SESSION 5 OPENING

Session 5: Consumer and Retail Banking

- Speaker: Jumadi Kadir | Chief Shariah Officer, SME Bank
- Date: Tuesday, 4 August 2026
- Master Framework: Shariah Governance, Deposits, Investment Accounts & Consumer Products

Session 5 Agenda & Executive Objectives

- Deposit Services Products and Instruments
- Islamic Saving and Current Account Mechanics
- Types of Islamic Investment Accounts under IFSA 2013
- Islamic Credit and Charge Card Structures
- Shariah Principles in Consumer Products

SUBTOPIC 1: DEPOSITS

Overview of Retail Deposit Services

- Core Concept: Capital preservation, transaction convenience, and yield within Shariah boundaries.
- Segregation of Funds: Strict separation of retail customer funds according to underlying contract.
- Riba Prohibition: Complete elimination of interest-bearing deposit mechanisms.
- Capital Protection: Integration with PIDM protection up to RM 250,000 per depositor.

SUBTOPIC 1: DEPOSITS

Conventional vs. Islamic Deposit Frameworks

- Legal Relationship: Debtor-Creditor (Conventional) vs. Safekeeping/Loan/Agency (Islamic).
- Return Mechanism: Guaranteed interest vs. Discretionary Hibah or Contractual Profit Rate.
- Underlying Asset: Unbacked money creation vs. Commodity / Tangible Asset backing.

SUBTOPIC 1: DEPOSITS

Principal Guarantee Mechanisms in Retail Deposits

- Shariah Mandate: Principal guarantee is mandatory for Qard and Wadiah contracts.
- Investment Account Exclusion: Principal cannot be contractually guaranteed for Mudarabah.
- PIDM Scope: Full protection alignment for eligible retail deposit structures.

SUBTOPIC 1: DEPOSITS

Operational & Liquidity Management of Deposit Products

- Liquidity Pool Operations: Managing retail inflows to fund asset creation.
- Asset-Liability Matching: Supporting BNM Liquidity Coverage Ratio (LCR) expectations.
- Clearing Channels: Real-time settlement via PayNet, DuitNow, and interbank networks.

SUBTOPIC 1: DEPOSITS

Regulatory Expectations & BNM Guidelines on Deposits

- IFSA 2013 Compliance: Strict segregation between Guaranteed Deposits and Risk Accounts.
- Shariah Policy Document: Mandatory Board Shariah Committee approval for product mechanics.
- Transparency & Disclosure: Standardized PDS (Product Disclosure Sheets) for retail clients.

Underlying Shariah Contracts — Qard & Wadiah Yad Dhamanah

- Qard (Benevolent Loan): Principal fully guaranteed; bank acts as borrower; no contractual yield.
- Wadiah Yad Dhamanah (Guaranteed Custody): Bank holds funds with permission to utilize.
- Hibah Governance: Discretionary gift granted by bank; cannot be promised upfront.

SUBTOPIC 2: SAVINGS & CURRENT

Commodity Murabahah / Tawarruq for Savings & Term Accounts

- Cost-Plus Structure: Utilizes underlying commodities (CPO/Metal) to generate fixed profit rates.
- 4-Step Process: Agency setup, commodity purchase, sale to bank, broker liquidation for cash.
- Predictable Returns: Provides retail customers with transparent, pre-agreed profit yields.

SUBTOPIC 2: SAVINGS & CURRENT

Operational Mechanics of Islamic Current Accounts

- Core Services: Checkbook issuance, standing instructions, and debit card connectivity.
- Overdraft Prevention: Zero interest debit balances; structured via Tawarruq Cash Line.
- Fee Structures: Transparent transaction fees charged strictly under Ujrah principles.

SUBTOPIC 2: SAVINGS & CURRENT

Profit Distribution & Hibah Concepts

- Hibah Criteria: Must remain strictly at bank's discretion to prevent Riba.
- Prohibition of Marketing Hibah: Cannot advertise historical Hibah as guaranteed future yield.
- Profit Rate Indication: Contractual profit calculation on actual daily balances in Tawarruq.

SUBTOPIC 2: SAVINGS & CURRENT

Customer Value Proposition & Digital Integration

- Ethical Banking Alignment: Appealing to values-driven consumer segments.
- Digital Onboarding: e-KYC integration, mobile banking, and instant digital account opening.
- Multi-Currency Features: Expanding current account features for retail foreign exchange.

SUBTOPIC 3: INVESTMENT ACCOUNTS

Framework & Regulatory Classification under IFSA 2013

- IFSA 2013 Pivot: Segregating guaranteed deposit liabilities from risk-bearing investment pools.
- Two Core Tiers: Unrestricted Investment Account (UAIA) & Restricted Investment Account (RAIA).
- Risk Ownership: Capital provider (investor) bears financial risk; bank acts as manager.

SUBTOPIC 3: INVESTMENT ACCOUNTS

Unrestricted Investment Accounts (UAIA)

- Underlying Contracts: Mudarabah (Profit Sharing) or Wakalah bil Istithmar (Investment Agency).
- Mandate: Investor grants bank full authorization to invest in general asset portfolios.
- Retail Accessibility: Low minimum entry barrier for mass market participation.

Restricted Investment Accounts (RAIA)

- Bespoke Mandate: Investor specifies exact sectors, asset classes, or risk profiles.
- Target Audience: High-Net-Worth Individuals (HNWI), corporate clients, and institutional funds.
- Off-Balance Sheet Treatment: Ring-fenced assets managed separately from general pool.

Mudarabah & Musharakah Profit-Sharing Calculations

- Profit Sharing Ratio (PSR): Pre-agreed percentage split (e.g., 80% Investor : 20% Bank).
- Loss Allocation: Mudarabah losses borne by capital provider; Musharakah losses shared by capital ratio.
- No Capital Guarantee: Explicit prohibition of principal guarantee in equity contracts.

SUBTOPIC 3: INVESTMENT ACCOUNTS

Risk-Return Profiles & Capital Protection Nuances

- Equity-Like Risk Exposure: Higher yield potential balanced by loss-bearing risk.
- Displaced Commercial Risk (DCR): Managing market competitiveness against fixed deposits.
- Reserves Management: PER (Profit Equalization Reserve) & IRR (Investment Risk Reserve).

SUBTOPIC 4: CREDIT CARDS

Shariah Structures — Tawarruq, Ujrah, & Kafalah

- Tawarruq: Provides the underlying revolving credit line limit.
- Ujrah (Service Fee): Fixed administrative fee charged for card servicing and infrastructure.
- Kafalah (Guarantee): Bank guarantees merchant payments on behalf of cardholder.

SUBTOPIC 4: CREDIT CARDS

Operational Mechanics — Limits, Billing, & Fee Structures

- Credit Assessment: Limits tied to customer debt service ratio (DSR) and income.
- Billing Cycles: Clear statement transparency with fixed payment due dates.
- Fee Transparency: Zero hidden interest charges or compounding rate formulas.

SUBTOPIC 4: CREDIT CARDS

Prohibition of Riba & Late Payment Penalty Structure

- Zero Compounding: Outstanding balances do not accrue interest over time.
- Ta'wid (Compensation): Actual operational loss fee retained by bank (capped at 1% p.a.).
- Gharamah (Late Fine): Imposed penalty directed entirely to approved charitable funds.

SUBTOPIC 4: CREDIT CARDS

Loyalty Programs, Perks, & Shariah Compliance

- Permissible Perks: Cashback, air miles, and lounge access structured via Hibah or Ujrah.
- Merchant Filtering: Automatic blocking at non-Shariah merchants (gambling, alcohol, etc.).
- Cardholder Governance: Ensuring card utilization aligns with ethical consumption.

Core Shariah Maxims Governing Consumer Banking

- Al-Ghunm Bil-Ghurm: Entitlement to profit is tied to responsibility for risk/loss.
- Al-Kharaj Bi Al-Dhaman: Revenue generation is linked to asset ownership risk.
- Permissibility Standard: All commercial transactions are valid unless explicitly prohibited.

SUBTOPIC 5: SHARIAH PRINCIPLES

Elimination of Riba, Gharar, and Maysir

- Riba (Usury/Interest): Absolute zero tolerance in monetary transactions.
- Gharar (Ambiguity): Full contractual transparency in terms, pricing, and execution.
- Maysir (Gambling): Total exclusion of speculative or chance-based retail mechanisms.

SUBTOPIC 5: SHARIAH PRINCIPLES

Shariah Governance Lifecycle for Consumer Products

- Product Pipeline: Concept -> Secretariat Review -> Shariah Committee Approval -> BNM Vetting.
- Post-Launch Audit: Annual Shariah audit and compliance review of operational processes.
- Continuous Monitoring: End-to-end oversight by Chief Shariah Officer and Shariah team.

Session 5 Wrap-up & Transition to Corporate Banking

- Summary: Retail Islamic banking provides robust, ethical alternatives for deposits, investments, and cards.
- Key Contracts: Wadiah, Qard, Tawarruq, Mudarabah, Wakalah, and Ujrah.
- Transition: Moving from individual retail solutions to complex corporate and trade finance.

SESSION 6 OPENING

Session 6: Islamic Corporate Banking and Trade Finance

- Speaker: Jumadi Kadir | Chief Shariah Officer, SME Bank
- Date: Tuesday, 4 August 2026
- Master Framework: Corporate Financing, Sukuk, Trade Facilities & Project Finance

SESSION 6 AGENDA

Session 6 Agenda & Executive Objectives

- Potential of Islamic Corporate Banking & Market Growth
- Types of Corporate Banking Products (Working Capital, Equipment, Sukuk)
- Islamic Trade Finance Facilities (LC-i, Guarantees-i, AB-i)
- Islamic Project Financing & Infrastructure Structuring

SUBTOPIC 1: CORPORATE POTENTIAL

Global & Regional Market Growth Trajectory

- Expanding Demand: Rapid adoption across commercial SMEs, mid-market corporates, and GLCs.
- Cross-Border Capital: Increasing demand for asset-backed Islamic corporate instruments.
- SME Bank Focus: Empowering Malaysian corporate growth via tailored Shariah facilities.

SUBTOPIC 1: CORPORATE POTENTIAL

Alignment with Value-Based Intermediation (VBI) & ESG

- VBI Pillars: Triple Bottom Line focus — People, Planet, and Prosperity.
- ESG Synergy: Natural alignment between Maqasid al-Shariah and global sustainability goals.
- Positive Impact: Prioritizing financing for renewable energy, healthcare, and social enterprise.

SUBTOPIC 1: CORPORATE POTENTIAL

Corporate Client Segmentation & Needs Analysis

- Client Spectrum: Commercial SMEs, Mid-Market Corporates, Conglomerates, and Public Sector.
- Financing Requirements: Working capital, fleet expansion, international trade, and project debt.
- Customized Structuring: Matching Shariah contract mechanics with specific balance sheet needs.

SUBTOPIC 1: CORPORATE POTENTIAL

Syndicated Financing & Capital Markets Integration

- Syndicated Facilities: Multi-bank consortium financing for mega-corporate funding.
- Sukuk Bridge: Connecting corporate banking balance sheets with institutional capital market liquidity.
- Risk Sharing: Diversifying credit exposure across multiple participating financial institutions.

SUBTOPIC 1: CORPORATE POTENTIAL

Competitive Advantages over Conventional Corporate Banking

- Asset-Backed Stability: Requirement for real underlying economic activity prevents systemic bubble risks.
- Transparent Pricing: Fixed profit margins in Tawarruq protect corporates against rate spikes.
- Equity Partnership: Mudarabah/Musharakah structures allow genuine risk-reward alignment.

SUBTOPIC 1: CORPORATE POTENTIAL

Strategic Drivers & Digital Transformation in Corporate Banking

- Corporate Digital Portals: Automated facility drawdown, e-trade docs, and host-to-host ERP linkage.
- Shariah Automation: Digital commodity trading platforms enabling instant Tawarruq execution.
- Turnaround Speed: Streamlining credit approvals while maintaining rigorous Shariah oversight.

SUBTOPIC 2: CORPORATE PRODUCTS

Working Capital Financing — Murabahah & Tawarruq

- Revolving Credit-i: Structured via Tawarruq for day-to-day operational expenditures and inventory.
- Facility Mechanics: Multi-drawdown capabilities with flexible tenures and rollover options.
- Cost Certainty: Pre-determined ceiling profit rates providing budget predictability.

SUBTOPIC 2: CORPORATE PRODUCTS

Asset-Based Corporate Financing — IJTMA & Istisna'

- Ijarah Thumma Al-Bai' (IJTMA): Lease-then-purchase structure for machinery and transport fleets.
- Istisna' (Manufacturing Sale): Customized asset construction financing with stage disbursements.
- Ownership Transfer: Clear legal transition of asset ownership upon full facility settlement.

SUBTOPIC 2: CORPORATE PRODUCTS

Corporate Revolving Credit & Overdraft Facilities

- Islamic Cash Line-i: Structured via Tawarruq or Murabahah to manage corporate cash deficits.
- Daily Profit Calculation: Calculated strictly on actual utilized amounts, avoiding excess fees.
- Liquidity Buffer: Providing corporate treasuries with flexible backup operational cash.

SUBTOPIC 2: CORPORATE PRODUCTS

Corporate Sukuk Structuring & Capital Markets

- Sukuk Contracts: Sukuk Wakalah, Sukuk Murabahah, Sukuk Ijarah, and Sukuk Musharakah.
- Use Cases: Debt refinancing, capital expansion, and large-scale infrastructure funding.
- Investor Base: Accessing institutional Islamic asset managers, takaful funds, and central banks.

SUBTOPIC 2: CORPORATE PRODUCTS

Equity-Based Corporate Solutions — Musharakah Mutanaqisah

- Diminishing Partnership: Bank and corporate client jointly acquire commercial property.
- Equity Buy-out: Client progressively purchases bank's shareholding over facility tenure.
- Rental Yield: Client pays rent on bank's remaining unowned share of the asset.

SUBTOPIC 2: CORPORATE PRODUCTS

Risk Management & Collateral Allocation

- Asset Pledging (Rahn): Securing corporate facilities with real estate, debentures, or cash.
- Corporate Guarantees: Utilizing Kafalah guarantees from parent entities or directors.
- Financial Covenants: Enforcing DSCR, Gearing, and Liquidity ratios aligned with Shariah rules.

SUBTOPIC 3: TRADE FINANCE

Overview of Islamic Trade Finance Facilities

- Core Purpose: Facilitating international and domestic trade while ensuring goods are Shariah-compliant.
- Risk Mitigation: Eliminating counterparty payment risk, non-delivery risk, and currency volatility.
- Global Acceptance: Standardized trade documentation recognized by international banking networks.

SUBTOPIC 3: TRADE FINANCE

Letters of Credit (LC-i) — Wakalah, Murabahah, & Musharakah

- LC-i under Wakalah: Bank acts as issuing agent on customer's behalf with upfront deposit.
- LC-i under Murabahah: Bank purchases import goods and resells to client on deferred terms.
- LC-i under Musharakah: Joint venture structure for high-value import shipments.

SUBTOPIC 3: TRADE FINANCE

Bank Guarantees-i & Shipping Guarantees-i (Kafalah)

- Kafalah Contract: Irrevocable guarantee issued by bank on behalf of corporate client.
- Shipping Guarantee-i: Facilitates early release of imported cargo prior to bill of lading arrival.
- Ujrah Principle: Administrative service fee charged for processing and issuing guarantee documents.

SUBTOPIC 3: TRADE FINANCE

Trade Financing Instruments — AB-i & TR-i

- Accepted Bills-i (AB-i): Short-term trade financing for raw material purchases or export receivables.
- Trust Receipt-i (TR-i): Financed facility enabling importers to take immediate possession of goods.
- Deferred Settlement: Flexible payment terms matching the corporate client's sales cycle.

SUBTOPIC 3: TRADE FINANCE

Cross-Border Trade & Multi-Currency Settlement

- Foreign Exchange-i (FX-i): Spot and Forward transactions structured under Wa'ad (Promise).
- Hedging Currency Risk: Protecting import/export profit margins against FX fluctuations.
- Multi-Currency Accounts: Facilitating seamless trade settlements in major international currencies.

Infrastructure & Mega-Project Financing Principles

- Scope: Funding highways, solar parks, telecommunication networks, and industrial complexes.
- Cash Flow Ring-Fencing: Repayment tied directly to project revenues via escrow accounts.
- Multi-Party Consortiums: Coordinating syndication across multiple Islamic financial institutions.

SUBTOPIC 4: PROJECT FINANCE

Istisna'-Ijarah Hybrid Structuring

- Phase 1 (Construction): Istisna' contract utilized to fund construction and engineering work.
- Phase 2 (Operations): Ijarah contract invoked post-completion to generate rental revenue.
- Seamless Transition: Combining manufacturing and leasing contracts for long-term project debt.

Risk Allocation & Ring-Fencing in Project Finance

- Construction Delay Risk: Mitigated via contractor performance bonds and liquidated damages.
- Market / Off-Take Risk: Secured via long-term take-or-pay agreements with creditworthy off-takers.
- Takaful Integration: Comprehensive project asset protection during construction and operations.

SUBTOPIC 4: PROJECT FINANCE

Off-Take Agreements & Concession Structuring

- Escrow Account Controls: Directing project revenues straight to bank-controlled escrow accounts.
- Concession Rights: Securing government or municipal concession agreements as facility collateral.
- Priority Payment Waterfall: Structuring revenue priority to service debt before equity payouts.

SUBTOPIC 4: PROJECT FINANCE

Green Infrastructure & Sustainability Project Financing

- Green Focus: Financing solar farms, hydroelectric facilities, and energy-efficient real estate.
- Green Sukuk Synergy: Capitalizing project debt via Green Sukuk issuances under BNM Taxonomy.
- Sustainability-Linked Terms: Offering margin incentives tied to achieving ESG milestones.

MASTER SUMMARY

Master Executive Summary & Strategic Takeaways

- End-to-End Coverage: Comprehensive Islamic solutions spanning retail deposits to corporate mega-projects.
- Shariah Governance Rigor: Uncompromising compliance managed by Chief Shariah Officer and Shariah team.
- Presenter: Jumadi Kadir, Chief Shariah Officer, SME Bank (Session 5 & 6 Master Series).