

بورصة سوق السلع
BURSA  Suq Al-Sila'

operated by

BURSA MALAYSIA ISLAMIC SERVICES SDN BHD

a wholly-owned subsidiary of



Bursa Suq Al-Sila'

“Bank Negara Malaysia, the Securities Commission, Bursa Malaysia and industry players have worked collaboratively towards establishing a mechanism referred to as the Commodity Murabahah House. This mechanism which uses **crude palm oil as the underlying commodity will facilitate Islamic financing** applying the concept of **murabahah or tawarruq**”

(Tan Sri Zeti, Governor BNM)



MIFC MALAYSIA INTERNATIONAL ISLAMIC FINANCIAL CENTRE

 Bank Negara Malaysia

 Suruhanjaya Sekuriti
Securities Commission

 BURSA MALAYSIA

 M P O B

 بيت التمويل الكويتي
Kawal Finance House



 AmBank Group

Standard Chartered 

 citibank

Al Rajhi Bank مصرف الراجحي 

 CIMB ISLAMIC

HSBC  Amanah

Cagamas 

Commodity Murabahah & Tawarruq

■ MURABAHAH-WHAT IS IT?

- Sale of goods at cost plus mark-up on a deferred-payment basis

■ COMMODITY MURABAHAH

- A sale of certain specified commodities, at a cost plus profit basis*
- Commodity **Murabahah** transaction is nested in **Tawarruq** concept
- **Tawarruq** = Purchase of commodity followed by selling of the commodity to a 3rd party#

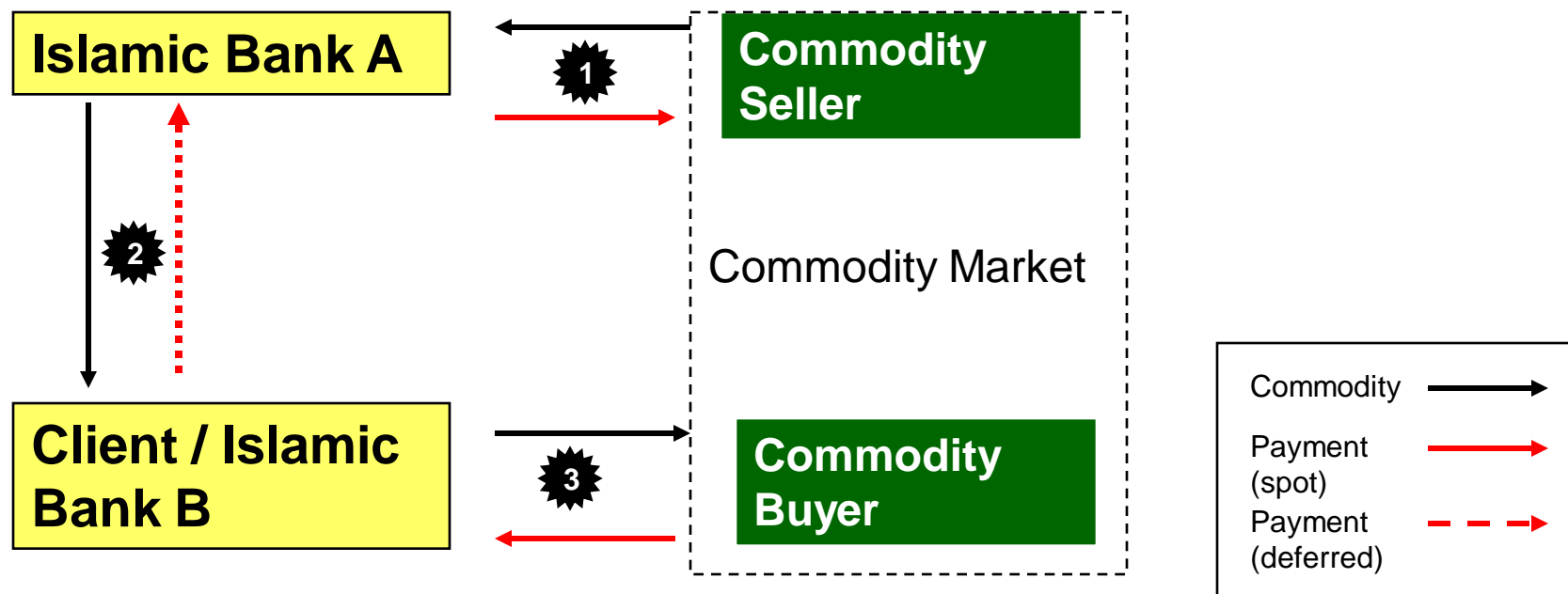
■ WHO USES IT?

- Financial institutions providing Islamic services globally
- Islamic Financial Institutions incorporated in Malaysia - full fledged Islamic banks and other banks with Islamic banking windows

■ WHAT IS IT USED FOR?

- To facilitate liquidity management, risk management in the Islamic financial market and Islamic financial product offerings

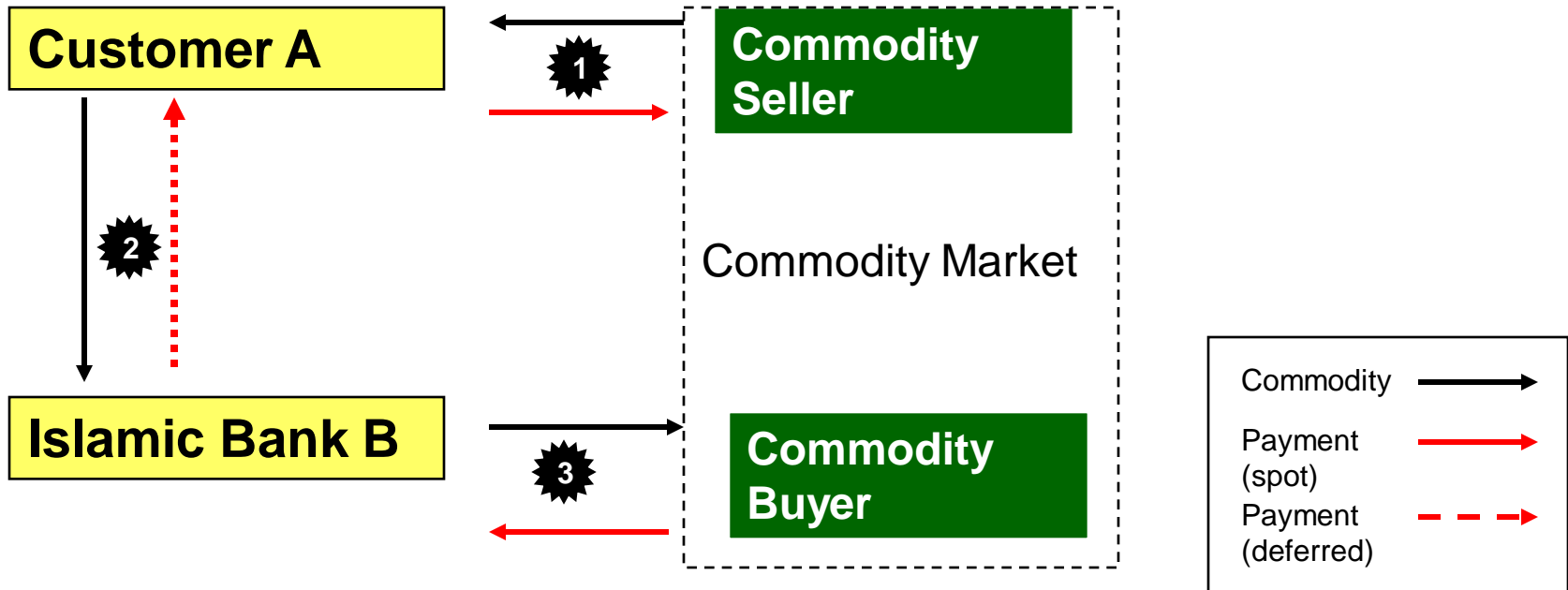
Commodity Murabahah in Financing



Example: Islamic Bank A is financing Corporate Client B

1. Islamic Bank A buys commodity from commodity market on spot
2. Islamic Bank A sells commodity to Corporate Client B on deferred basis (debt created)
3. Corporate Client B sells the commodity to the commodity market on spot for cash

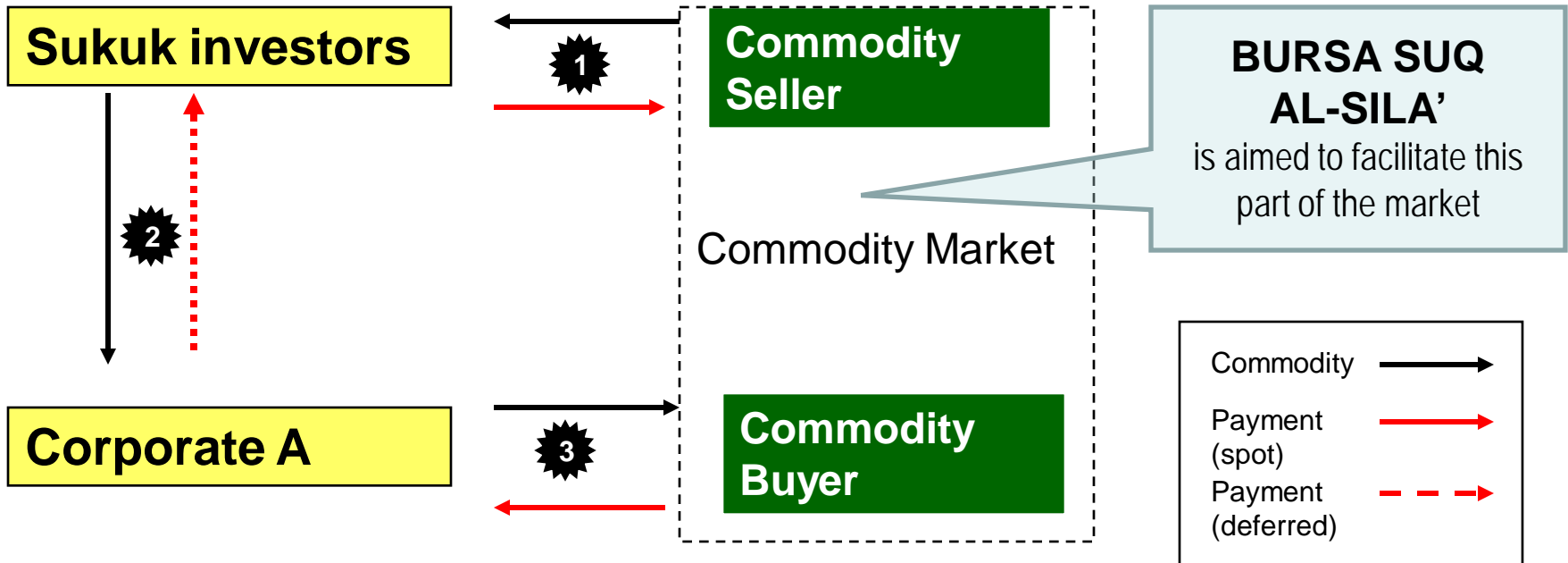
Commodity Murabahah in Deposit



Example: Customer A place Murabahah Deposit with Islamic Bank B

1. Customer A buys commodity through Islamic Bank B (who act as purchasing agent) from commodity market on spot
2. Customer A sells commodity to Islamic Bank B on deferred basis (return on deposit will determine the mark up)
3. Islamic Bank B sells the commodity to the commodity market on spot for cash

Commodity Murabahah in Sukuk



Example: Corporate A issues Sukuk Murabahah

1. Sukuk Investors buy commodity through Corporate A as agent, from commodity market on spot
2. Sukuk Investors sell commodity to Corporate A on deferred basis (securitized)
3. Corporate A sells the commodity to commodity market on spot for cash

What is Bursa Suq Al-Sila'?

- **An Islamic commodity trading platform for the Islamic financial and capital market.**
- **Designed to serve as a multi-commodity and multi-currency platform, initially with trading of CPO to serve the Malaysian market.**
- **Shariah-compliant on end-to-end basis & designed to be in line with International Shariah standards.**
- **Trading platform is fully electronic and web-based; access is via internet with multiple security features.**
- **Housed in a fully Shariah-compliant wholly-owned subsidiary of Bursa Malaysia called Bursa Malaysia Islamic Services Sdn Bhd (BMIS).**

BSAS Stakeholders

| Organization | Role | Value Proposition |
|---------------------------------|---|---|
| MIFC | Main Coordinator of Islamic Finance efforts | New milestone for Malaysia's international offering |
| Securities Commission | Regulator of Bursa Malaysia | Regulator Profile |
| Bank Negara Malaysia | Regulator of the users (Islamic banks) and itself is a user | Tool for market liquidity management |
| Bursa Malaysia | Developer & operator of BSAS – BMIS stands in as counterparty for buyer & seller of commodity | Another source of Revenue & Profiling |
| CPO Suppliers | Supplier of underlying commodity to BSAS market | Additional revenue for the supply of unencumbered stock |
| Islamic Banks / Islamic Windows | User for Murabahah /Musawwamah transaction | Cost -efficient alternative for commodity Murabahah – tool for liquidity management, Sukuk structure, risk management & basis for many kinds of product development |
| Brokers | Agent for the Islamic Banks & suppliers | Additional revenue from brokerage |

BSAS – Market Feature

| Item | Details |
|----------------------|--|
| Basic Feature | <ul style="list-style-type: none">• Replicate real deliverable market - delivery is by default• Seller must own commodity before selling (buy before sell)• May square position in the same day; otherwise take delivery• For taking delivery:<ul style="list-style-type: none"><i>a. Get license from MPOB - can appoint agent (in case of CPO)</i><i>b. Pay delivery process fee of $X\% \times \text{Purchase Price}$</i><i>c. Buyer bear all other delivery charges</i>• Shariah adherence on processes (end-to-end)• Allows periodical Shariah verification by participants – coordinated by BMIS |

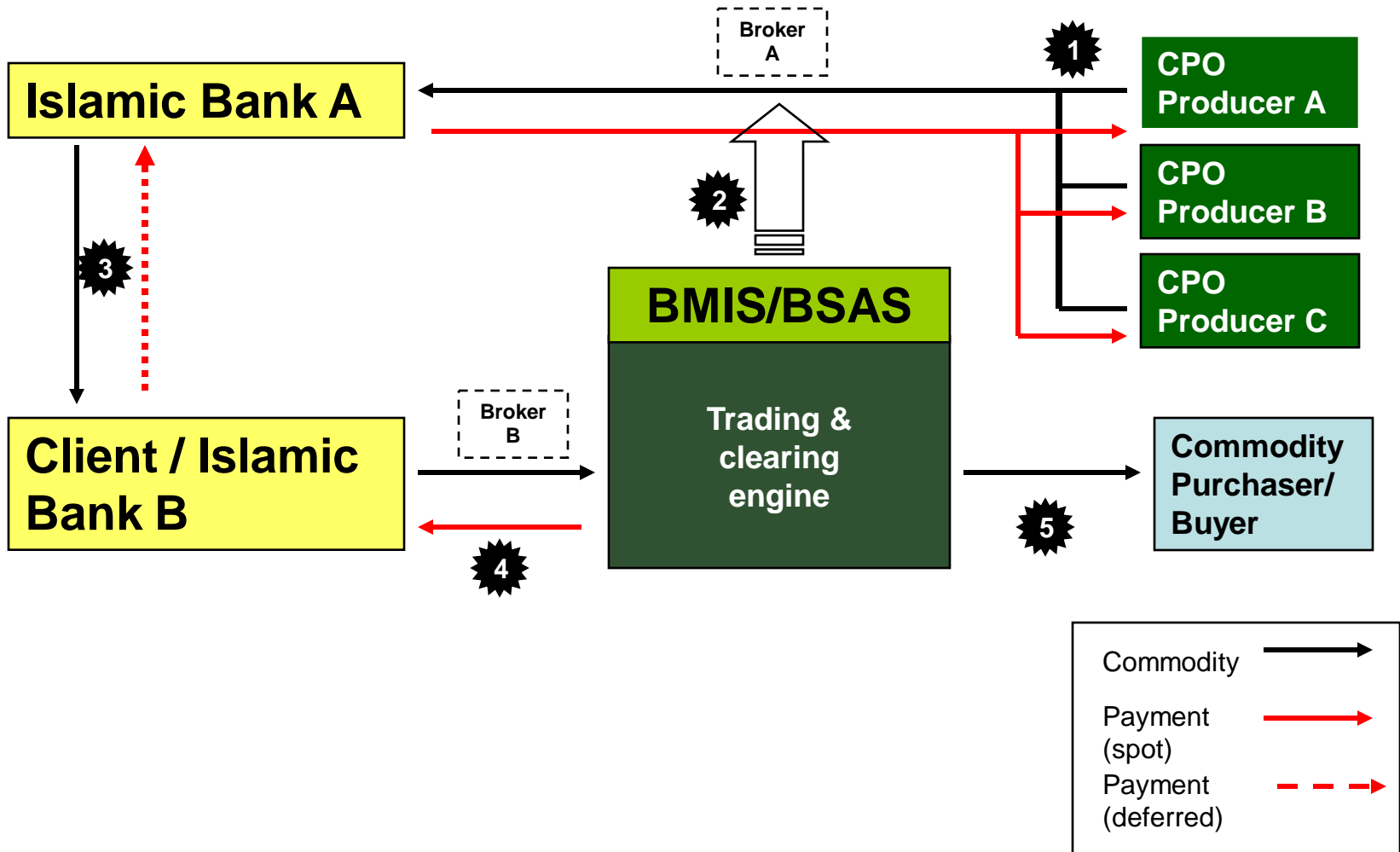
BSAS – Market Feature

| Item | Details |
|------------------------|--|
| Underlying | <ul style="list-style-type: none">• BSAS is generic in design – to accommodate multi-currency & multi-commodity• E-cert representing ownership of commodity in BSAS Depository• Contract specification – each commodity has its own defined specification |
| Participants | <ul style="list-style-type: none">• Only qualified participants registered & approved by BMIS can trade in this market• 3 categories; Commodity Trading Participant (CTP), Commodity Supplying Participant (CSP) & Commodity Executing Participant (CEP) |
| Taking Delivery | <ul style="list-style-type: none">• Buyer indicates intention directly to BMIS (or via broker) or leaves open position beyond market closing for the day• Delivery date is to be negotiated with commodity supplier, assisted by BMIS, not earlier than a week from purchase date |

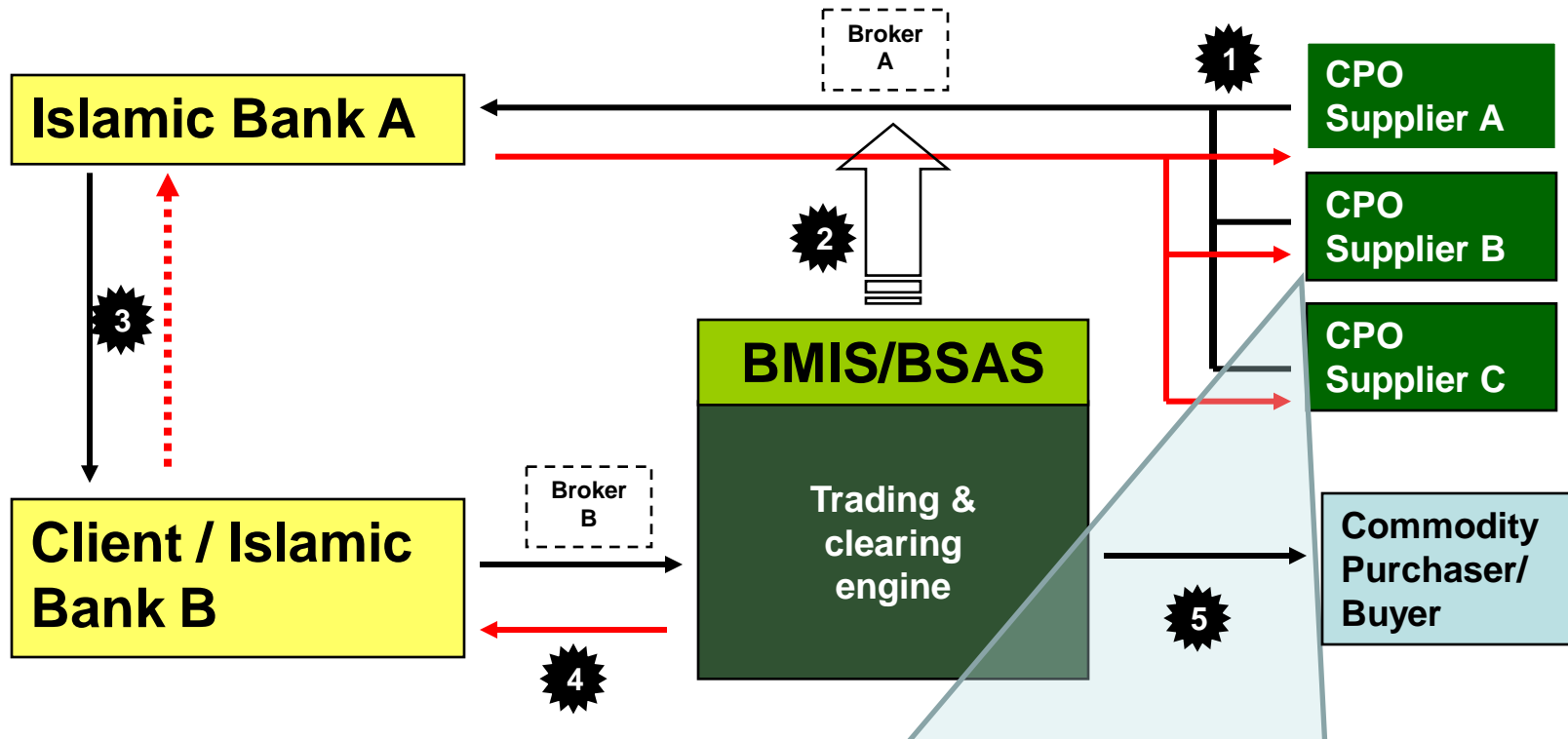
BSAS – Market Feature

| Subject | Details |
|------------------------|--|
| Settlement | <ul style="list-style-type: none">• All settlement to CSP will be via BMIS as settlement agent• Settlement risks on both side will be taken up by BMIS• Trading fee & brokerage to be settled every month-end• For delivery, price & delivery process fee are to be settled on spot |
| Trading Session | <ul style="list-style-type: none">• Mon – Thu : 10.30am – 6.00pm• Fri - 1st Session : 10.30am – 12.30pm, Break : 12.30pm – 2.30pm, 2nd Session : 2.30pm – 6.00pm• Latest time for “bid” for the day shall be before 5.30pm |
| Pricing | <ul style="list-style-type: none">• Single pricing market – change daily against benchmarked price• Benchmark price - previous day Spot Month FCPO settlement (closing) price |

BSAS - Model/Transaction Flow

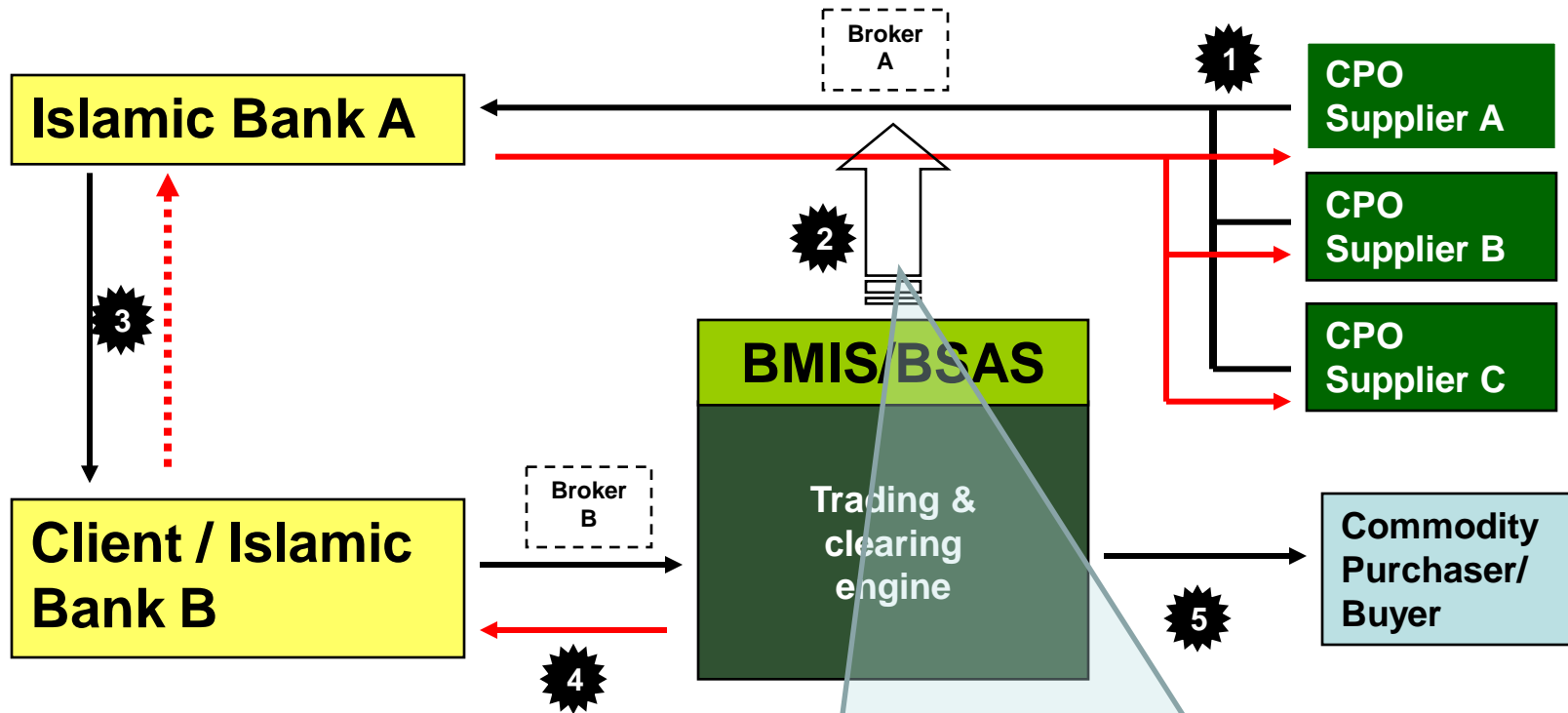


BSAS - Model/Transaction Flow



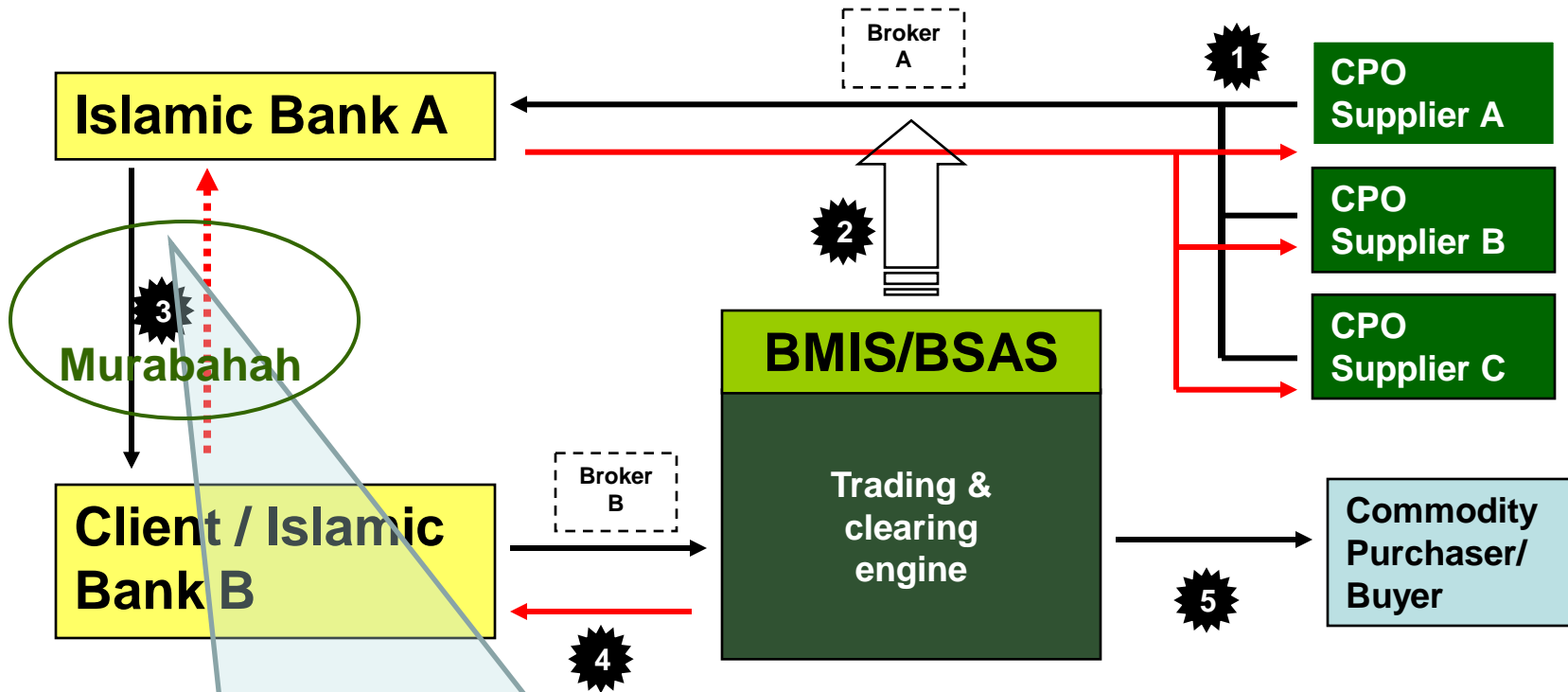
- Pre-market opening – Bid by banks and offers by CPO suppliers are lined up, order will be randomized upon market open
- Market open at 10.30am and trade starts with order matching by BSAS engine
- CPO Supplier sells commodity straight to Islamic Bank (via Broker A).

BSAS - Model/Transaction Flow



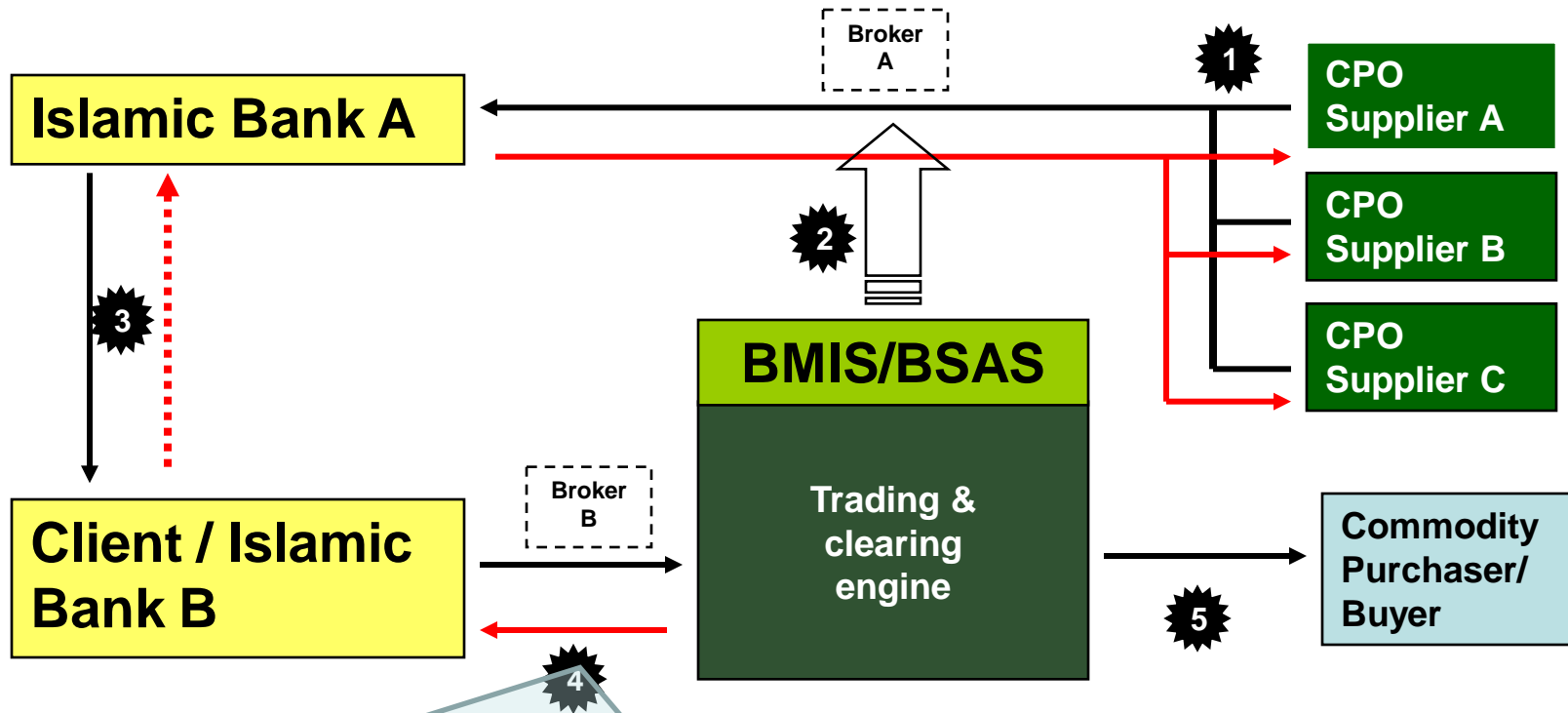
- BMIS ensures the performance (delivery) of CPO suppliers to avoid strict KYC appraisal by Islamic banks
- Trade confirmation sent to all parties
- Islamic Bank A pays price by crediting BMIS account

BSAS - Model/Transaction Flow



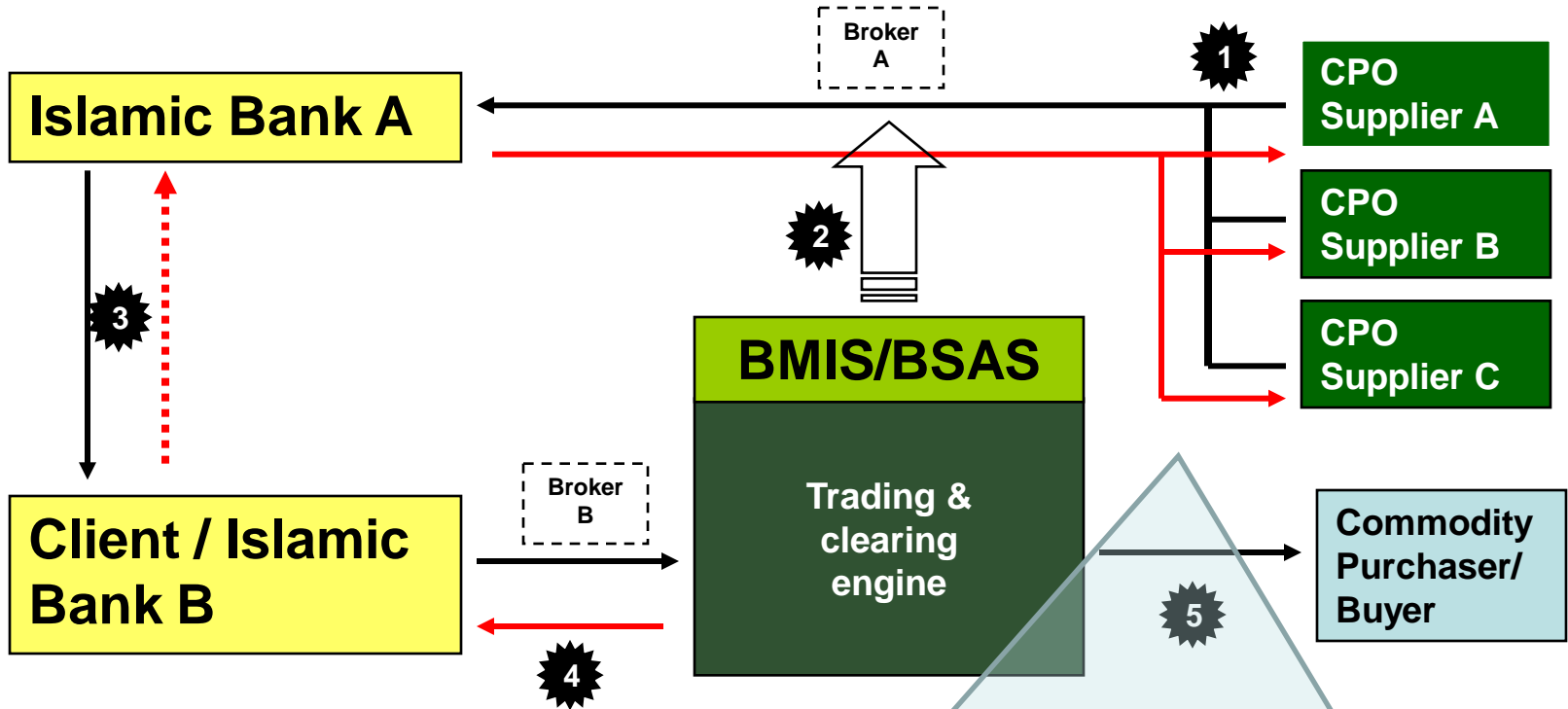
- Islamic Bank A sells commodity to its client or another Islamic bank on deferred basis – Murabahah contract
- Trade is reported to BSAS for change of ownership in depository

BSAS - Model/Transaction Flow



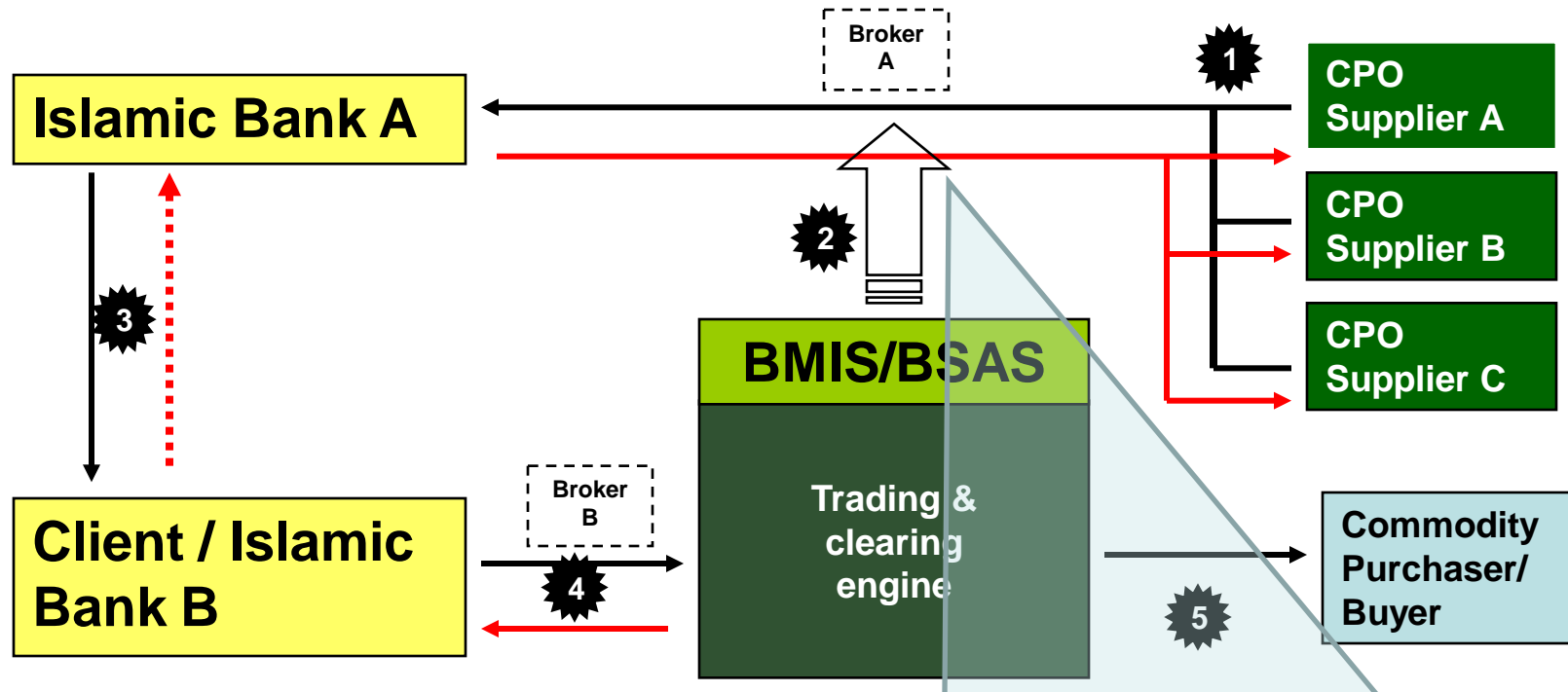
- Client or Islamic banks B sells commodity to BMIS via agent Islamic bank A or directly (may use Broker B)
- BMIS pays party B by instructing Islamic bank A to debit its account in favor of B
- Commodity ownership transfers to BMIS

BSAS - Model/Transaction Flow



- Sale by BMIS to CPO purchasers is on random basis & matching is based on bids by suppliers replicating real market
- Once ownership is back to purchasers, all unencumbered commodity may or may not be re-offered into the BSAS market for other trades

BSAS - Model/Transaction Flow



TO TAKE DELIVERY OF COMMODITY:

- Process flow is the same as shown previously for step 1 – 2 followed by
- Buyer indicates to BMIS directly or through Broker on intention , BMIS acknowledges and inform CPO supplier. Buyer proceeds with licensing under MPOB
- Buyer's CM-CPO cert endorsed by BMIS. Delivery document issued by CPO supplier
- Buyer presents delivery document to CPO supplier to take delivery

BSAS - Delivery & Settlement



Delivery Schedule:

| Day | Item |
|-----|---|
| T | • Delivery Request by CTP or their clients |
| T+1 | • pays the Delivery Process Fee to BMIS |
| T+2 | • CSP final day to respond on delivery request to BMIS |
| T+3 | • Alert to BMIS when the delivery response required from CSP is absent |
| T+6 | <ul style="list-style-type: none"> • CSP submits the delivery documents to BMIS • Delivery documents made available for collection by CTP |
| T+7 | • Delivery process end. BMIS will pay to CSP |

BSAS - Breakdown of Fees

Trading Fee:

| Average Daily Volume | | < USD250 m | ≥ USD250 m |
|----------------------|--------------|------------|------------|
| Charged By: | | | |
| CPO Supplier | Supply Fee | USD18.00 | USD12.00 |
| BMIS | Exchange Fee | USD12.00 | USD8.00 |
| | Trading Fee | USD30.00 | USD20.00 |

Access Fee:

| Charged By: | Access Fee |
|-------------|-------------|
| BMIS | USD1,000.00 |

Delivery Process Fee:

| Charged By: | Delivery Process Fee |
|--------------|--|
| CPO Supplier | X% of Purchase Price, to be shared between CPO Supplier & BMIS |
| BMIS | |

BSAS - Breakdown of Fees

| Trading Fee | Access Fee | Delivery Process Fee |
|---|---|---|
| <ul style="list-style-type: none"> • Per USD million & paid by CTP every month end • if sell back within 1st 2 hours – only trading fee is charged • USD10 is added for holding commodity every hour exceeding the 1st 2 hours • fees are subject to semi-annual review | <ul style="list-style-type: none"> • first 2 users access are free • per user, per annum basis chargeable on every 3rd user onwards • An RSA token is provided for each user (as an added security) | <ul style="list-style-type: none"> • all costs borne by the buyer plus X% delivery process fee & the total amount of fees will be made known upfront • X% delivery process fee is subject to review |

** volume > USD250mil (calculated monthly) is entitled to rebate (USD10) at the sole discretion of BMIS*

CPO - Contract Specification

| SPECIFICATION | PARAMETERS |
|---|--|
| CONTRACT CODE | CM-CPO |
| UNDERLYING INSTRUMENT | Crude Palm Oil |
| PRICE | Based on (benchmarked against) previous trading day settlement of the FCPO spot month contract. Price remains the same for the day. |
| SETTLEMENT METHODOLOGY | Delivery of CPO (with provision for cash settlement) |
| TRADING HOURS | Mon – Thu : 10.30am – 11.30pm Fri : Morning Session : 10.30am – 12.30pm, Afternoon Session : 2.30pm – 11.30pm |
| MINIMUM TRANSACTION SIZE AND INCREMENTAL VALUE | Minimum USD100,000.00 with an incremental value with the multiple of USD1,000.00 |
| DELIVERABLE UNIT | Amount of CPO as per the purchase value |
| CONTRACT PERIOD & EXPIRY | Daily and ends at the closing of trading session of the respective day (or closing of second trading session for Friday). Any unclosed open long position come market closing is by default a delivery order. |
| CONTRACT GRADE AND DELIVERY POINTS | Crude palm oil of good merchantable quality, in bulk, unbleached, in the tank located at the option of the CSP. Free Fatty Acid (FFA) of palm oil delivered into the tank must not exceed 4% and from the tank must not exceed 5%. Moisture and Impurities (M&I) must not exceed 0.25%. Deterioration of Bleachability Index (DOBI) value of palm oil delivered into the tank must be at a minimum of 2.5 and of palm oil delivered from the tank must be at a minimum of 2.31. |

Thank You

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