

FREQUENTLY ASKED QUESTIONS (FAQ)

Please read this FAQ on the conversion of conventional Fixed Deposit Account to Shariah Compliant Commodity Murabahah Term Deposit-i Account (CMTD-i).



1. What is the Conversion exercise all about?

The Conversion is an exercise undertaken by MBSB to convert MBSB's the conventional loans and deposits to Islamic assets and liabilities to ensure that MBSB becomes a fully Shariah compliant financial institution.

As such, all of MBSB's existing conventional Fixed Deposit (FD) accounts will be converted to Commodity Murabahah Term Deposit-i Account (CMTD-i) in June 2018 **or as advised by MBSB.**

2. What will happen to my/our existing conventional FD account(s)?

Your existing conventional FD account(s) will be converted to a Shariah Compliant Term Deposit account known as CMTD-i.

MBSB wishes to assure you that even with this Conversion exercise, you shall continue to enjoy the same or better benefits with CMTD-i.

3. What is the difference between my/our existing conventional FD and the new CMTD-i?

Your Conventional FD is based on interest whereas the new CMTD-i is a Shariah compliant term deposit based on the concept of Commodity Murabahah which provides fixed return to customers. These returns are derived through the trading of Shariah compliant commodities as the underlying assets.

4. What is the Shariah contract applicable under CMTD-i?

The Shariah contract applied is Tawarruq which comprises Wakalah and Murabahah or Musawamah. This refers to two sale and purchase contracts where the first involves the sale of an asset to a purchaser on a deferred basis and the subsequent sale involves sale of the asset to a third party on a cash basis.

Under the CMTD-i arrangement, the Tawarruq arrangement shall be as follows:

Upon Conversion, you will appoint MBSB Bank Berhad as your Agent to purchase Commodity from any commodity trader and thereupon sell the Commodity to MBSB Bank Berhad at Selling Price.

MBSB Bank Berhad, acting as your Agent, will purchase the Commodity on your behalf at Purchase Price equivalent to the principle amount. (You are also entitled to request and take physical delivery of the Commodity at your own cost and expense).

MBSB Bank Berhad will thereafter on its own capacity purchase the Commodity from you at Selling Price which shall be paid to you upon maturity. MBSB Bank Berhad may thereafter, sell the Commodity to a third party. The sale and purchase contracts in the Tawarruq arrangement will be executed upon Conversion.

Definition:

- Purchase Price refers to the amount equivalent to the placement amount which will be used to purchase the Commodity on the trading day.
- Selling Price refers to the amount payable by MBSB Bank Berhad means the sum payable by MBSB Bank Berhad to acquire the Commodity from the Customer(s) on *Murabahah* basis which comprise of the Purchase Price of the Commodity and the profit or *Musawamah* basis (for FD with upfront profit).

Note: **Trading of Commodity is executed via commodity platform.**

5. Will there be any change to the terms of my/our account(s) upon Conversion?

There will be no change to your existing terms. After the Conversion, your account number, maturity date, renewal term, standing instructions and total payment to be paid to you upon maturity will remain unchanged.

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6. How is the profit calculation structured upon Conversion?

Example:

Conventional FD placement: Principle(P) : RM10,000
Tenure(T) : 12 months
Profit Rate(R): 3.40% p.a.
Value date : 1/3/2017 - 1/3/2018

Computation of Interest upon maturity of FD placement = $P \times R \times T/365$
= $RM10,000 \times 3.40\% \times 365/365$
= RM340.00

Total Payment received upon maturity = Principle + FD Interest earned upon maturity
= RM10,000 + RM340
= **RM10,340.00**

Interest and Profit calculation structure due to Conversion from Conventional FD to CMTD-i (Conversion date: 1 Dec 2017)

Interest calculation for Conventional FD from 1/3/2017 - 1/12/2017
= $P \times R \times T/365$
= $RM10,000 \times 3.40\% \times 275/365$
= RM256.16

Profit calculation for CMTD-i from 1/12/2017 - 1/3/2018
= $P \times R \times T/365/366$
= $RM10,000 \times 3.40\% \times 90/365$
= RM83.84

Total Payment received upon maturity = Principle + FD Interest (1/3/17 - 1/12/17) + CMTD-i Profit (1/12/17-1/3/18)
= RM10,000 + RM256.16 + RM83.84
= **RM10,340.00**

7. Will MBSB pay the interest portion to me/us before the Conversion?

The payment of interest will only be paid to you upon maturity of your deposit placement. At the end of the maturity tenure, you will receive total payment which will comprise the principle, interest and profit amount as illustrated under item 6 above.

8. What if I/we decide to make an early withdrawal after the Conversion?

In the event you decide to uplift your CMTD-i prior to maturity, you will be required to provide rebate (ibra') on the agreed Selling Price based on the Terms and Conditions (T&C) of the CMTD-i.

9. How would the Conversion impact my/our existing deposit under lien?

Any existing lien, rights, charge, security interest and / or restrictions applicable to the existing deposit shall continue under your new CMTD-i.

10. Does this Conversion involve issuance of a new certificate?

A new Conversion Advice will be made available upon request at your Home Branch (SSC). However, you may continue holding your conventional FD certificate until maturity. In addition, you will also receive the Notification of Commodity Trading providing details of the Commodity transacted upon Conversion.

For auto renewal, a new CMTD-i advice will be issued when you surrender your old certificate during your visit to your Home Branch (SSC).

11. What will happen if I/we have lost my/our existing certificate?

If the certificate is lost, you will need to inform MBSB by following the existing procedures i.e. you must immediately report in writing to MBSB.

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| 12. | Does company / corporate customer need to issue new Board Resolution to convert the conventional FD account(s) to CMTD-i? No. New Board Resolution is not required for the Conversion to take place. |
| 13. | What are the actions required from me/us for the Conversion exercise? A Specific Notice will be issued by MBSB to all affected customers explaining the details of the Conversion exercise. You will be required to signify your consent or disagreement to the Conversion exercise via completing the Response Form that is attached to the Specific Notice and returned it to MBSB within the given notice period i.e. thirty (30) days. |
| 14. | What happens after the expiry of the Conversion notice period? If MBSB does not receive any response from you on/or before the expiry of the Specific Notice period, MBSB will proceed with the Conversion deeming that you have consented to the Conversion of your account and agreed to the T&C of the CMTD-i. |
| 15. | What if I/we opt not to proceed with the Conversion to CMTD-i (opt-out)? If you wish to opt-out, you will be required to redeem your Mortgage loan account within six (6) months from the date of the Specific Notice before being allowed to perform any upliftment of your conventional FD account(s) at your Home Branch. . There will be no penalty imposed by MBSB for the early withdrawal. If you are unable to do so, please indicate your disagreement, and provide your other bank's account details registered under your name for crediting of the withdrawal amount in the Response Form and return the same to us before the expiry of the Specific Notice i.e. thirty (30) days. Upon the expiry of the six (6) months period subject to full settlement of your Mortgage loan account, MBSB will automatically perform the early withdrawal and transfer the amount in accordance to the instruction received in the Response Form. For accounts where there are no instructions indicated in the Response Form and/or the transfer is unsuccessful, MBSB deemed that you have agreed to authorize MBSB to transfer the withdrawal amount to a non-profit bearing account until the amount is claimed by you. For your information, MBSB will then be required to transfer your unclaimed amount in the non-profit bearing account to the Registrar of Unclaimed Moneys after one (1) year under the Unclaimed Moneys Act 1965. |
| 16. | What if I/we do not receive the Specific Notice? The Specific Notice will be delivered to you based on the registered address with MBSB. As such, you are advised to notify MBSB of any change in address to ensure successful delivery of the Specific Notice. Alternatively, you may also visit our website at www.mbsb.com.my to view the sample template of the Specific Notice and FAQ which are made available in both English and Bahasa Malaysia. You may even request a copy of the Specific Notice and FAQ by contacting our Customer Call Centre (CCC) at 03-2096 3000 or e-mailing them directly at enquiry@mbsbbank.com |
| 17. | Where can I/we get further information / clarification? <ul style="list-style-type: none">✓ Contact our Customer Call Centre (CCC) at 03-2096 3000 on weekdays between 8.30a.m to 5.30p.m.;✓ E-mail us at enquiry@mbsbbank.com; or✓ Visit MBSB's website at www.mbsb.com.my |