

# Commodity Murabahah Property Financing-i

Mortgage Product Management, RFS

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# Commodity Murabahah

- **Introduction**



## ➤ INTRODUCTION TO COMMODITY MURABAHAH

### Definition

It is the purchase of a commodity (i.e the subject matter of *tawarruq*) on deferred payment and on a cost plus profit basis (*Murabahah*). The commodity is then sold for cash to a party other than the original seller.

In financing, a customer buys a commodity from the bank on a deferred payment basis and the immediately resells it for cash to a third party. In this way, the customer can obtain cash for purchasing property without taking out an interest-based loan. The property to be purchased by customer will be collateralized against the financing created through this structure.



- **Structure**



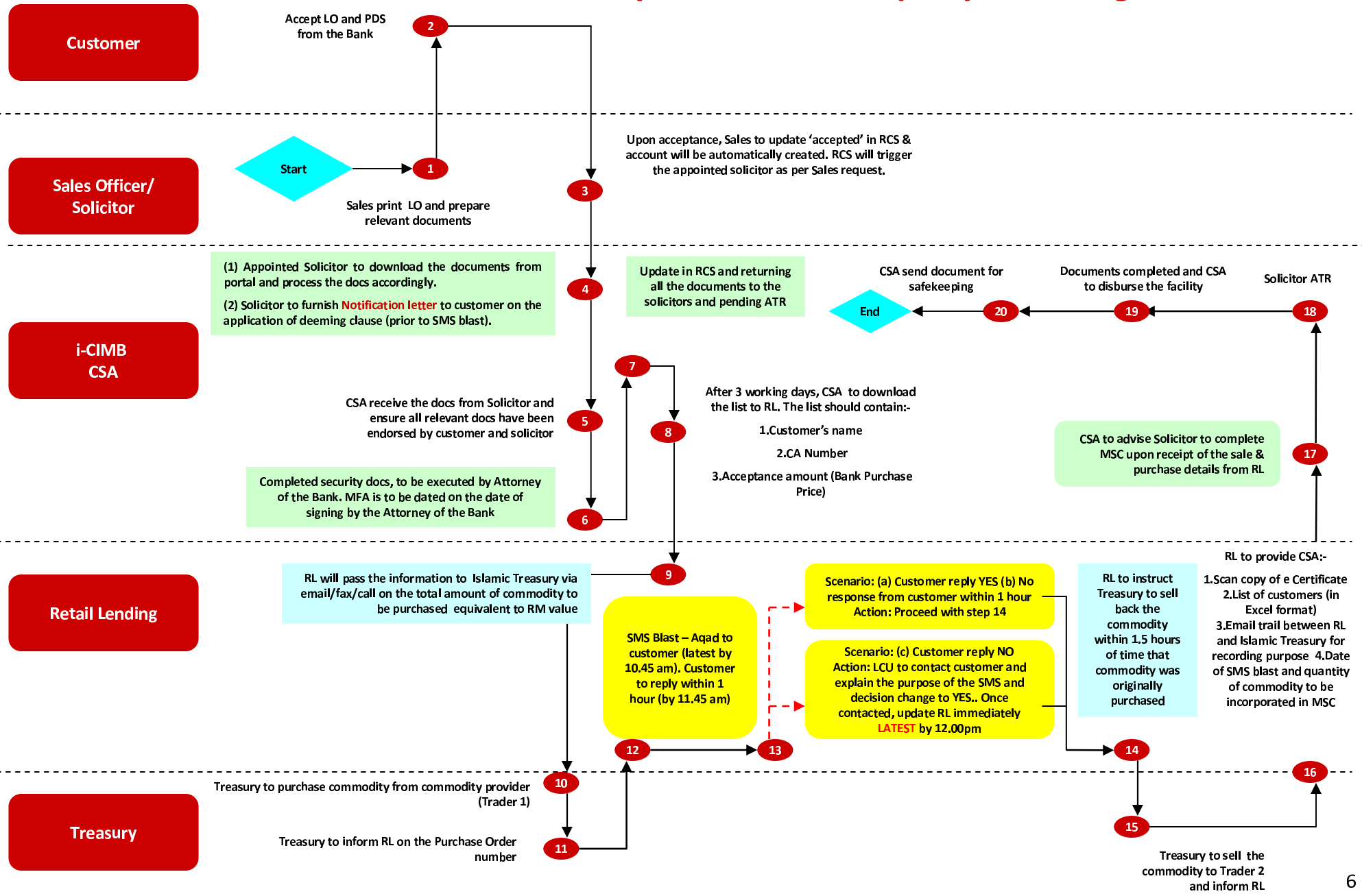


## Structure



No	Process Flow
1	Upon approval, the Bank to print the Letter of Offer for onward transmission to customer. Customer to sign the Letter of Offer should they accept the financing offered to them.
2	Upon the perfection of the documentation, the Bank then approaches Trader 1 to purchase the commodity based on Bank's Purchase Price (BPP), which is equivalent to the approved financing amount. Take note that acceptance of Letter Of Offer will not trigger the buy/sell of the commodity.
3	Subsequent to the purchase of commodity, the Bank shall sell it to the customer through Murabahah agreement based on Bank's Selling Price (BSP) on deferred payment basis. Payment may be made on instalment as set out in the agreement.
4	Once the ownership has been transferred to customer, the Bank to contact customer by available channels (SMS, e-mail or any forms of communication which is practicable) to perform the acceptance of the sale within the stipulated timeframe. If the customer does not respond within 1 hour, the sale of commodity to the customer is deemed accepted by the customer.
5	Once the ownership has been transferred to the customer, the customer may sell the commodity to Trader 2. For this purpose, customer may appoint the Bank or any third party acceptable to the Bank as an agent under the Wakalah agreement to sell the commodity on behalf of the customer. The bank then sells the commodity to Trader 2 at cost to obtain cash for disbursement to customer. Trader 2 will receive the commodity in exchange of cash.
6	Once the commodity is delivered to and cash obtained from Trader 2, the Bank shall disburse the fund to customer for the purpose of acquiring specific property. The property will be secured as collateral against the financing given.
7	Customer settles amount due to the Bank (Principal + Profit) by way of agreed instalment method.

# Process Flow Commodity Murabahah Property Financing-i



➤ **Commodity Murabahah is a concept of sale of a commodity for a deferred price which includes an agreed *profit added to the cost.***

No	Home Financing
1	Variable Home Financing-i
2	Flexi Home Financing-i

No	Business Premises Financing
1	Business Premises Financing-i
2	Flexi Business Premises Financing-i

No	Residential Vacant Land Financing
1	Term Financing-i

➤ **Ijarah is a concept of financial lease between the bank and the customer where *leasing ending with transfer of ownership.***

No	Home & Business Premises Financing
1	Ijarah Property Financing-i



- **Legal Documents**





# Legal Documents

## ❖ Letter Offer (LO)

❖ SMS Blast Notification Letter

❖ Murabahah Facility Agreement

} Purchase Request  
} Murabahah Sale Contract

❖ Security Documents

1. The LO contains :

i) **mode of financing** i.e. nature of financing (concept), type of commodity & relevant fees applies on the financing.

ii) **details of financing** i.e. financing amount figure, the agreed contracted Profit Rate e.g. 10.75%, Bank Selling Price and other terms or conditions associated with the financing.

iii) **Security**

iv) **Transaction Documents**

v) **Conditions Precedent**

vi) **Representations and Warranties**

vii) **Convenents**

viii) **Events of Defaults**

Note

- ✓ An agreement/contract between the Bank and customer.
- ✓ Customer need to sign this as an act of acceptance on the financing & other terms and conditions offered by the Bank.

[Name of Customer]  
[Address 1]  
[Address 2]  
[Address 3]  
[Postcode] [City/State]



Dear Sir/Madam,

**RE: APPLICATION FOR Variable Home Financing-i**

We are pleased to inform you that CIMB ISLAMIC BANK BERHAD (the "**Bank**") has approved your application for a Variable Home Financing-i (the "**Facility**") under the Shariah concept of Commodity Murabahah on the terms and conditions set out below.

Variable Home Financing-i

A. MODE OF FINANCING

1.	Nature of Financing	: <i>Commodity Murabahah</i> , whereby:  (a) The Customer(s) will issue a purchase request (" <b>Purchase Request</b> ") to the Bank containing the following:  (i) a purchase request for the Bank to purchase the Commodity from the commodity supplier at the <b>Bank's Purchase Price</b> ;  (ii) the Customer's undertaking to purchase the Commodity from the Bank at the Bank's Sale Price upon the Bank having purchased the Commodity from a commodity supplier; and  (iii) the Customer(s)' appointment of the Bank or any third party acceptable to the Bank to act as the Customer(s)' agent to sell the Commodity to any commodity supplier at the Customer's Sale Price which shall be equivalent to the Bank's Purchase Price. upon conclusion of the Customer's purchase of the Commodity from the Bank  The Customer(s) shall at all times fully indemnify and keep the Bank indemnified against all and any action, proceeding, claim, expense, loss, damage or liability which the Bank may incur as a consequence of or arising from or connected to the appointment of the Bank as agent to the Customer(s). The Purchase Request shall be irrevocable upon issuance and shall be binding on the Customer(s) in such form as the Bank requires.
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Customer's name and address

Product's Name

## Legal Documents

- ❖ Letter Offer (LO)
- ❖ **SMS Blast Notification Letter**
- ❖ Murabahah Facility Agreement
  - } Purchase Request
  - } Murabahah Sale Contract
- ❖ Security Documents

The notification letter is **to be issue to customer** by the appointed solicitor together with MFA, Purchase Request, MSC and other security documents

Note

- ✓ Appointed solicitor will download this notification letter from the Solicitor Portal together with other Legal Docs.
- ✓ Solicitor will hand over the Notification Letter to customers where they will be made aware on the deemed acceptance and the SMS blast prior to the SMS Blast.
- ✓ No signature required since this letter only serves as a notice to customer.

## Notification Letter to customer

Dear Sir/Madam,

### COMMODITY MURABAHAH PROPERTY FINANCING-i

We refer to the above Facility.

We refer to the Commodity Murabahah Property Financing-i facility granted to you by us through our Letter of Offer (LO).

Please be informed that upon our purchase of the Crude Palm Oil (CPO) requested by you as per your Purchase Request, we will communicate to you our offer to sell the CPO via a Short Messaging Service (SMS).

You will be given the time allowance of 1 hour to respond to the SMS, failing which you shall be deemed to agree to the sale of the commodity and to proceed with the completion of the commodity sale transaction as described in the LO. Please find the sample of SMS message that will be send to you as follows:

“CIMB offers to sell you XXXX units of CPO at the sale price as per LO. Reply YEScm/NOcm in 1hr, or it'll be deemed accepted. Call 03-23026917 for enquiry”.

Thank you for banking with us.

CIMB ISLAMIC BANK BERHAD  
(Company No. 671380-H)

*This is a computer generated form. No signature required.*



## Legal Documents

- ❖ Letter Offer (LO)
- ❖ SMS Blast Notification Letter
- ❖ **Murabahah Facility Agreement**
  - } Purchase Request
  - } Murabahah Sale Contract
- ❖ Security Documents

1. An agreement between **customer and the Bank** whereby the customer agrees/promises to buy from the Bank and the Bank agrees to sell;
2. The commodity to be purchased by the Bank as its **cost price plus profit** on deferred payment terms.



- ✓ It is the Master Agreement for this facility.
- ✓ Customer need to sign this during the initial stage together with Purchase Request, Murabahah Sale Contract and other Security documents.
- ✓ Solicitors are to ensure that MFA are to be stamped within 30 days from the date of signing to avoid on penalty charges for delays



CIMB Islamic Bank Berhad (671380-H)

and  
[Name of Party]

## MURABAHAH FACILITY AGREEMENT

In relation to the CM Property Financing-i

Murabahah Facility Agreement | CM Property Financing-i

### Execution

IN WITNESS WHEREOF the hand of the Attorney of the Bank and the hand(s) of the Customer(s) were hereunto set respectively.

#### THE BANK

Signed by

As Attorney for and on behalf of CIMB ISLAMIC BANK BERHAD (Company No. 671380-H) in the presence of:

1

2

Witness

Name:

NRIC No:

Signatory

Name:

Designation:

NRIC No:

#### THE CUSTOMER(S)

Signed by

(NRIC No. •)  
in the presence of:

3

Witness

Name

NRIC No:



Front page of Murabahah Facility Agreement

Last page of Murabahah Facility Agreement

Signed by Solicitor & Bank's Authorized Signatories

Signed by customer

## Legal Documents

- ❖ Letter Offer (LO)
  - ❖ SMS Blast Notification Letter
  - ❖ Murabahah Facility Agreement
  - ❖ **Purchase Request**
  - ❖ Security Documents
- Murabahah Sale Contract

1. This document is signed by customer whereas it indicates;
- ✓ the **value of commodity** to be purchased (Facility Amount)
  - ✓ customer's **sale price**
  - ✓ customer **appoints the Bank as its agent 'Wakeel'** to act on his behalf



- ✓ It is incorporated inside Murabahah Facility Agreement ( Appendix Schedule 2A )
- ✓ Customer need to sign this during the initial stage together with the MFA, MSC and other security docs.
- ✓ No stamping required as this document serves as drawdown form

SCHEDULE 2 A: FORM OF PURCHASE REQUEST  
(which shall be taken and construed as an integral part of this Agreement)

Dated: <\*\*\*>

From: <\*\*\*Customer>

To: CIMB ISLAMIC BANK BERHAD (Bank)

Dear Sirs

MURABAHAH FACILITY AGREEMENT DATED <\*\*\*> ("Agreement")

1. Terms defined in the Agreement have the same meanings when used in this Purchase Request.
2. I/We hereby request a utilisation of the Facility in the amount of Ringgit Malaysia <\*\*\*>, subject to fulfilment of all conditions precedent as set out in Schedule 1 of the Agreement.
3. By this letter, I/we irrevocably:
  - (a) request you to purchase the Commodity from the Commodity Supplier at the Bank's Purchase Price under the Purchase Transaction.
  - (b) undertake to purchase the Commodity from you after you have purchased the Commodity from the Commodity Supplier. I/We shall indemnify you and shall keep you indemnified against all losses, actions, proceedings, claims, demands, costs, damages and/or expenses (including legal costs on a full indemnity basis) which you may incur, suffer or sustain by reason of any breach of our undertaking contained in this Purchase Request.
  - (c) appoint you as my/our agent and authorise you to act for and on my behalf:
    - (i) upon due conclusion of the Sale Transaction, to sell the Commodity to any Commodity Broker at the Customer's Sale Price; and
    - (ii) to receive payment of the Customer's Sale Price on my/our behalf; and
    - (iii) to deliver possession of and title in and to the Commodity to a purchaser of the Commodity.
4. The date the Bank should purchase the Commodity under the Purchase Transaction will be <\*\*\*>
5. I/We hereby irrevocably instruct the Bank to immediately pay the proceeds of the Customer's Sale Price for the amount of Ringgit Malaysia <\*\*\*> (RM<\*\*\*>) to:-  
<\*\*\*Developer/Vendor>  
<\*\*\*Account details, if applicable>
6. I/We shall at all times fully indemnify and keep the Bank indemnified against all and any action, proceeding, claim, expense, loss, damage or liability which the Bank may incur as a consequence of or arising from or connected to the appointment of the Bank as my/our agent. This Purchase Request shall be irrevocable upon issuance and shall be binding on me/us as the Customer.

Yours faithfully,  
<\*\*\*Customer>

Name:  
Designation:



The date when customer sign this document

Customer's name

Signed by customer



## Legal Documents

- ❖ Letter Offer (LO)
- ❖ SMS Blast Notification Letter
- ❖ Murabahah Facility Agreement
  - } Purchase Request
  - ❖ **Murabahah Sale Contract**
- ❖ Security Documents

Murabahah Sale Contract serves as an agreement between the Bank and customer that states the commodity trading which has been **performed by the Bank and customer.**



- ✓ It is incorporated inside Schedule 2B - Murabahah Facility Agreement.
- ✓ Customer will signed this contract together with MFA, Purchase Request and other security documents in order to complete the Sale Transaction.
- ✓ Solicitor need to fill up the date and the quantity of the commodity (once advised by CSA)

**SCHEDULE 2B: MURABAHAH SALE CONTRACT**  
(Clause 3.1(b))

(which shall be taken and construed as an integral part of this Agreement)



**THIS Murabahah Sale Contract** (hereinafter referred to as "this **Contract**") made o day and year stated in Section 1 of the Appendix 1 hereto **BETWEEN:**

- (1) **CIMB ISLAMIC BANK BERHAD** (Company No. 671380-H), a company incorporated in Malaysia with its registered office at 5<sup>th</sup> Floor, Bangunan CIMB, Jalan Semantan Damansara Heights, 50490 Kuala Lumpur, Malaysia, headquarter office at level 34, Menara Bumiputra-Commerce, No 11 Jalan Raja Laut, 50350 Kuala Lumpur (hereinafter referred to as "the Bank") of the one part; and
- (2) The person(s) named in Section 2 of the Appendix 1 hereto (hereinafter referred to as "Customer") of the other part.

(The Bank and the Customer are hereinafter collectively referred to as "Parties" and individually referred to as "Party", as the context may require.)

**WHEREAS:**

Pursuant to the Purchase Request dated the day and year stated in Section 3 of the Appendix 1 hereto issued by the Customer, the Bank has agreed at the request of the Customer, to sell the Commodity as described in Section 4 of the Appendix 1 hereto at the sale price more particularly stated in Section 5 of the Appendix 1 hereto (hereinafter referred to as the "Bank's Sale Price"), upon the terms and subject to the conditions therein contained.

**IT IS HEREBY AGREED** as follows:

1. The Bank hereby sells and the Customer hereby purchases the Commodity at the Bank's Sale Price, comprising an amount equal to the Bank's Purchase Price which is more particularly stated in Section 6 of the Appendix 1 hereto and the profit amount in the sum and at the rate of which are more particularly stated in Section 7 of the Appendix 1 hereto upon deferred payment terms and subject to the terms and conditions herein contained.
2. Upon execution of this Murabahah Sale Contract, all rights title and benefits to the Commodity shall be passed to the Customer.
3. The Bank's Sale Price shall be paid in the manner as specified in Section 8 of the Appendix 1 hereto.
4. The Facility shall be subject to the terms and conditions as set out in the Murabahah Facility Agreement and the Letter of Offer (as earlier executed/entered into by the Bank and the Customer).

5. The terms and conditions as set out in the Murabahah Facility Agreement and the Letter of Offer are hereby repeated and shall be binding upon the parties hereto and the successor-in-title and assigns of the Bank and the successor-in-title of the Customer.

**(End of Clauses)**

**IN WITNESS WHEREOF** the respective hands of the attorneys of the Bank and the Customer were hereunto written respectively the day and year first as set out Section 1 of the Appendix 1 hereto.

**THE BANK**

Signed by	
As Attorney for and on behalf of CIMB ISLAMIC BANK BERHAD (Company No. 671380-H) in the presence of:	
Witness	Signatory
Name:	Name:
NRIC No:	Designation:
	NRIC No:

**THE CUSTOMER(S)**

Signed by	
(NRIC No. •) in the presence of:	
Witness	
Name	
NRIC No:	

**iCIMB-CSA or any Bank's  
Authorize signatory (ies) will  
sign this contract**


**Customer will sign  
this portion in order to  
complete the contract**

## IMPORTANT NOTICE

**Note :** The MSC details are to be filled up by the appointed solicitors. The quantity of commodity and the trading date shall be provided to solicitors (advised by CSA) once the trading completed.

### APPENDIX 1

(To be read and construed as an integral part of this Murabahah Sale Contract)

Section	Item	Particulars
1.	Day and Year of this <u>Murabahah Sale Contract</u>	
2.	Customer	
3.	Date and Year of the Purchase Request	
4.	Description of the Commodity	Type:  Quantity:
5.	The Bank's Sale Price	
6.	The Bank's Purchase Price	
7.	Profit Sum / Profit Rate	
8.	Payment of Bank's Sale Price	

**Trading Date (to be advise by CSA)**

**Customer's name**

**Date of Purchase Request**

- a) type of commodity used for the trading
- b) quantity of commodities (in tonnes) – **TBA by CSA**
- c) Bank Purchase Price (Financing Amount)
- d) Bank Sale Price (Financing Amount + Profit)
- e) Profit Rate = e.g CPR 10.75%
- f) Monthly payment amount

## Legal Documents

- ❖ Murabahah Facility Agreement
- ❖ SMS Blast Notification Letter
  - } Purchase Request
  - } Murabahah Sale Contract

### ❖ Security Documents

1. **Security documents in favour of the Bank in relation to the Facility as set out and required in the Letter of Offer, including but not limited to the following:**

- ❖ Charge;
- ❖ Deed of Assignment; and
- ❖ Guarantee;



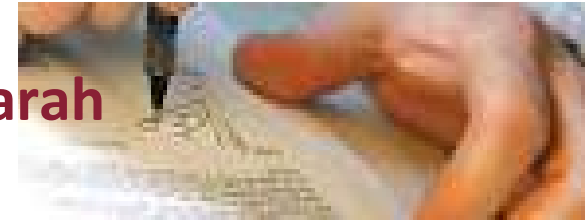
As security for the Bank in granting the Facility to the Customer(s), a Charge Annexure or a Deed of Assignment as the case may be shall be executed over the property in favour of the Bank.

- **Concept Comparison**





## Documents involves for BBA/Bai Inah, Ijarah and Commodity Murabahah



CONCEPT	BBA/BAI INAH	IJARAH IMBT	COMMODITY MURABAHAH
Legal Documents involves	<ul style="list-style-type: none"><li>✗ Letter Offer (LO)</li><li>✗ Property Purchase Agreement (PPA)</li><li>✗ Property Sale Agreement (PSA)</li><li>✗ Security Documents</li></ul>	<ul style="list-style-type: none"><li>✓ Letter Offer (LO)</li><li>✓ Property Purchase Agreement</li><li>✓ Ijarah Agreement</li><li>✓ Security Documents</li></ul>	<ul style="list-style-type: none"><li>✓ Letter Offer (LO)</li><li>✓ Murabahah Facility Agreement</li><li>✓ Security Documents</li></ul>



## ➔ Comparisons Between BBA/Bai Inah, Ijarah and Commodity Murabahah

BENEFITS	BBA/BAI INAH	IJARAH IMBT	COMMODITY MURABAHAH
Concept	Sale and Purchase transaction for financing of an asset on deferred payment	√ Is a financial lease between the bank and the customer where <b>leasing</b> ending with transfer of ownership.	√ Sale of a commodity for a deferred price which includes an agreed profit added to the cost ( <b>cost + profit</b> )
Acceptance	Locally accepted	√ Ijarah is <b>accepted internationally</b> as Shariah Compliant	√ CM is <b>accepted internationally</b> as Shariah Compliant
Contract	Sale & Purchase Transactions.	√ <b>Ijarah ending</b> with ownership	√ <b>Tawarruq</b> contract

***Thank You***