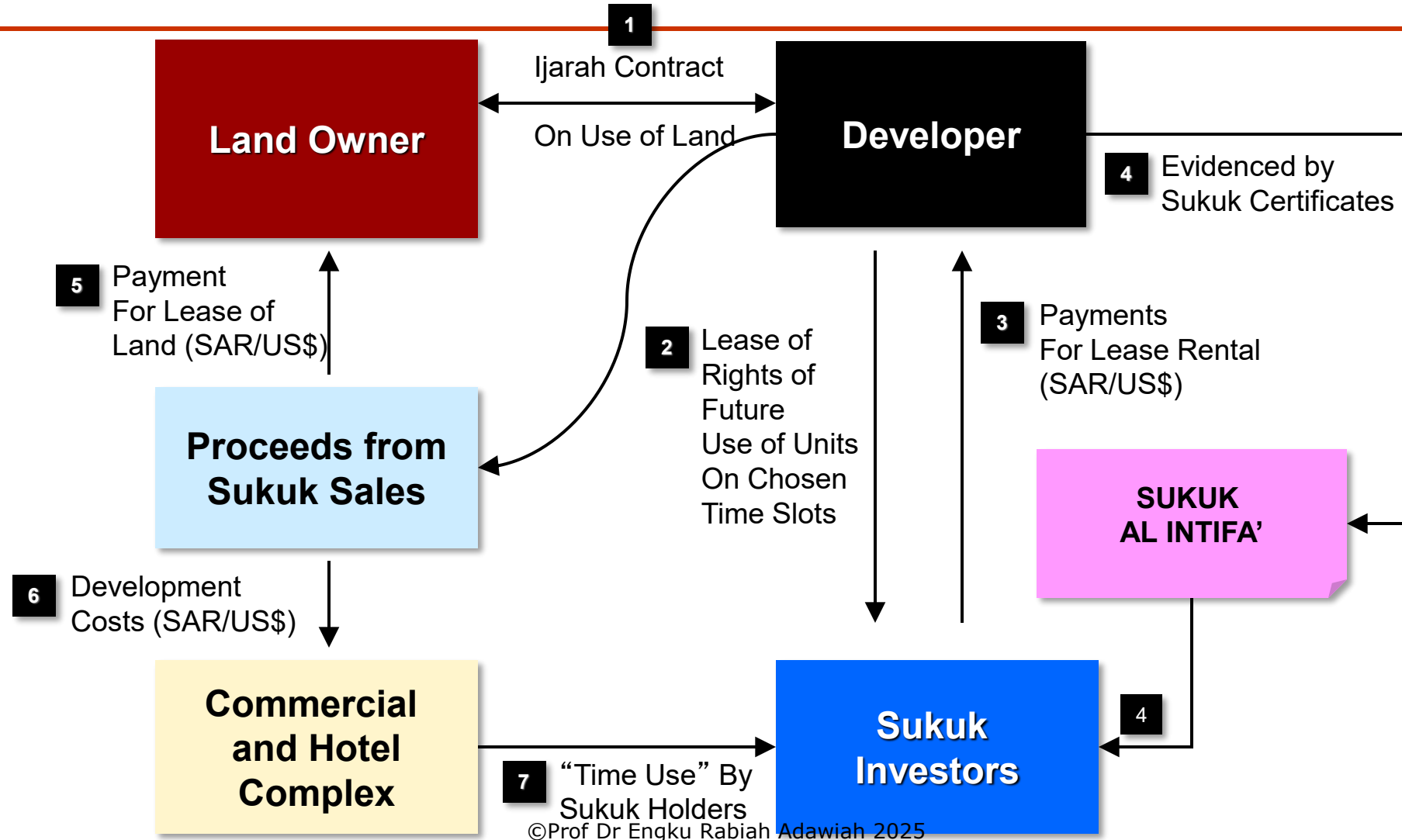
NAKHEEL SUKUK: TRANSACTION OVERVIEW



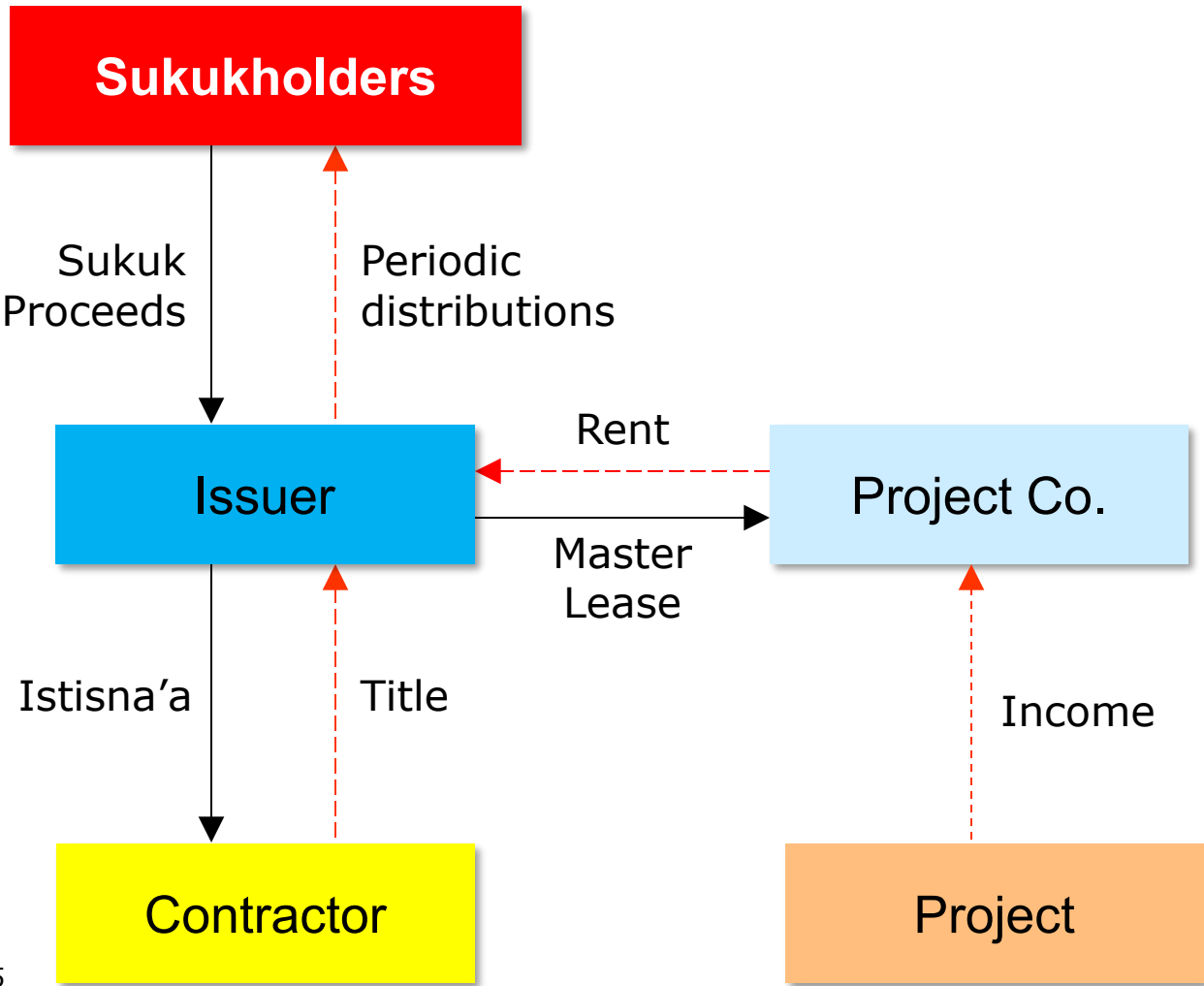
ZAM ZAM TOWER SUKUK AL-INTIFA'

- ❑ The project manager i.e. Munshaat Real Estate Projects Co. has been awarded to construct one of the six towers on *waqf* land adjacent to the Grand Mosque of Mecca.
- ❑ Issues for preliminary deliberation
 - Financing cost of construction.
 - Restriction on ownership of non-Saudi of real property in Mecca/Medina.
- ❑ As for cost of financing, the contract of forward lease (*al-ljarah al-Mawsufah fi al-Dhimmah*) was adopted.
- ❑ To avoid the issue of non-Saudis owning the property in Mecca, the concept of time-sharing is promoted.

CASE STUDY: SUKUK AL INTIFA'



BASIC TRANSACTION STRUCTURE: ISTISNA' – IJARAH VIA SUKUK ISSUANCE

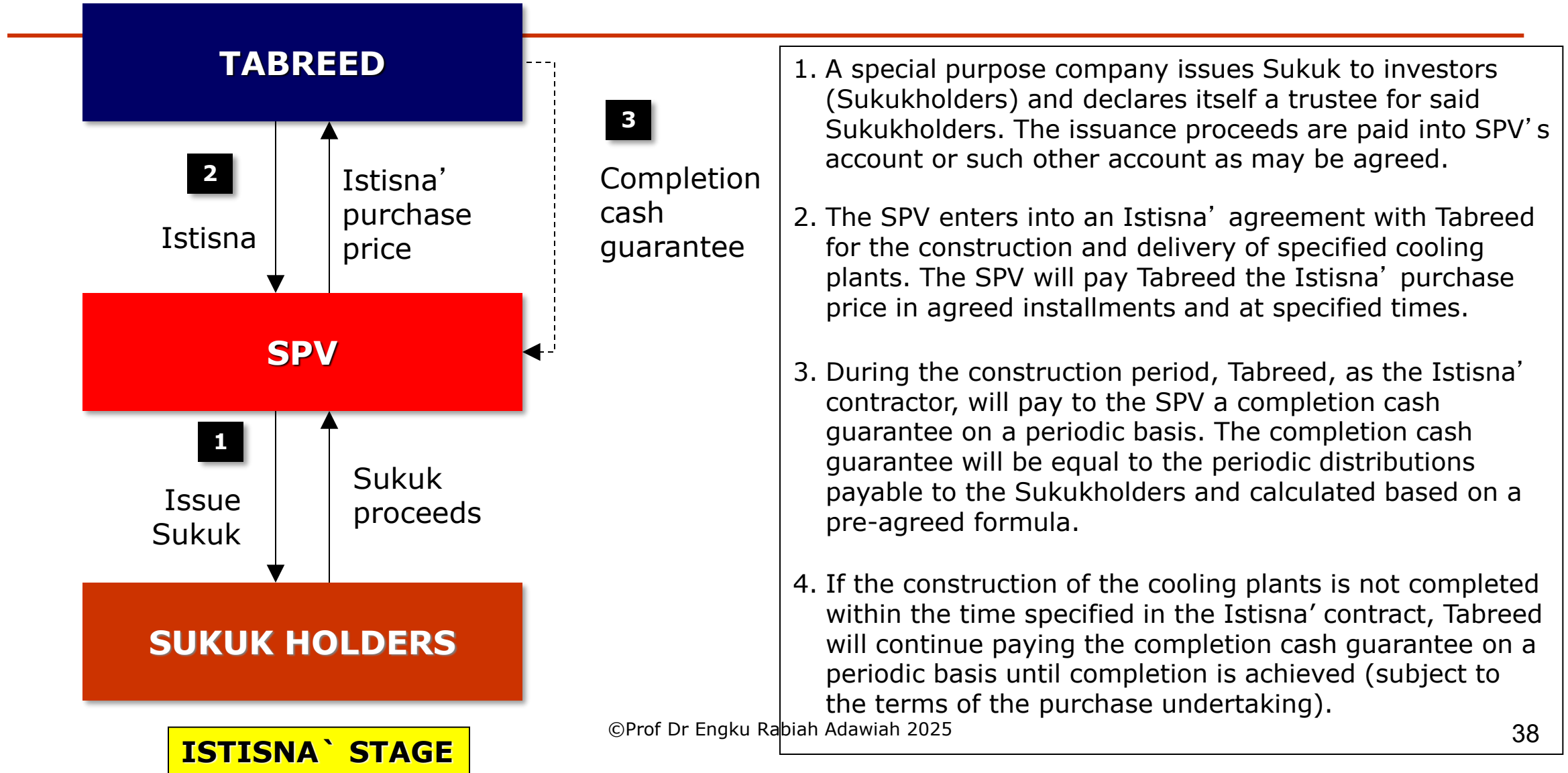


ISTISNA'-IJARAH - CASE STUDY USD200m TABREED SUKUK 2006

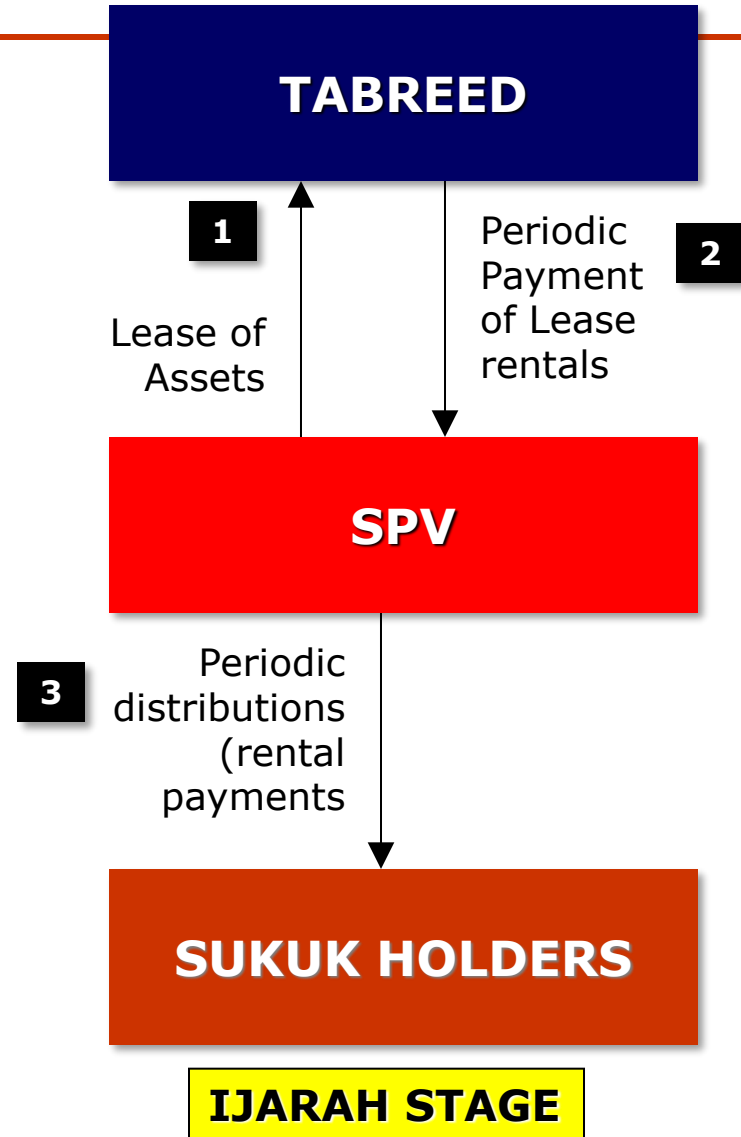
Issuer	Tabreed 06 Financing Corporation
Obligor & Partner	National Central Cooling Company (PJSC) (“Tabreed”)
Issue & amount	Tabreed 2006 Sukuk – USD200m
Rating	BBB- (S&P)
Issue date	20 July 2006
Maturity date	20 July 2011
Coupon	6m US\$ Libor + 125 bps
Investor distribution	75.5% in the Middle East; 10.6%Asia; & 10% Europe

Note: Data & diagrams on Tabreed Sukuk were taken & adapted from presentation by Arshad Ismail, Head of Sukuk, HSBC Amanah (Dubai); 3rd KLIFF 2006.

USD200m TABREED SUKUK 2006: STRUCTURE



USD200m TABREED SUKUK 2006: STRUCTURE

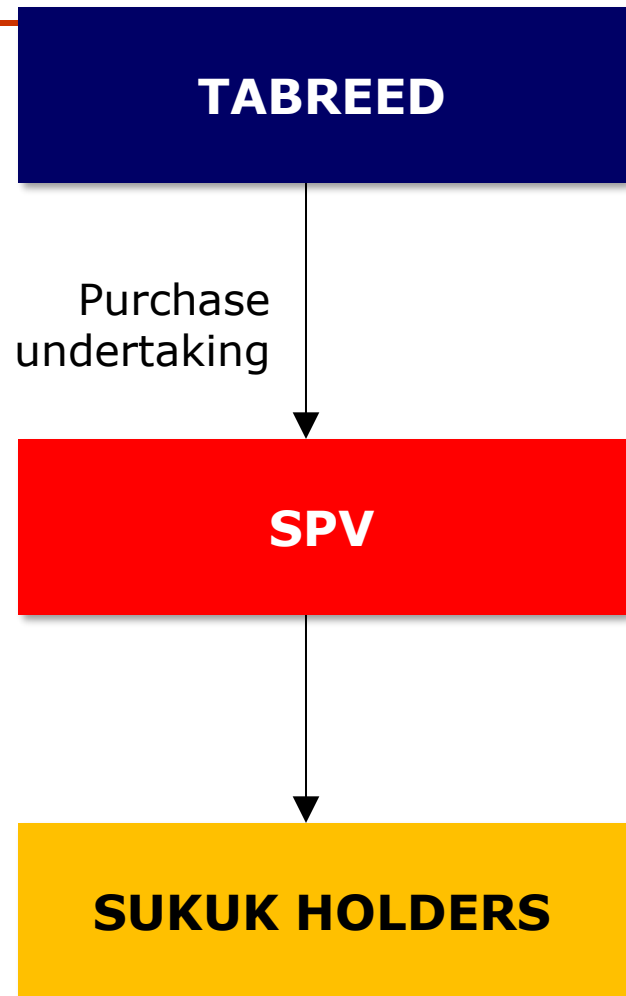


1. Tabreed will, simultaneously with the execution of the Istisna' agreement, execute a lease agreement. As and when the cooling plants (or parts thereof) are completed and delivered to the SPV under the Istisna' agreement, the same will immediately become subject to the lease agreement.

2. Tabreed will pay to the SPV lease rentals calculated according to a predetermined rental calculation formula.

3. The rental payments will be paid over to the Sukukholders by way of periodic distributions.

USD200m TABREED SUKUK 2006: TRANSACTION STRUCTURE

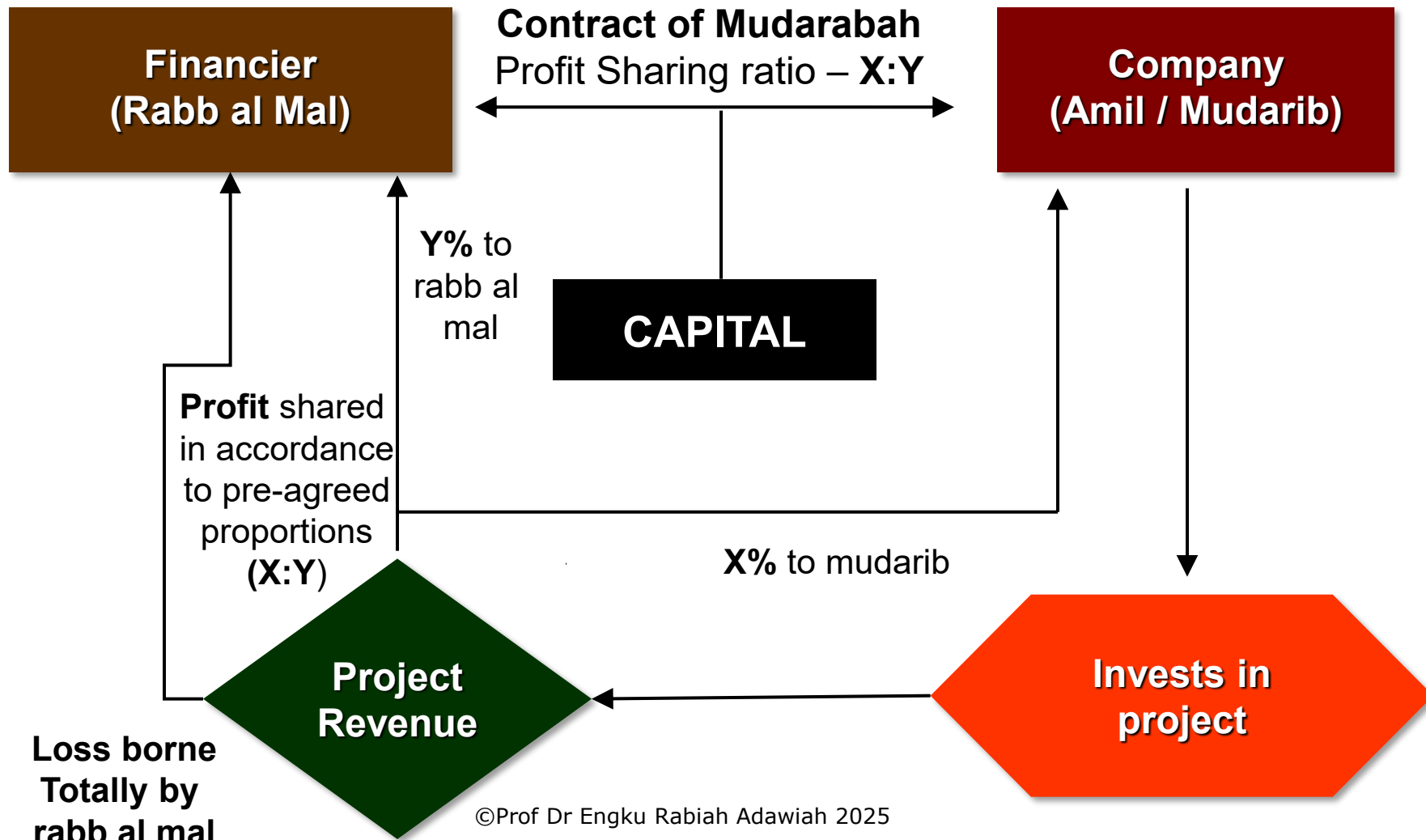


1. Tabreed will issue a purchase undertaking under which it will undertake to purchase:
 - during the Istisna' stage upon default, such portion of the cooling plant that has been constructed and delivered to the SPV, at a price corresponding to the value thereof
 - during the lease stage upon default, the cooling plant at a value equal to the aggregate of the outstanding principal value of the Sukuk
2. Tabreed will also undertake to purchase the cooling plant at a value equal to the aggregate of the outstanding principal value of the Sukuk upon maturity of the lease.

PROJECT FINANCING (Equity-Based)

- ❑ The most suitable contracts for project financing in meeting Shari`ah compliance requirements and contractual requirements, are equity based financing, e.g. mudarabah & musharakah
- ❑ Both contracts are designed to mobilise capital, for later utilisation in specified project/s and according to contractually agreed terms
- ❑ All parties may then share the profits generated according to the ratio of capital contribution or other contractually agreed ratio
- ❑ All parties also bear the risk of losses, whether in monetary form (for capital providers), or in term of loss of expected income (on the part of the manager)
- ❑ Both mudarabah & musharakah also allocate and distribute the resources in the best and efficient manner, compared to lending with interest

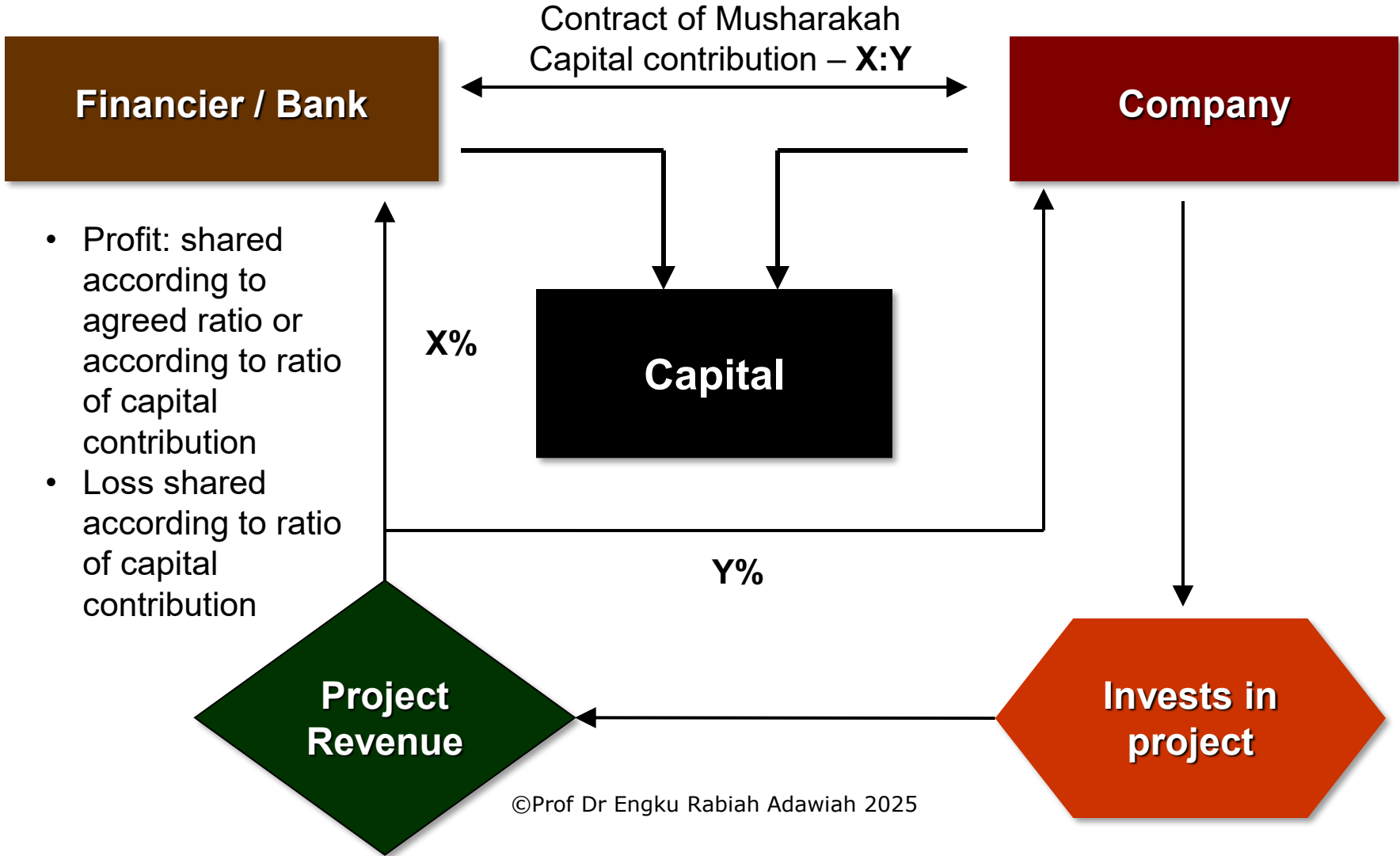
MUDARABAH PROJECT FINANCING



MUDARABAH PROJECT FINANCING

- ❑ The Financier provides 100% financing/capital for the project whilst the initiator of the project will manage it.
- ❑ The financier cannot interfere in the management of the project, but can take up the follow-up and supervision task.
- ❑ Both parties agree through negotiation on the ratio of the distribution of the profits generated from the project, if any
- ❑ If there is a loss in the project, the financier bears all the losses, unless they are caused by the manager's fraud, negligence or breaches of terms in the mudarabah

MUSHARAKAH PROJECT FINANCING



MUSHARAKAH PROJECT FINANCING

- ❑ A partnership agreement whereby a business venture is entered into and managed by both parties.
- ❑ However, any or all the parties have the right to waive that right. In case of waiving of right by all, a third party will be appointed as an agent to manage the venture.
- ❑ Any profit arising will be shared according to predetermined ratios.
- ❑ Losses however, will be shared in proportion with the capital investment contributed by each party.

GENERAL ISSUES IN EQUITY FINANCING

- ❑ Too risky? In mudarabah, 100% from bank. Bank must put great efforts to scrutinise the feasibility of the project. Does IFI have that capability?
- ❑ Not debt-based. The project company is not obliged to pay back the amount of financing.
- ❑ Risk determination and management
- ❑ Amendment to the term, e.g. changing profit sharing ratio?
- ❑ Profit distribution before the asset is ready and generating income?
- ❑ Guarantee, must be 3rd party. Charging fee for guarantee?
- ❑ Undertaking to waive the right to the profit upfront
- ❑ Responsibility of bearing the losses

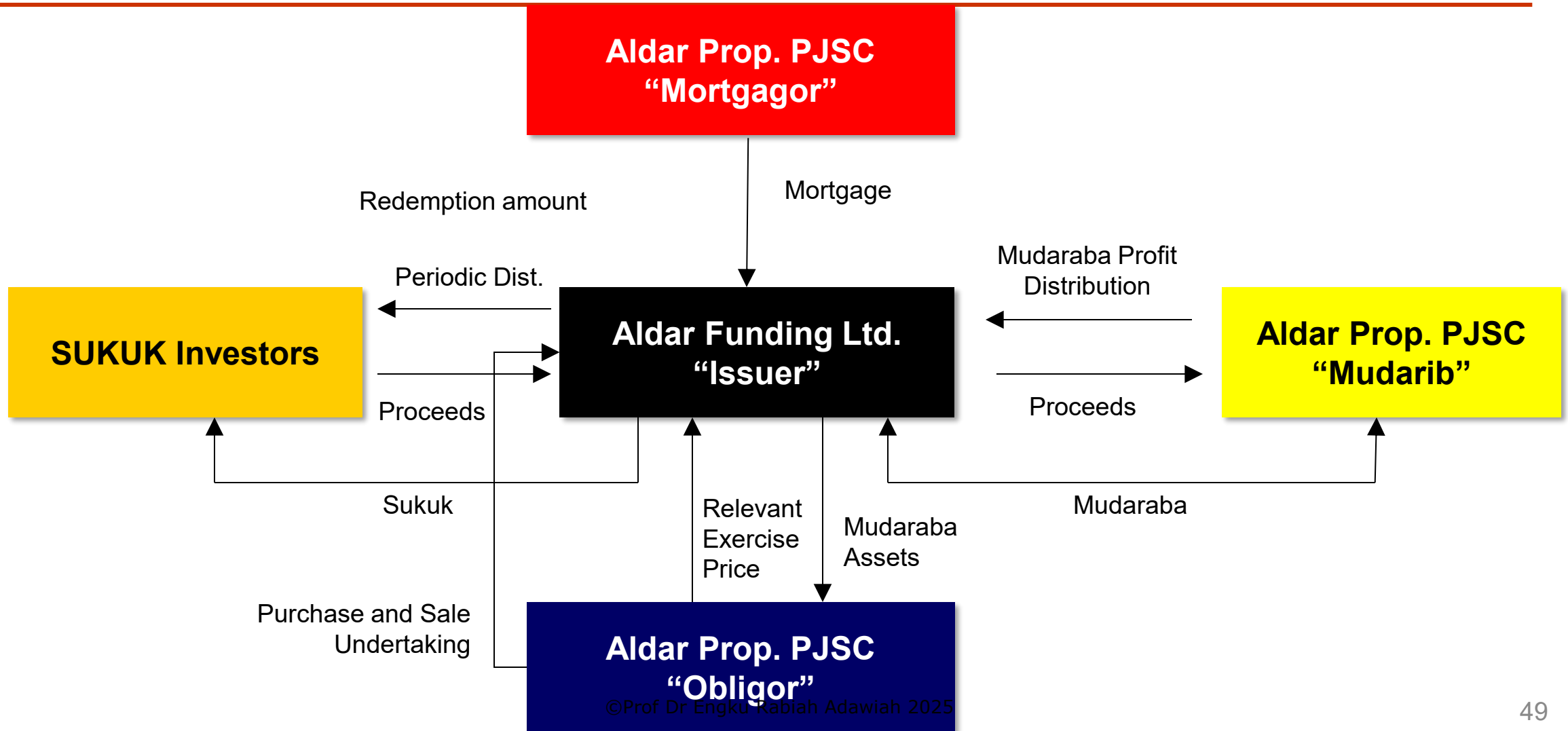
OBSERVATIONS

- ❑ There are potentially higher risks born by the investors in the event of losses
- ❑ Most financiers and investors are not equipped with the skill and expertise needed to effectively manage a mudarabah / musharakah venture, nor are they familiar with the risk management techniques for the two contracts
- ❑ Thus far, mudarabah & musharakah IPF use sukuk structures with enhanced risk mitigation techniques

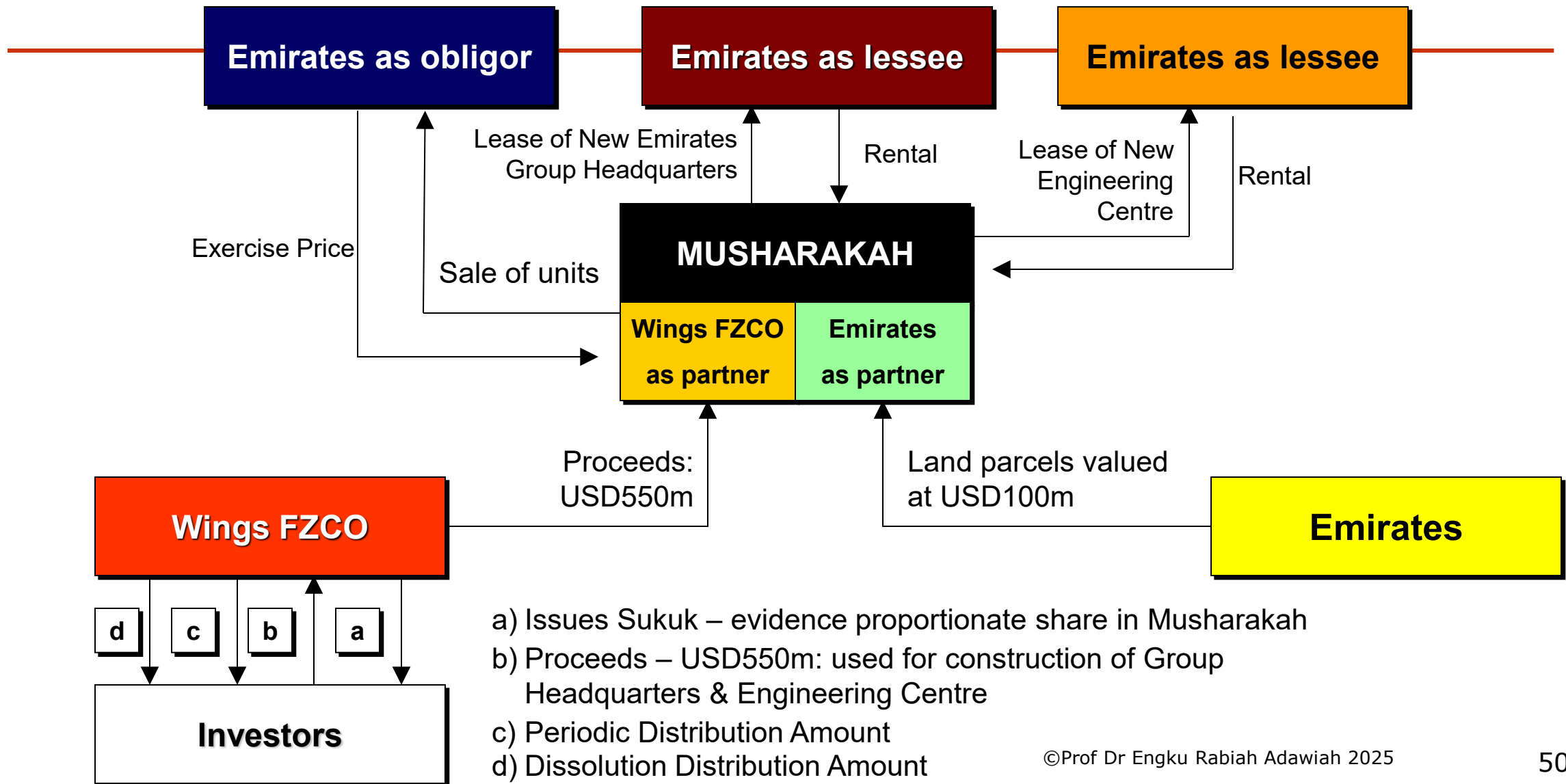
CASE STUDY: USD 2.53B ALDAR MUDARABAH SUKUK

Issuer / Trustee	<ul style="list-style-type: none">• Aldar Funding Limited (incorporated in Jersey)
Size	<ul style="list-style-type: none">• US\$2,530,000,000.
Obligor	<ul style="list-style-type: none">• Aldar Properties PJSC, UAE
Format / Type	<ul style="list-style-type: none">• Reg-S / Mudarabah Sukuk
Tenor	<ul style="list-style-type: none">• 5 years
Yield to Maturity	<ul style="list-style-type: none">• 65bps over USD 5-year Mid-Swap Rate (equiv. to 5.767%) pa
Periodic Distribution	<ul style="list-style-type: none">• 5.767% pa payable quarterly (expected):<ul style="list-style-type: none">– incentive if excess profit– “top-up” during short-fall
Redemption	<ul style="list-style-type: none">• All the end of 5 years, Obligor, in its corporate capacity, undertakes to purchase the Mudarabah Assets at par value
Security	<ul style="list-style-type: none">• Mortgage over land to secure obligation under Purchase Undertaking

CASE STUDY: USD 2.53 BILLION ALDAR SUKUK: TRANSACTION STRUCTURE



CASE STUDY: WINGS FZCO



EXAMPLES OF ISLAMIC PROJECT FINANCING VIA SUKUK ISSUANCES (MALAYSIAN)

Year	Issuer	Syariah Principle	Project	Size of Issues (RM mil)
2006	Sarawak Power Generation Sdn Bhd (two issues)	Musharakah	Electricity	215
2006	Mukah Power Generation Sdn Bhd (two issues)	Mudarabah	Electricity	950
2006	Penang Bridge Sdn Bhd	Istisna`	Bridge	695
2005	Jimah Energy Ventures Sdn Bhd	Istisna`	Electricity	4,847
2005	IJN Capital Sdn Bhd	Musharakah	Hospital	209
2005	Penang Port	Ijarah	Port facilities	100
2004	Kapar Energy Ventures Sdn Bhd	BBA	Electricity	3,402
2004	Sarawak Specialist Hospital & Medical Centre Sdn Bhd	Istisna`	Hospital	425

EXAMPLES OF ISLAMIC PROJECT FINANCING VIA SUKUK ISSUANCES (GLOBAL)

Year	Issuer	Syariah Principle	Project	Size of Issues (USD mil)
2007	Aldar Properties, UAE	Mudarabah	Abu Dhabi Property Devpt.	2,530
2006	Nakheel Development Ltd, UAE	Ijarah	Dubai waterfront Property Devpt.	3,520
2006	Aabar Sukuk Ltd, UAE	Mudarabah	Petroleum & energy	460
2005	Gold Sukuk DMCC, UAE	Musharakah	DMCC Free Zone Property Devpt.	200
2005	Emirates Airlines, UAE	Musharakah	Construction of Emirates HQ & Engin. Centre	650
2004	Dubai Department of Civil Aviation, UAE	Ijarah	Airport Expansion	1,000



ISLAMIC TRADE FINANCING: SELECTED TRANSACTION STRUCTURES

INTRODUCTION

Developing countries' international trade (exports plus imports) is equivalent to about one-half of their gross national income;

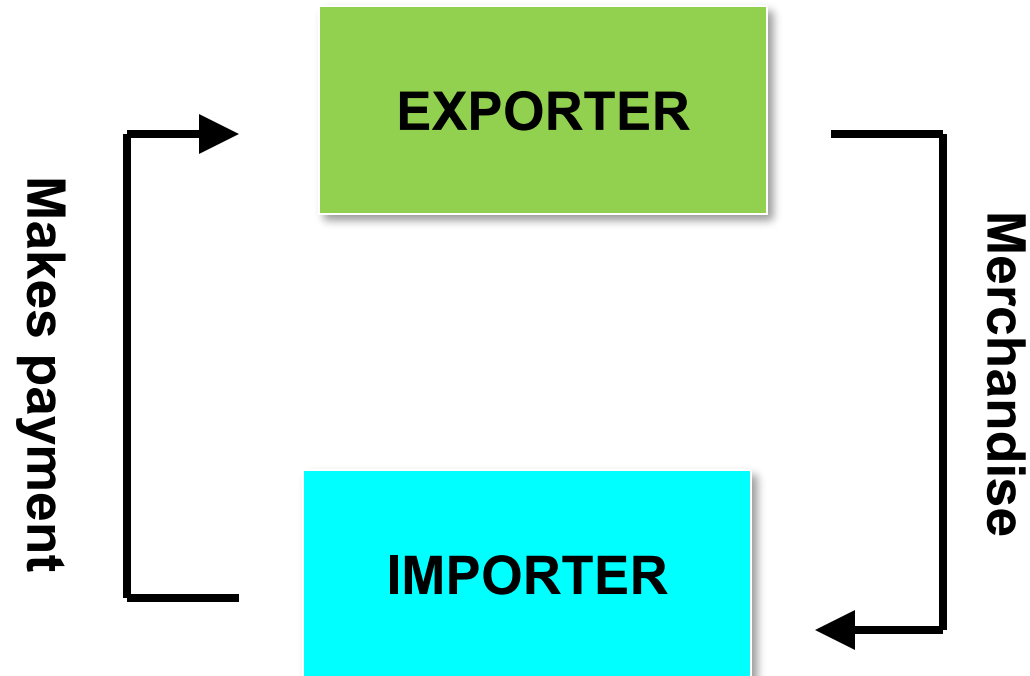
Finance and related services (document preparation, management of transactions, risk insurance) play a critical role in supporting that trade.

Trade finance supplies the liquidity necessary for efficient trade.

Traded goods stand as security for banks and other firms, thus enabling less creditworthy and poorer entities to expand their access to international loans.

Trade finance is provided by commercial banks, official export credit agencies, multilateral development banks, insurance firms, suppliers, and purchasers

BASIC FRAMEWORK FOR TRADE FINANCE



Modes of payment

1. Advanced cash payment
2. LC
3. Documentary Collection
4. Open Account

ISLAMIC TRADE FINANCING

- ❑ The Islamic bank provides specific facilities and financing to facilitate trade (domestic or international) or working capital requirement for its customers
- ❑ Commonly on short term basis
- ❑ These facilities may be granted in connection with the purchase/import and sale/export of goods and machineries, and the acquisition and holding of stock and inventories, spares and replacements, raw material and semi-finished goods.
- ❑ Among the most important requirements:
 - The merchandise must be halal
 - Approved Shariah compliant transaction structures
 - Procedures and sequence must be followed

MAIN ISLAMIC TRADE FINANCE PRODUCTS

IMPORT/PURCHASE

Letter of Credit-i

Trust Receipt-i

Accepted Bill-i

Working Capital Financing-i

Inward Bills for Collection-i

Other special products: Supplier Financing-I, IDB Co Financing, Warehouse financing, Invoice financing, etc.

EXPORT/SALES

Bills Purchased

Export Credit Refinancing-i

Accepted Bills-i

Bank Guarantee-i

Shipping Guarantee-i

Outward Bills for Collection-i

MODES OF FINANCING IN ISLAMIC TRADE FINANCE

Generally speaking, there may be variations in the instruments & transaction structure used in different country/jurisdiction

For example, not all instruments used in Malaysia are acceptable worldwide

Modes of financing – Malaysian practice:

Murabahah

Bay' al-dayn

Musharakah

Wakalah

Kafalah

LETTER OF CREDIT- i (LC-i)

An LC is a written undertaking given by the Bank to a seller/ exporter (beneficiary) to the effect that the Bank will pay the seller a certain amount stipulated in the LC, provided that the seller complies with the terms and conditions of the LC

Rules Governing - LC-i- UCP 600

Four contracts can be used

Wakalah

Murabahah

Musharakah

Istijrar

TYPES OF ISLAMIC LETTER OF CREDIT

LC based on Wakalah

- Customer uses his own funds to purchase the goods.
- Customer deposit 100% cost of goods to Bank and Bank issues LC to seller for a fee
- Customer makes full payment of purchase price to seller

LC based on Murabahah

- Customer required funds to finance purchase from Bank
- Bank issues LC to seller
- Bank makes full payment of purchase price to seller
- Bank sells goods to customer (buyer) on Murabahah at mark-up for deferred payment.

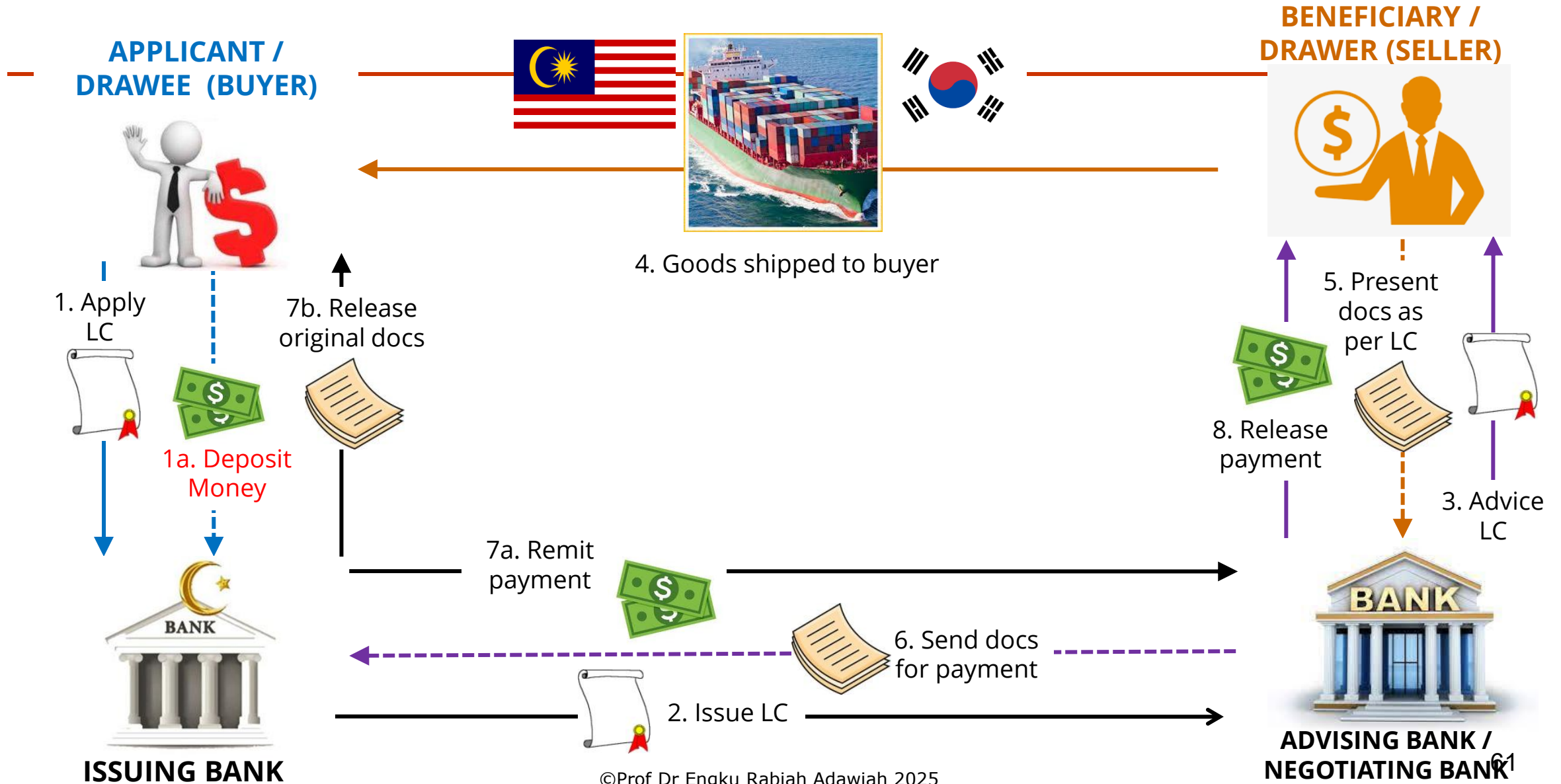
LC based on Musharakah

- Customer and bank agree on profit sharing
- Bank issues LC to seller
- Bank and customer contribute to the payment of the purchase price
- Proceeds of the subsequent sale are shared based on pre-agreed profit-sharing ratio.

LC based on Istijrar

- Bank issues LC to seller
- Bank makes full payment of purchase price to seller
- Bank sells goods to customer (buyer) and the Sales Price is determined at maturity of the Letter of Credit

LETTER OF CREDIT: WAKALAH



LETTER OF CREDIT WAKALAH

Bank acts as the agent of Customer

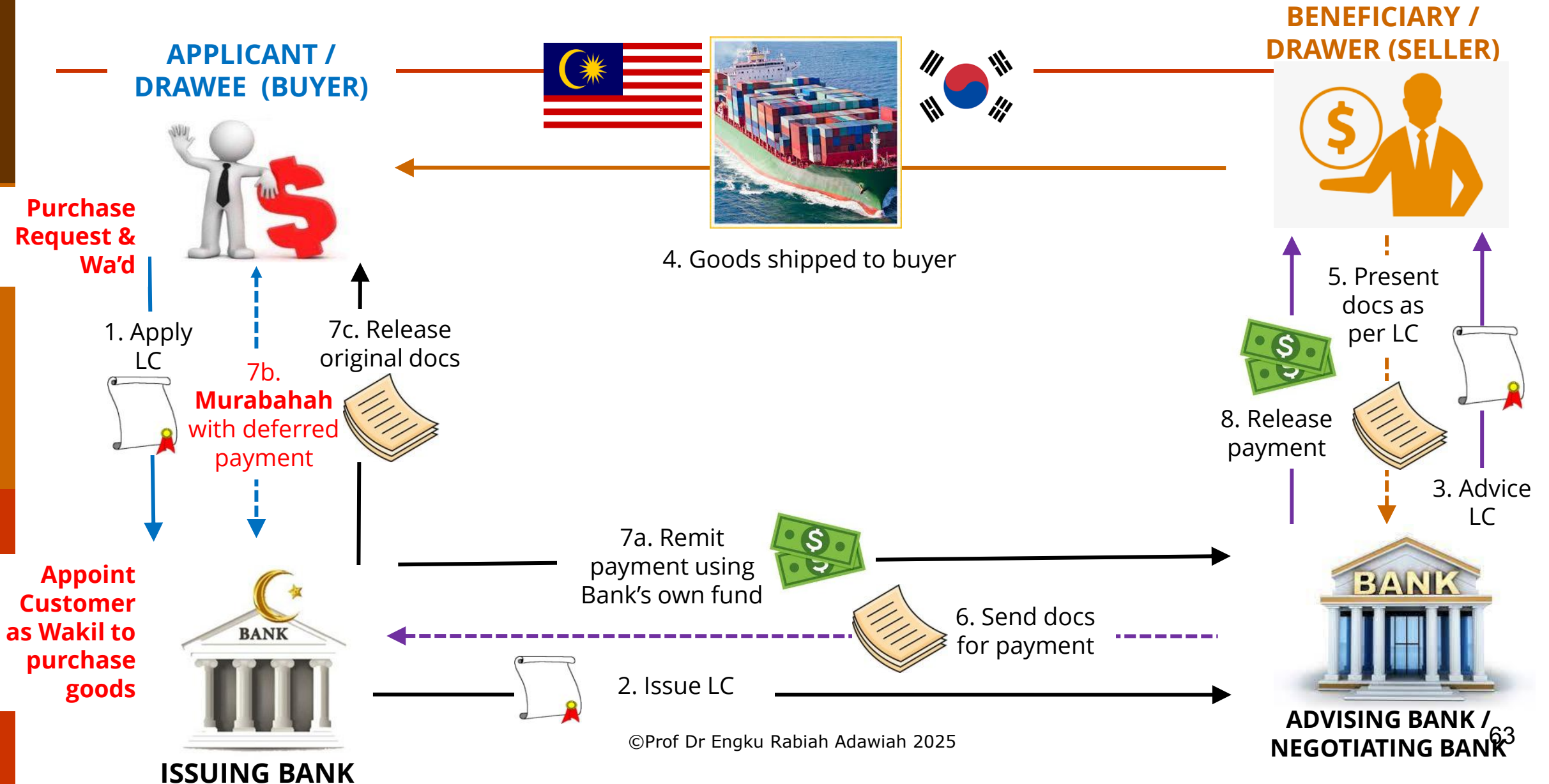
Customer informs Bank of its LC requirements & requests Bank to provide the facility

Customer is required to place a deposit to the full amount of the price of goods to be purchased / imported which the Bank accepts under the contract of Wadi`ah

Bank establishes the LC and pays the proceeds to the negotiating bank utilising Customer's deposits & releases the documents to Customer.

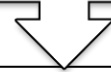
Customer needs to pay Bank's fees & commissions (ujrah) for the services

LETTER OF CREDIT: MURABAHAH

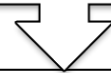


LETTER OF CREDIT MURABAHAH

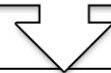
Customer informs Bank of LC requirements & requests Bank to purchase Goods



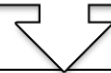
Customer promise to buy the Goods once it is in Bank's possession



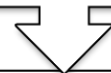
Bank buys / appoints Customer as its agent to purchase the Goods.



Bank establishes LC & pays proceeds to the negotiating bank utilising its own funds



After possessing Goods, Bank sells it to Customer at sale price (p.p.+ profit margin)



The customer pays the price at an agreed deferred term

BANK GUARANTEE-i (BG-i)

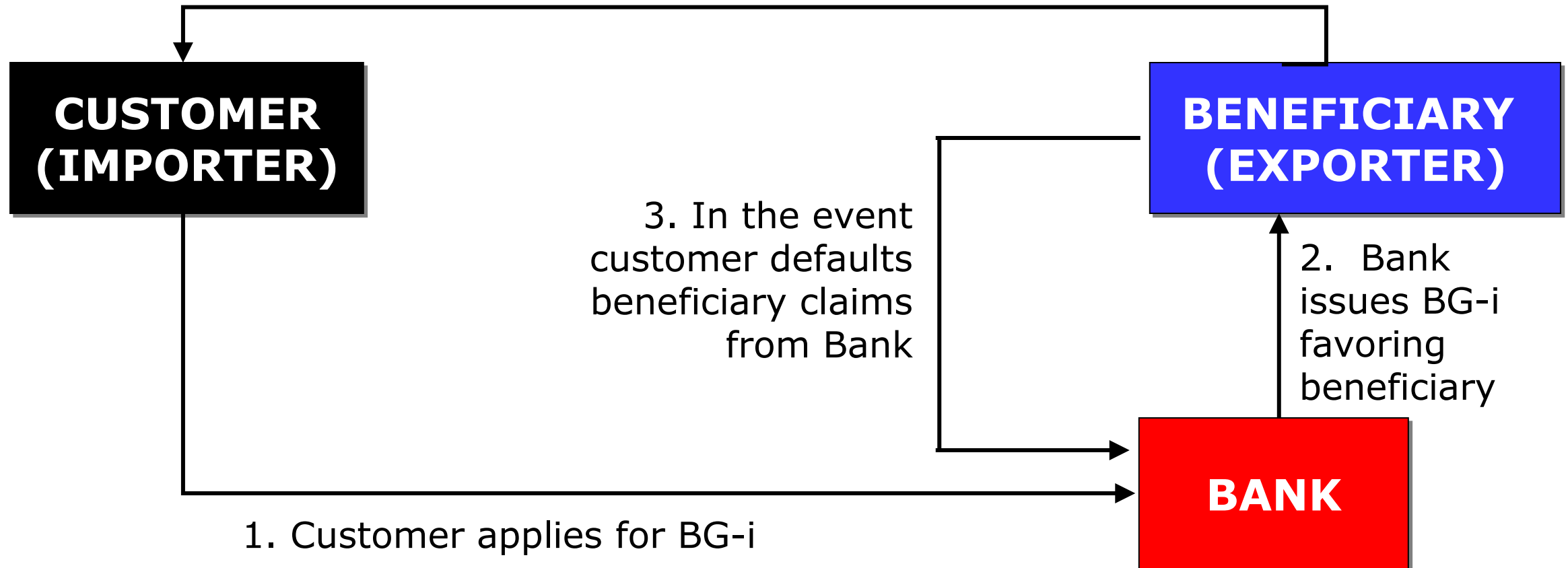
Bank acts as a guarantor. In the event Customer defaults in his obligations, Bank is responsible to honour the beneficiary's claims

BG is offered to customers for various reasons, among others:

- Tender Guarantee.
- Project Performance Guarantee.
- Guarantees for refund of advance payment & progressive payments.
- Retention money guarantee.
- Customs guarantees relating to import of goods without payment of duty.
- For honouring of cheques

BANKING GUARANTEE-i (KAFALAH)

Customer has contractual obligation to fulfill with beneficiary



PROCESS & PROCEDURE

Customer applies for BG

Bank process the application & if satisfied with credit standing of Customer, BG will be extended

Some banks require the customer to place a certain amount of deposit as security

This deposit must be kept in an account with the bank

The client pays fees for the service rendered (ujrah)

MURABAHAH WORKING CAPITAL FINANCING-i (MWCF-i)

Customer approaches Bank to get financing for working capital requirements to purchase stock & inventories, spares & replacements, or semi-finished goods & raw materials

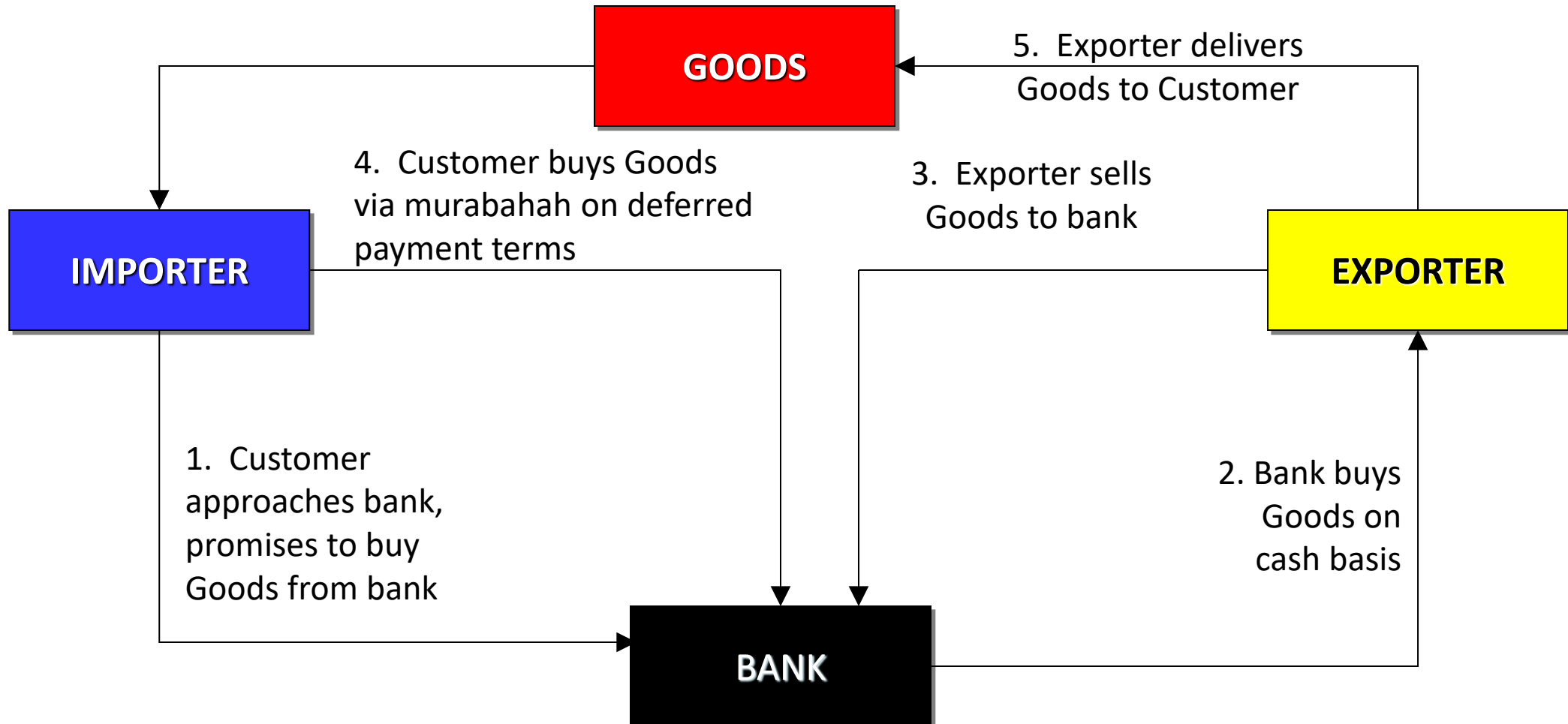
Murabahah is a cost-plus sale contract & sale based on trust (bay' al-amanah), so parties are responsible to reveal:

Cost & profit

Price & tenor of the deferred payment

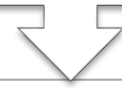
Purchase undertaking & Marginal deposit may be required

MURABAHAH WORKING CAPITAL FINANCING

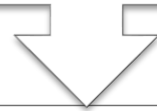


PROCESS & PROCEDURE

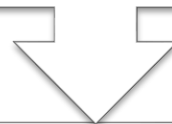
Customer approaches Bank to get the facility.



Bank purchases or appoints Customer as agent (contract of wakalah) to purchase on its behalf using Bank's funds



Bank sells goods to Customer at an agreed price (p.p. + profit) & allows Customer to settle this price on deferred term of 30 days, 60 days, 90 days or other agreed period



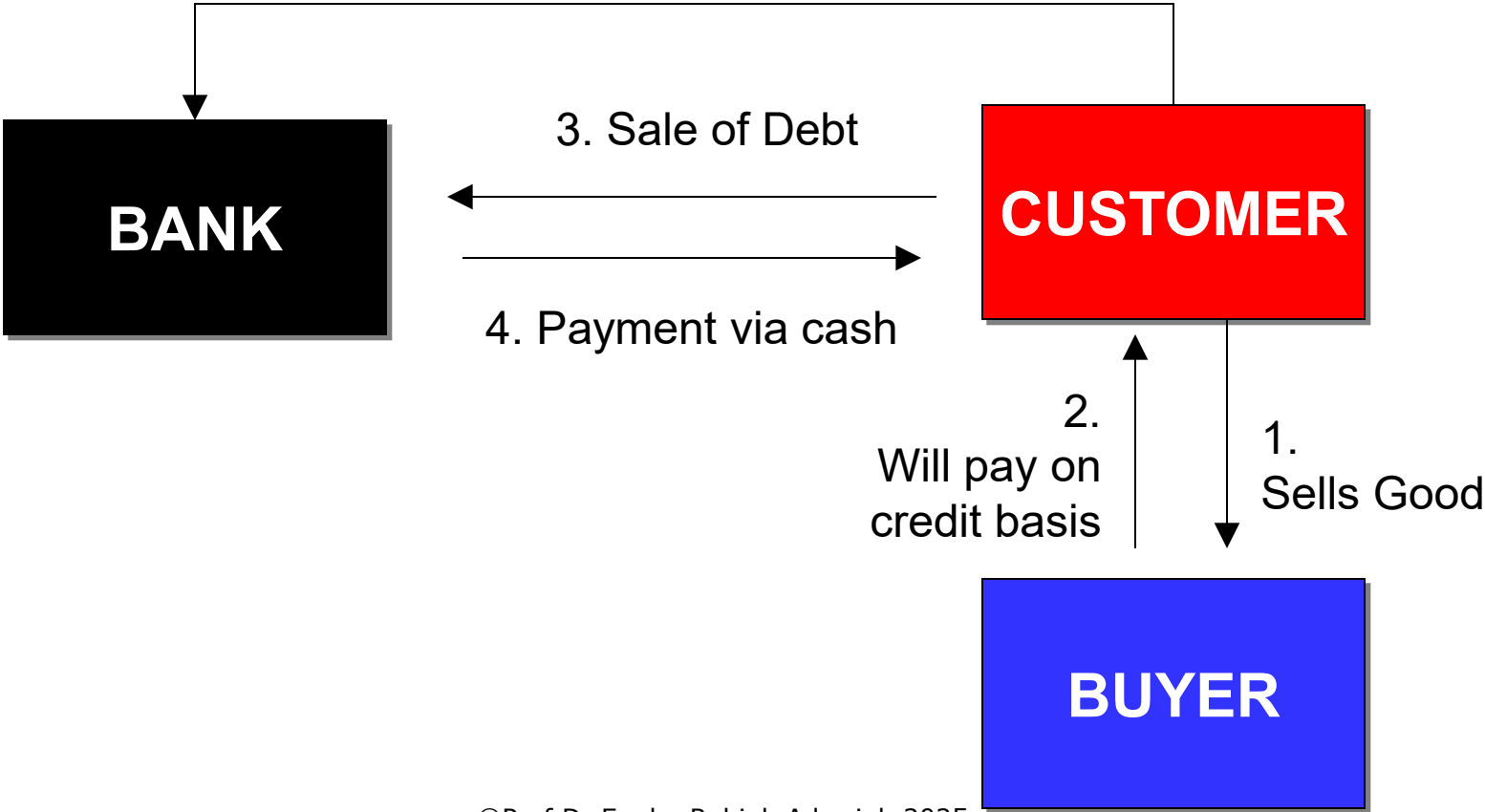
On the due date, Customer pays the price

BAY' AL-DAYN IN TRADE FINANCE PRODUCTS?

- ❑ Working Capital Financing
- ❑ Accepted Bill
- ❑ Export Credit Refinancing (ECR)
- ❑ Foreign/Domestic Bill Exchange Purchased (Documentary) FBEP (DOC) / DBEP (DOC)
- ❑ Foreign / Domestic Bill of Exchange Purchased (Authority to purchase) FBEP (AP)/ DBEP (AP)

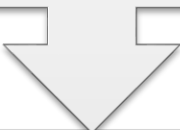
BAY' AL-DAYN WORKING CAPITAL FINANCING-i (BWCF-i)

5. On maturity, client will collect debt and pays to the bank

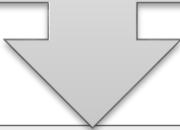


BAY' AL-DAYN WORKING CAPITAL FINANCING-i (BWCF-i)

Customer approaches Bank to get financing for working capital requirements after selling his finished goods to his client for deferred payment



After the sale, Customer sells his debt receivables to the bank at a discount.



Customer gets paid from Bank before realization of the price of the concluded sale contract (from his client)

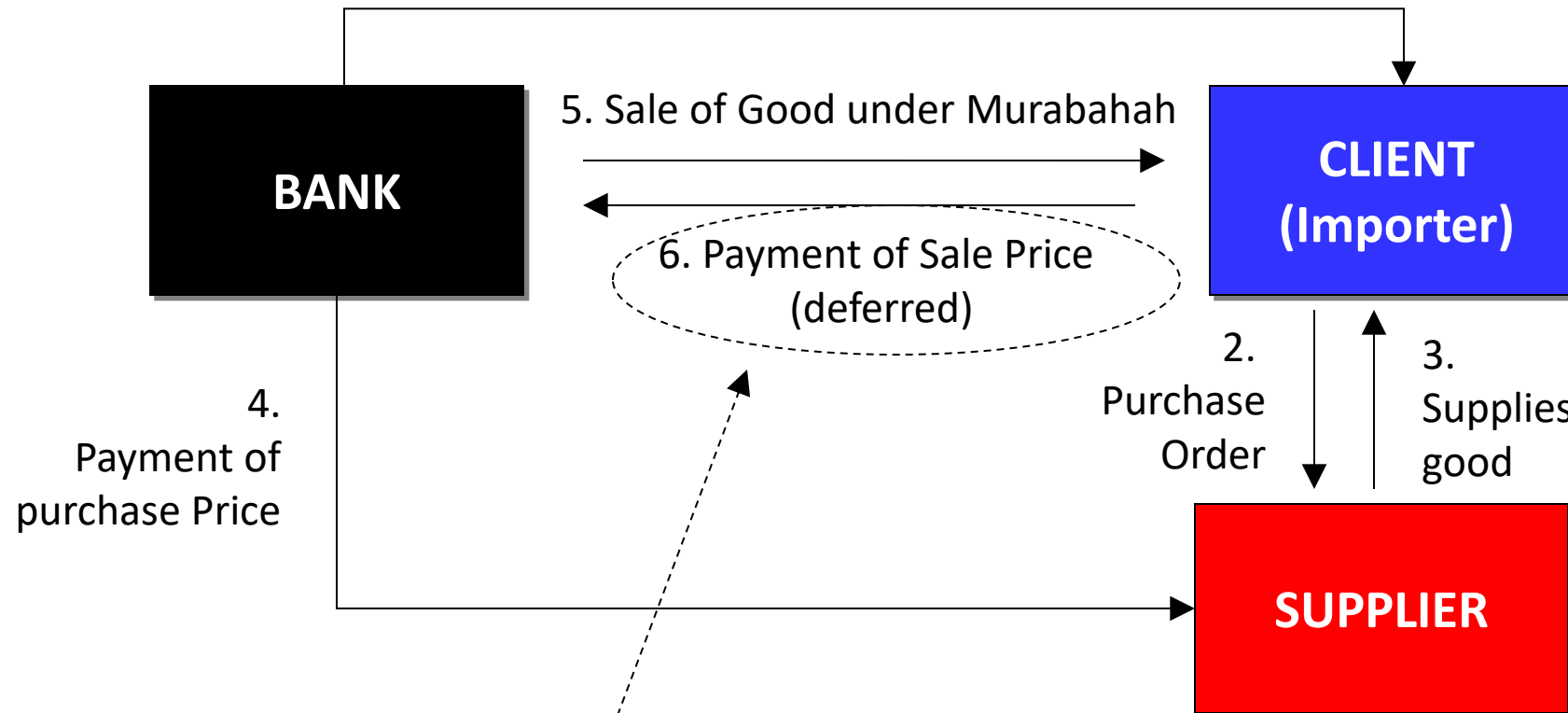
ACCEPTED BILL-i (AB-i)

Accepted Bills-i is a Bill of Exchange drawn to finance domestic & foreign trade & it is payable on a specified future date



AB-i (PURCHASE / IMPORT)

1. Bank appoints client as its agent to purchase



Debt – evidenced by the AB-i draft. Subject to certain guidelines by BNM, AB-i, which is a debt, is tradable on the secondary market under Bay' al-dayn

IMPORTS & LOCAL PURCHASES (MURABAHAH & BAY' AL-DAYN)

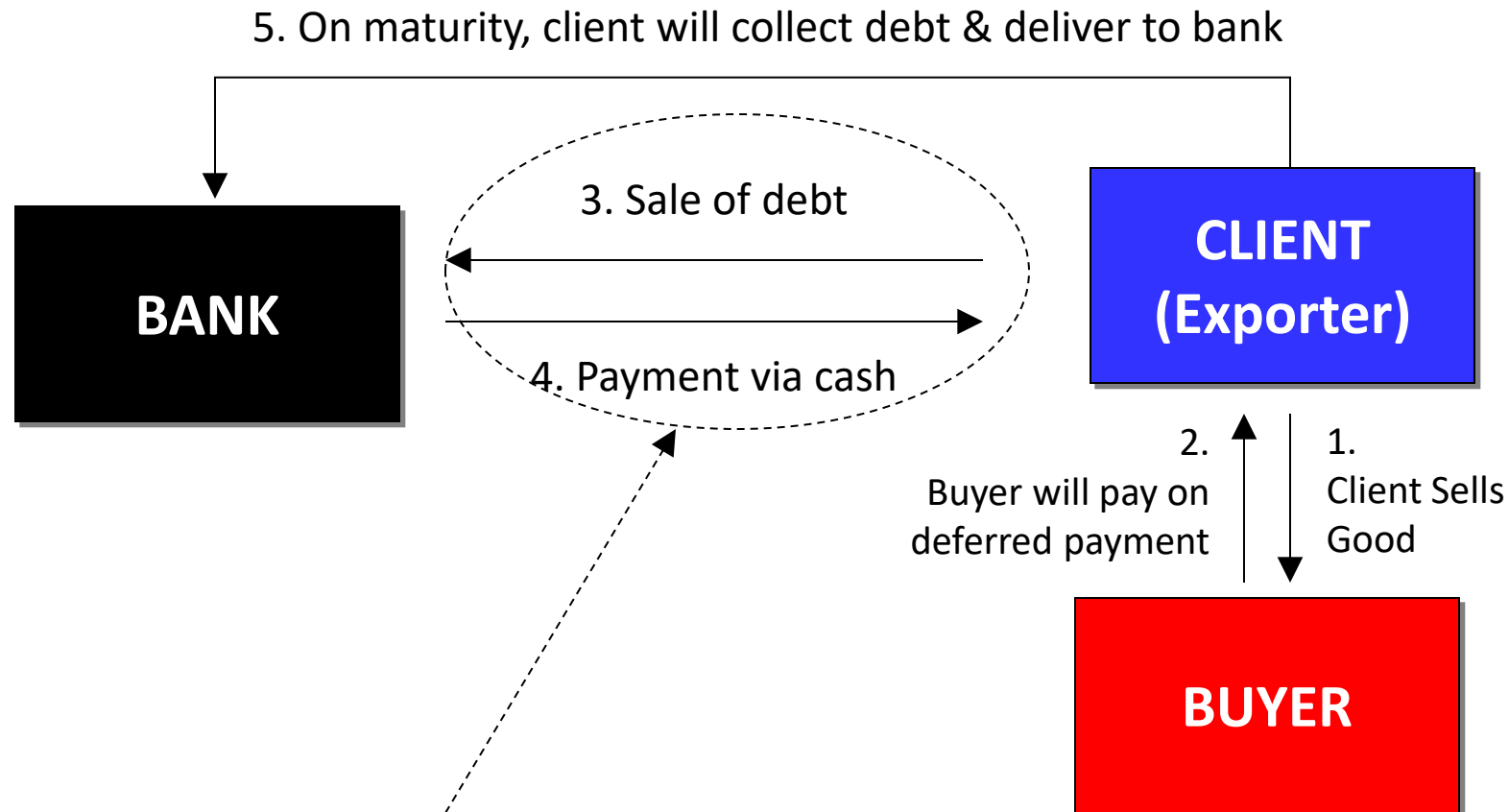
Bank grants facility to Clients to finance their purchase of trade goods which include raw materials, semi-finished, or finished goods under murabahah

The deferred payment terms on murabahah granted to Client constitute a debt. To evidence this, Bank draws a Bill of Exchange that is accepted by Client (AB-i) & payable on maturity

Upon maturity, Client pays Bank the murabahah selling price

Subject to certain guidelines by BNM, AB-i draft, which is a debt, is tradable on the secondary market under Bay' al-dayn

IAB (SALE / EXPORT)



The bank's purchase of the debt via AB-i draft is done under the concept of the sale of debt at discount

EXPORTS & LOCAL SALES (BAY' AL-DAYN)

This facility is granted to Clients to finance their usance export or domestic credit sales.

Instead of waiting for maturity of the bill, Client sells his right to the debt to Bank & obtain immediate proceed.

Client is required to draw a new Bill of Exchange (AB-i draft) on Bank.

Bank will purchase the AB-i draft at a mutually agreed price (on discount) & the proceeds will be credited immediately into Client's account.

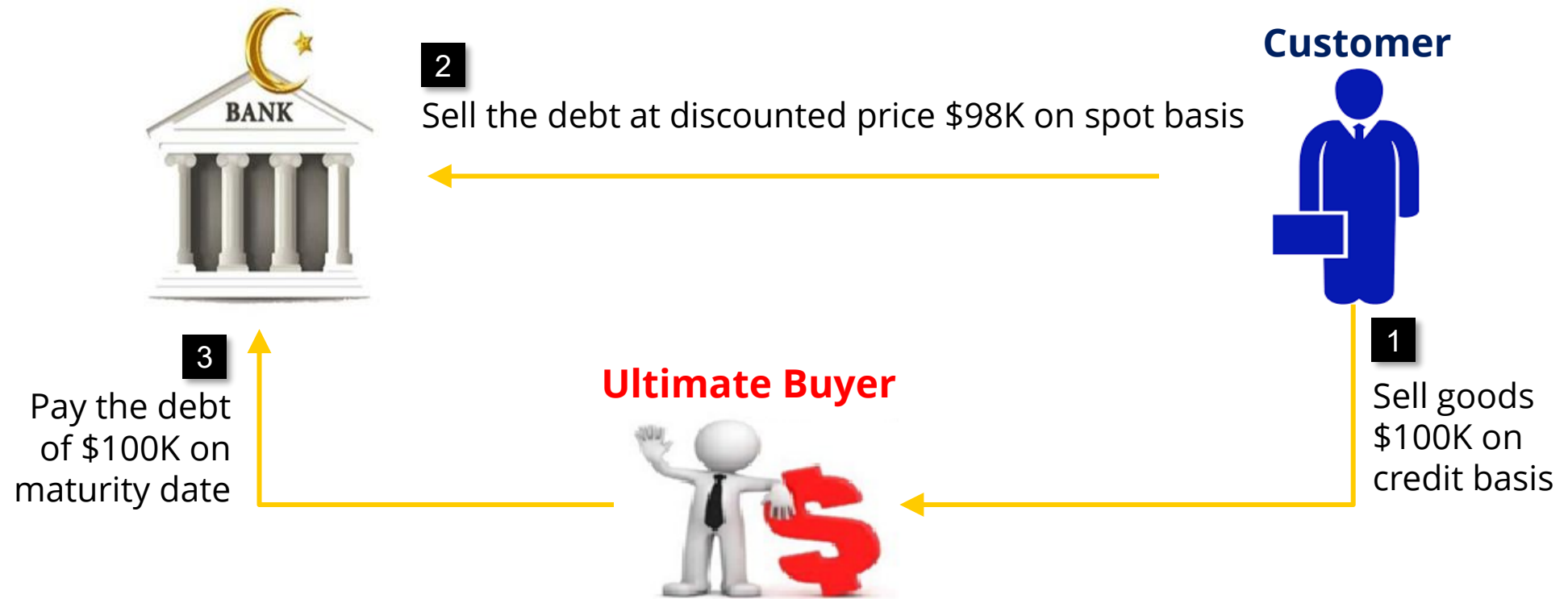
On maturity, Client will pay Bank the cost of goods (face value of AB-i draft).

This AB-i is also tradable on the secondary market under Bay' al-dayn

FACTORING

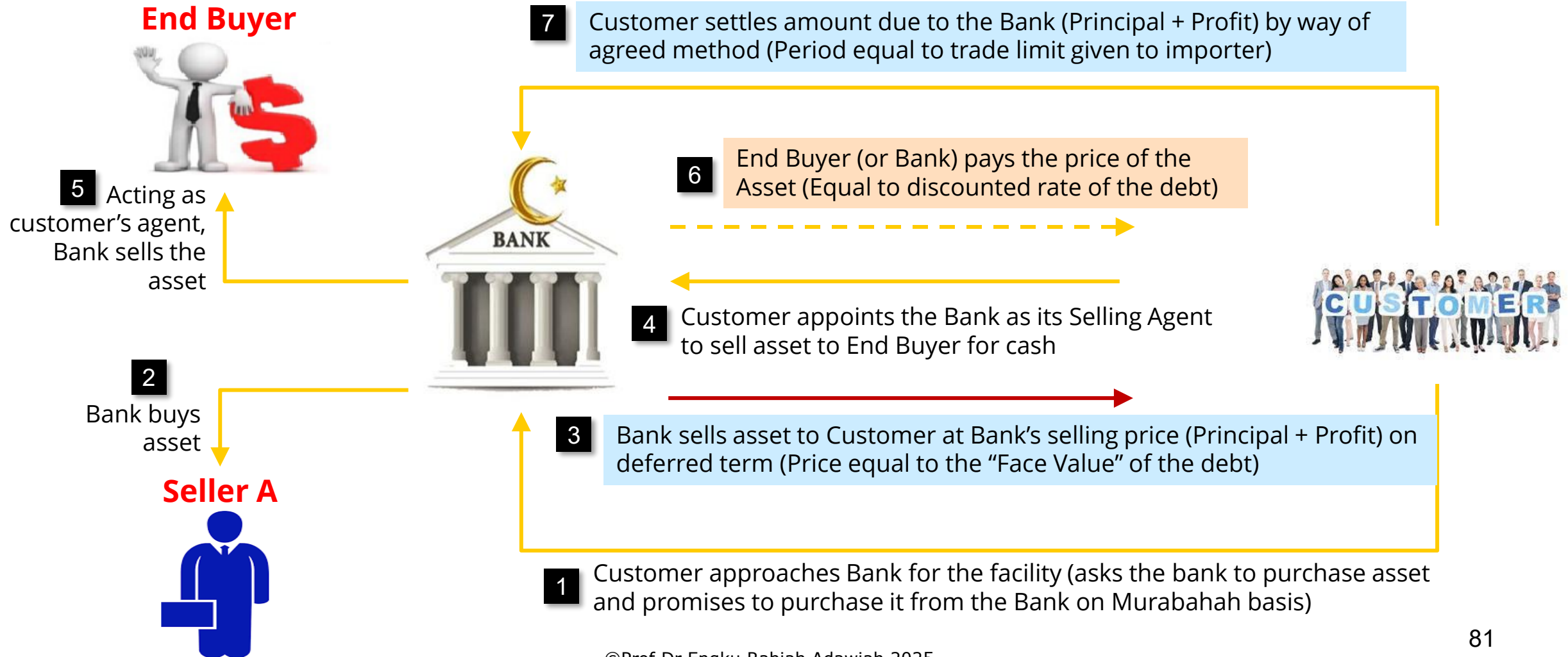
- ❑ Factoring is done to provide liquidity to the customer who had completed the awarded project, but is yet to receive payment from the buyer/awarder
- ❑ Factoring normally involves the selling of a receivable to a third party (financier/bank) at a discounted rate
- ❑ The contract is based on sale of debt (*bay' al-dayn*) with a discount
- ❑ If the factoring is for par value of the debt or receivable, the contract used is that of *hiwalah* (transfer of debt)
- ❑ After the factoring, all future receivables paid by the buyer/awarder would belong to the financier/bank

FACTORING: BAY' AL DAYN

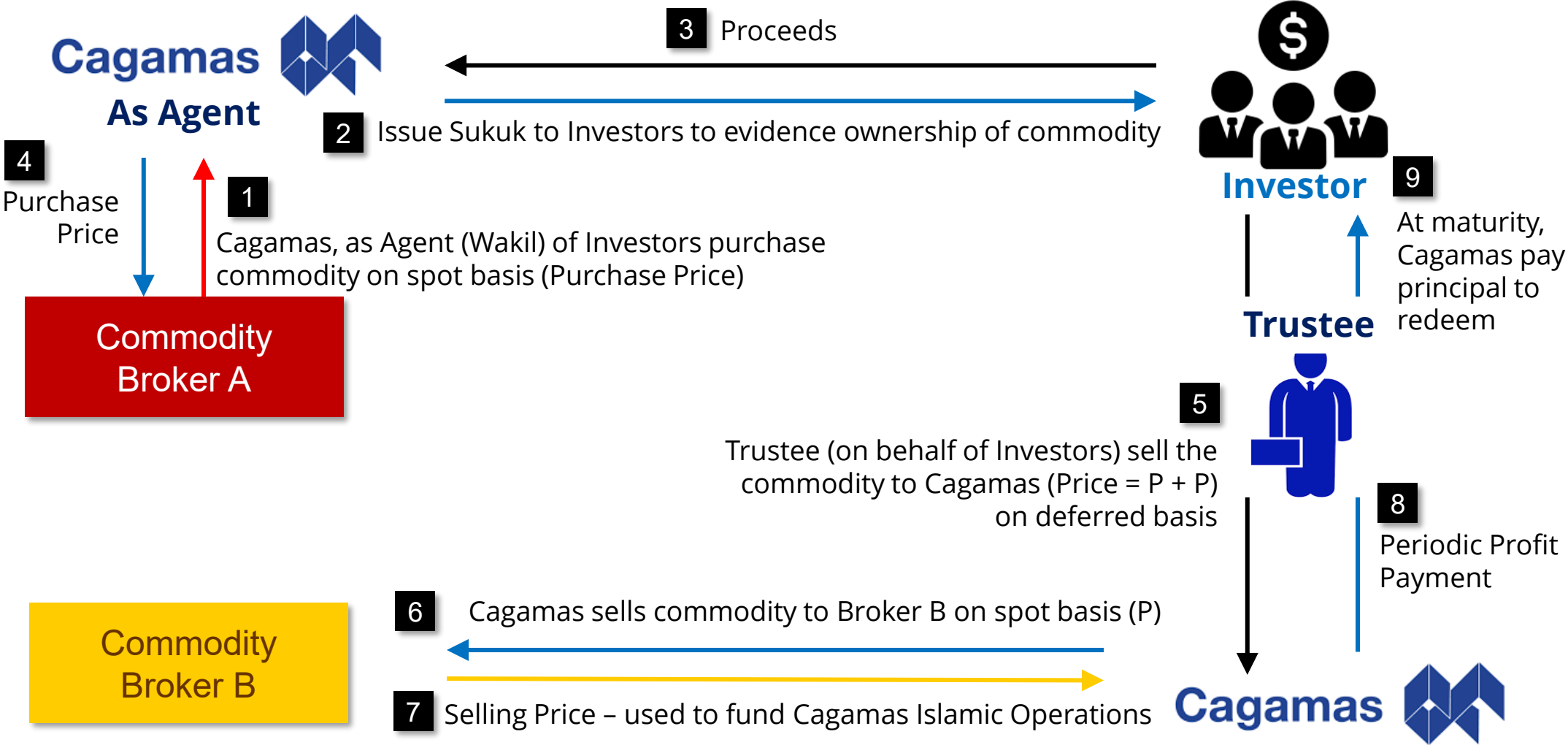


- Widely applied in Malaysia for liquidity purposes or capital gains resulting from the tradability of the certificate of debt

FACTORING BAY' AL DAYN BIL SILA'



SUKUK CM/TAWARRUQ TO FINANCE LIQUIDITY OF CAGAMAS



THANK YOU



Wassalamualaikum wrt wbt