

Effective Date

The effective date of the Guidelines is 15 June 2006.

Applicability

The Guidelines are applicable to commercial banks and merchant / investment banks licensed under the Banking and Financial Institutions Act 1989.

Summary

The purpose of the Guidelines is to provide a uniform set of terms and conditions, limitations, procedures and practices to govern the issuance and trading of Negotiable Instruments of Deposit in the Malaysian market.

Issuing Department

Financial Sector Development Department

Guideline Info

PART I	PRELIMINARY.....	
1.	Effective Date	
2.	Purpose	
3.	Coverage and Regulatory Compliance	
4.	Interpretation	
PART II	GENERAL GUIDELINES.....	
5.	Types of Negotiable Instruments of Deposit	
6.	Denomination, Splitting and Combination	
7.	Issuers.....	
9.	Authorised Depository.....	
10.	General Procedures.....	
11.	Redemption Procedures	
12.	Authentication	
13.	Fees and Charges	
PART III	SPECIFICATIONS FOR NEGOTIABLE INSTRUMENTS OF DEPOSIT.....	
14.	Compliance with Specifications	
PART IV	TRADING GUIDELINES.....	
15.	Types of Trade.....	
16.	Delivery and Settlement.....	
17.	Outright Sale and Purchase.....	
18.	Purchase and Redemption of Own NID	
19.	NID with Callable Features	
20.	Computation of Proceeds	
21.	Repurchase Agreements (Repo and Reverse repo).....	
SCHEDULE I	
SCHEDULE II	
SCHEDULE III	
SCHEDULE IV	

BNM/RH/GL 001-26	Financial Sector Development Department	Guidelines on Negotiable Instruments of Deposit	F
------------------	--	--	---

PART I PRELIMINARY

1. Effective Date

- 1.1 The "Guidelines on Negotiable Instruments of Deposit (2006)", came into force on 15 June 2006.
- 1.2 The "Guidelines on Negotiable Instruments of Deposit (May 2002)" issued by Bank Negara Malaysia in May 2002 were withdrawn with effect from 15 June 2006.

2. Purpose

- 2.1 The purpose of these Guidelines is to provide a uniform set of terms and conditions, limitations, procedures and practices to govern the issuance and trading of Negotiable Instruments of Deposit (NID) in the Malaysian market.

3. Coverage and Regulatory Compliance

- 3.1 These Guidelines are applicable to Malaysian Ringgit and foreign currency NID issued by commercial banks and merchant banks licensed under the Banking and Financial Institutions Act 1989.
- 3.2 The Guidelines refer NID to mean both Malaysian Ringgit NID and foreign currency NID unless otherwise mentioned.
- 3.3 Apart from these Guidelines, banking institutions, at all times, must ensure compliance with all circulars, guidelines and regulations issued by Bank Negara Malaysia (including all Foreign Exchange Administration Rules) and guidelines issued by the Securities Commission of Malaysia (SC) that are relevant to NID products, in particular, the Practice Note 3 on the Offer, Issue and Invitation of Public Debt Securities with Tenure of More than Five Years under the "Guidelines on the Offering of Public Debt Securities" issued by the SC.

BNM/RH/GL 001-26	Financial Sector Development Department	Guidelines on Negotiable Instruments of Deposit	F :
------------------	--	--	--------

4. Interpretation

In these Guidelines, unless the context otherwise specifies:

Approved Capital Funds in relation to an Issuer means the sum of Tier 1 and eligible Tier 2 capital for purposes of computing the Risk Weighted Capital Ratio.

Authorised Depository means a licensed financial institution given the approval by the Bank to be an Authorised Depository NID.

(the) Bank means Bank Negara Malaysia.

Bearer in relation to a NID means the owner of the NID.

(a) business day means a day when licensed financial institutions are open for business in Kuala Lumpur but does not include a Saturday or Sunday even if one or more such licensed financial institutions are open for business, except for the purposes of payment of interest, a Saturday shall be deemed to be a "business day".

Calendar month means the period from the "n-th" day of a specific month to the "n-th" day of the following month, except that:

- (i) a "calendar month" starting from the last day of a month shall always end on the last day of the next month;
- (ii) in the case of a non-leap year, a "calendar month" starting from January 28, 29, 30 and 31 shall always end on 28 February; and
- (iii) in the case of a leap year, a "calendar month"

BNM/RH/GL 001-26	Financial Sector Development Department	Guidelines on Negotiable Instruments of Deposit	F :
------------------	--	--	--------

always end on 29 February.

Certificate	means the security paper duly completed and issued by the Issuer to acknowledge the receipt of a deposit falling within the meaning of a NID.
Depositor	in relation to a NID means the person who makes primary purchase of the NID from the Issuer.
Discount House	means a discount house licensed under the Bank and Financial Institutions Act 1989.
First buyer	in relation to a repurchase agreement means the person who buys the NID with the obligation to sell back the NID at a future specified date.
First seller	in relation to a repurchase agreement means the person who sells the NID with the obligation to repurchase the NID at a future specified date.
FRNID	means "floating rate negotiable instruments of deposit" and shall have the meaning assigned to it in Part II, paragraph 5.1.
FX	means foreign currency.
FXNID	means "foreign currency negotiable instruments of deposit" which shall include all instruments classified in Part II, paragraph 5.1.
Interest date	means the date on which an interest period ends.
Interest determination date	in relation to a FRNID means the reference date for determination of the interest rate for the next interest period (in normal circumstances, the interest determination date is also the interest date).
Interest payment date	in relation to a LNID and FRNID means the date on which coupon proceeds is to be paid by the Issuer.

BNM/RH/GL 001-26	Financial Sector Development Department	Guidelines on Negotiable Instruments of Deposit
------------------	--	--

also the interest date).

Interbank transaction	means a transaction between two licensed financial institutions, which have been approved by the Bank as interbank money market participants.
Issuer	means a commercial bank or merchant bank given approval by the Bank to issue NID.
KLIBOR	means Kuala Lumpur Interbank Offer Rate and its arithmetic average (rounded to the nearest two decimal places) of all quoting by the appointed contributors to the KLIBOR fixing.
Known public holiday	means any gazetted holiday, which is known at the time a NID is issued (for example 1 January, 1 May, August and 25 December). If such a day falls on a Sunday, the next business day shall be deemed a "known public holiday".
Licensed banking institution	means a commercial bank and merchant bank licensed under the Banking and Financial Institutions Act 1989.
Licensed financial institution	means a commercial bank, merchant bank and discount house company licensed under the Banking and Financial Institutions Act 1989.
LNID	means "long-term negotiable instruments of deposit" which shall have the meaning assigned to it in Part II of the Act.
Maturity date	in relation to a NID means the date on which its term ends.
Money broking company	means a money broking company licensed under the Banking and Financial Institutions Act 1989.
NID	means negotiable instruments of deposit, which shall include all instruments classified in Part II, paragraph 5.1.

BNM/RH/GL 001-26	Financial Sector Development Department	Guidelines on Negotiable Instruments of Deposit	F !
------------------	--	--	--------

Related parties	in relation to a corporation, means a corporation v is deemed to be related to the first-mentioned corporation by virtue of section 6 of the Companies Act 1965.
RENTAS	means “Real Time Electronic Transfer of Funds a Securities”, which is a real time electronic funds a securities transfer system maintained by the Bank
SNID	means “short-term negotiable instruments of depon which shall have the meaning assigned to it in Part
Unexpected holiday	means a public holiday, which is not a “known pul holiday” at the time when a NID is issued.
ZNID	means a “zero-coupon negotiable instruments of deposit”, which shall have the meaning assigned in Part III.

BNM/RH/GL 001-26	Financial Sector Development Department	Guidelines on Negotiable Instruments of Deposit	F (
------------------	--	--	--------

PART II GENERAL GUIDELINES

5. Types of Negotiable Instruments of Deposit

5.1 NID which can be issued and traded in the Malaysian market shall, for the purpose of these Guidelines, be classified as follows:

- (i) Short-Term Negotiable Instruments of Deposit (SNID)
- (ii) Long-Term Negotiable Instruments of Deposit (LNID)
- (iii) Zero-coupon Negotiable Instruments of Deposit (ZNID)
- (iv) Floating Rate Negotiable Instruments of Deposit (FRNID)

5.2 The specifications of each of the above are given in Part III.

6. Denomination, Splitting and Combination

6.1 Ringgit NID shall have a nominal value denominated in multiples of RM50,000 with a minimum of RM100,000 up to a maximum of RM10 million, per certificate (Ringgit NID issued in minimum denomination of RM50,000 prior to the Guidelines on Negotiable Instruments of Deposit (May 2002) may continue to be traded until maturity).

6.2 Ringgit NID issued at a denomination greater than RM100,000 may subsequently split into smaller denominations subject to the minimum of RM100,000 per certificate after splitting.

6.3 Ringgit NID can be combined with another Ringgit NID(s) to become one NID with a nominal value equal to the sum of the nominal value of the combined instruments subject to the maximum denomination of RM10 million after the combination and provided that the NID being combined are issued by the same Issuer and possess the same qualities in all other aspects.

6.4 For FXNID, the denomination value, minimum and maximum nominal value per certificate as well as the splitting and combination amount requirements shall be

BNM/RH/GL 001-26	Financial Sector Development Department	Guidelines on Negotiable Instruments of Deposit	F :
------------------	--	--	--------

- 6.5 For the purposes of splitting or combining NID, the Authorised Depository shall follow the instructions and on behalf of the bearer surrender the certificate(s) to the Issuer during working hours.
- 6.6 Upon splitting or combining the NID, the Issuer shall cancel the surrendered certificate(s), and issue a new certificate(s) to the bearer as a replacement as soon as practicable, but not later than five business days after the surrender of the old certificate(s).

7. Issuers

- 7.1 Only a licensed banking institution can issue NID with the approval of the Bank.
- 7.2 A licensed banking institution, which intends to participate in the NID market as Issuer, shall submit an application to seek the Bank's approval.
- 7.3 An application to become an Issuer shall be submitted to the "*Pengarah, Jabatan Pembangunan Sektor Kewangan*".
- 7.4 Issuance of NID is mainly by the Head Office. However, branches are allowed to issue NID provided that appropriate monitoring, control and reporting mechanisms are in place for the Head Office to monitor the issuance.
- 7.5 A list of banking institutions approved by the Bank to issue NID is given in Schedule 1.

8 Issue Limit

- 8.1 An Issuer shall ensure that its total aggregate outstanding issue of Ringgit NID and FXNID (both conventional and Islamic) does not exceed the issue limit specified by the Bank, which in principle is set at five times of the Issuer's approved capital funds.
- 8.2 In the event that the Issuer's approved capital funds are reduced or increased for whatever reason, the specified issue limit in Ringgit terms (incorporating equivalent FXNID) shall be automatically reduced or increased to the level equivalent to "five times of the Issuer's approved capital funds".

BNM/RH/GL 001-26	Financial Sector Development Department	Guidelines on Negotiable Instruments of Deposit	F 1
------------------	---	---	--------

8.3 For the purposes of determining compliance with the NID issue limit, the following valuation basis shall be applicable:

Types of NID	Basis of Valuation
SNID	Nominal value
LNID	Nominal value
ZNID	Issue proceeds plus accumulated notional interest accrued semi-annually on a compounded basis.
FRNID	Nominal value

8.4 For the purposes of this section, the value of a ZNID shall be computed on the following basis:

$$\text{Value of ZNID} = \text{Original Issue Proceeds} \times \left[1 + \left(\frac{CPN}{2} \right) \right]^{n-1}$$

where,

CPN = notional coupon rate

n = number of notional semi-annual periods from the issue date (from 1 to a maximum of 20)

BNM/RH/GL 001-26	Financial Sector Development Department	Guidelines on Negotiable Instruments of Deposit	F t
------------------	--	--	--------

8.5 The following example illustrates:

A Ringgit ZNID was issued with the following features:

Issue Date : 5/2/2001(Mon) Maturity Date : 5/2/2003 (Wed)

Nominal value : RM1,000,000 Notional coupon : 8% p.a.

The value of the above Ringgit ZNID in each semi-annual period to be used for purposes of determining compliance with the overall NID issue limit shall be as follows:

1st Period : RM 854,804.19 (original issue proceeds)

2nd Period : RM 888,996.36

3rd Period : RM 924,556.21

4th Period : RM 961,538.46

9. Authorised Depository

9.1 The functions of an Authorised Depository shall include the following:

- (i) Facilitate and effect the receipt of NID from the Issuer or another Authorised Depository, and delivery of NID to another Authorised Depository on the instructions of the customer;
- (ii) Custody and safekeeping of the NID deposited;
- (iii) Collect interest and maturity proceeds on behalf of customers; and
- (iv) Maintenance of adequate and proper records of the ownership and details of the NID in its custody.

9.2 Only a licensed financial institution, which is a member of RENTAS and approved by the Bank as an interbank money market participant, may apply to the Bank to be

BNM/RH/GL 001-26	Financial Sector Development Department	Guidelines on Negotiable Instruments of Deposit	F 1
------------------	--	--	--------

- 9.3 An application to be an Authorised Depository shall be submitted to the “*Pengarah Jabatan Pembangunan Sektor Kewangan*”.
- 9.4 An Issuer is allowed to act as an Authorised Depository for its own NID.
- 9.5 A list of licensed financial institutions, which have been approved by the Bank to Authorised Depositories for NID, is given in Schedule I.

10. General Procedures

- 10.1 An Issuer may accept money on deposit from any Malaysian resident (subject to restrictions on depositors, if applicable) and issue to the depositor a NID, at par, premium or at a discount.
- 10.2 Subject to the prevailing rules and regulations imposed by the Bank on transacting with non-residents, an Issuer may issue NID to non-residents, or a Malaysian resident may buy NID from or sell NID to a non-resident.
- 10.3 The Issuer shall avoid issuing an NID that will mature on a Saturday, Sunday or known public holiday in Kuala Lumpur.
- 10.4 Upon its issue, an NID shall be delivered to an Authorised Depository listed in Schedule I, as designated by the depositor.
- 10.5 An NID must be held at all times in the custody of an Authorised Depository.
- 10.6 Subject to these Guidelines, the depositor may sell the NID in the secondary market.
- 10.7 Back-to-back placement arrangement of NID between two related parties, where the NID purchased and issued are of the same amount, at the same rate and tenor, is not allowed.
- 10.8 Delivery of an NID must be made by the seller's Authorised Depository to the buyer's Authorised Depository.

BNM/RH/GL 001-26	Financial Sector Development Department	Guidelines on Negotiable Instruments of Deposit	F 1
------------------	--	--	--------

10.10 In the event that an NID is presented after its maturity date, the Issuer shall not be required to pay more than the nominal value plus any applicable coupon interest computed to the maturity date.

10.11 Notwithstanding paragraph 10.10, if the maturity date of the NID falls on an unexpected holiday, the Issuer is required to pay “compensatory interest” to the bearer of the NID. The calculation of compensatory interest shall be as follows:

$$\text{Compensatory interest} = \text{Amount} \times \left(\frac{\text{Coupon}}{100} \right) \times \left(\frac{\text{Day}}{365} \right)$$

where,

Amount = face value or nominal amount of the NID

Coupon = coupon rate or notional coupon rate in per cent per annum

Day = additional holding period

Note:

For FXNID, the day count basis can be based on either *Day/365* or *Day/360* depending on the currency’s day-count convention.

10.12 All payments by an Issuer to an Authorised Depository (for the benefit of the bearer of an NID) shall be made by electronic funds transfer through RENTAS, or by other means as mutually agreed upon by the Issuer and the Authorised Depository.

10.13 All payments shall be computed to the nearest 2 decimal places on a per cent basis.

BNM/RH/GL 001-26	Financial Sector Development Department	Guidelines on Negotiable Instruments of Deposit	F 1
------------------	--	--	--------

11. Redemption Procedures

11.1 Upon maturity, the NID certificate may be redeemed in two ways:

- (i) If the NID certificate is presented to the Issuer over-the-counter one day before the maturity date, the Issuer shall pay the proceeds by 11.00 a.m. the maturity date. However, if the NID certificate is presented on the maturity date or after, the Issuer shall pay the proceeds by 5.30 p.m. on the day the certificate is presented.
- (ii) If the NID is kept with the Issuer, a Debit Notification (DRN) must be sent to the Issuer one day before the maturity date. Under such circumstances, the Issuer shall pay the proceeds by 11.00 a.m. on the maturity date. However, if the DRN is sent to the Issuer on the maturity date or after, the Issuer shall pay the proceeds by 5.30 p.m. on the day the DRN is received.

12. Authentication

12.1 An Issuer must be prepared to authenticate its own NID at the request of an Authorised Depository during working hours.

13. Fees and Charges

13.1 Unless specifically provided for in Schedule II of these Guidelines, Issuers and Authorised Depositories shall not impose any fees or charges, in relation to transactions in NID.

13.2 For the purposes of these guidelines, the definition of "fees and charges" shall not include brokerage fee or commission payable to a money broking company for brokerage services rendered in relation to an NID transaction.

BNM/RH/GL 001-26	Financial Sector Development Department	Guidelines on Negotiable Instruments of Deposit	F 1
------------------	--	--	--------

PART III SPECIFICATIONS FOR NEGOTIABLE INSTRUMENTS OF DEPOSIT

14. Compliance with Specifications

An Issuer shall be required to comply with the specifications given for each type of NID in this Part.

14.1 *Short-Term Negotiable Instruments of Deposit*

14.1.1 A Short-Term Negotiable Instruments of Deposit (SNID) shall have the following general specifications:

- (i) It certifies that a sum in Ringgit or foreign currency has been deposited with the Issuer, whereby it is repayable:
 - (a) to the bearer, upon presentation of the certificate to the Issuer through an Authorised Depository;
 - (b) on a specified future date (that is, maturity date), such date being earlier than 1 calendar month and not later than 12 calendar months from the date of issue;
 - (c) at the nominal value, which is in an amount of not less than RM100,000, and in multiples of RM50,000 up to a maximum of RM500 million (for foreign currency SNID, this requirement shall also be applicable in Ringgit equivalent amount);
- (ii) It requires the Issuer to pay interest on maturity at a coupon rate fixed in per cent per annum;
- (iii) Its terms and conditions shall be as provided in these Guidelines; and
- (iv) It is drawn on a standard format as per Schedule IV of these Guidelines printed on security paper.

BNM/RH/GL 001-26	Financial Sector Development Department	Guidelines on Negotiable Instruments of Deposit	F 1
------------------	--	--	--------

14.1.2 On maturity date, the Authorised Depository acting on behalf of the bearer, shall collect the proceeds comprising coupon proceeds and nominal amount from the Issuer in accordance with Part II, paragraph 11.1.

14.1.3 The calculation for the redemption proceeds shall be as follows:

$$\text{Redemption Proceeds} = NV \left\{ 1 + \left(\frac{CPN \times DIM}{36500} \right) \right\}$$

(rounded to nearest 2 decimal places)

where,

NV = nominal value

CPN = coupon interest rate in per cent per annum

DIM = number of days between issue date (counted) and maturity date (not counted)

Note:

For foreign currency SNID, the day count basis can be based on either 360 or 365 depending on the currency's day-count convention.

14.1.4 The following example illustrates:

A Ringgit SNID was issued with the following features:

Issue Date : 8/2/2002 (Fri) Maturity Date : 7/2/2003 (Fri)

Nominal value : RM1,000,000 Coupon rate : 7% p.a.

$$\text{Redemption Proceeds} = RM1,000,000 \left\{ 1 + \left(\frac{7 \times 364}{36500} \right) \right\}$$

(rounded to nearest 2 decimal places)

$$= RM1,069,808.22$$

BNM/RH/GL 001-26	Financial Sector Development Department	Guidelines on Negotiable Instruments of Deposit	F 1
------------------	--	--	--------

14.2 Long-Term Negotiable Instruments of Deposit

14.2.1 A Long-Term Negotiable Instruments of Deposit (LNID) shall have the following general specifications:

- (i) It certifies that a sum in Ringgit or foreign currency has been deposited with the Issuer, whereby it is repayable:
 - (a) to the bearer, upon presentation of the certificate to the Issuer through an Authorised Depository;
 - (b) on a specified future date (that is, maturity date), such date being earlier than 12 calendar months and not later than 120 calendar months, from the date of issue;
 - (c) at the nominal value, which is in an amount of not less than RM100,000, and in multiples of RM50,000 up to a maximum of F million (for foreign currency LNID, this requirement shall also be applicable in Ringgit equivalent amount);
- (ii) It requires the Issuer to pay interest, at a coupon rate fixed in per cent per annum, on:
 - (a) two interest dates in a year with the two interest dates always be six calendar months apart; or
 - (b) four interest dates in a year with the four interest dates always be three calendar months apart.
- (iii) Its terms and conditions shall be as provided in these Guidelines; and
- (iv) It is drawn on a standard format as per Schedule IV of these Guidelines printed on security paper.

14.2.2 An interest period of a LNID shall have a duration of three or six calendar months

BNM/RH/GL 001-26	Financial Sector Development Department	Guidelines on Negotiable Instruments of Deposit	F 1
------------------	--	--	--------

14.2.3 On an interest date which is not the maturity date, the Authorised Depository, acting on behalf of the bearer, shall collect the coupon proceeds in two ways:

- (i) If the NID certificate is presented to the Issuer over-the-counter one day before the interest payment date, the Issuer shall pay the coupon proceeds by 11.00 a.m. on the interest payment date. However, if the NID certificate is presented on the interest payment date or after, the Issuer shall pay the proceeds by 5.30 p.m. on the day the certificate is presented;
- (ii) If the NID is kept with the Issuer, a Debit Notification (DRN) must be sent to the Issuer one day before the interest payment date. Under such circumstances, the Issuer shall pay the coupon proceeds by 11.00 a.m. on the interest payment date. However, if the DRN is sent to the Issuer on the interest payment date or after, the Issuer shall pay the coupon proceeds by 5.30 p.m. on the day the DRN is received.

14.2.4 The coupon proceeds shall be computed as follows:

- (i) In the case of a first interest period which has a duration of less than three or six calendar months, the amount of coupon proceeds payable for that period shall be computed as follows:

$$\text{Coupon Proceeds} = NV \times \left(\frac{CPN/n}{100} \right) \times \left(\frac{DIC}{DCC} \right)$$

(rounded to nearest 2 decimal places)

where,

- NV = nominal value
- CPN = coupon rate in per cent per annum
- n = frequency of coupon payment per annum (either 2 or 4)
- DIC = actual number of days in the first interest period from the issue date (counted) to the first interest date (not counted)
- DCC = number of days from the date which is three or six calendar months (before the first interest date) to the first interest date (start date counted; end-date not counted)

Note:

For foreign currency LNID, the day count basis can be based on either 30/360 or 30/365.

BNM/RH/GL 001-26	Financial Sector Development Department	Guidelines on Negotiable Instruments of Deposit	F 1
------------------	--	--	--------

- (ii) In all cases where the interest period has a duration of three or six caler months:

$$\text{Coupon Proceeds} = NV \times \left(\frac{CPN/n}{100} \right)$$

(rounded to nearest 2 decimal places)

where,

NV = nominal value

CPN = coupon rate in per cent per annum

n = frequency of coupon payment per annum (either 2 or 4)

14.2.5 The following example illustrates:

A Ringgit LNID was issued with the following features:

Issue Date : 12/2/2002 (Tues) Maturity Date : 12/5/2003 (Mon)

Nominal value : RM1,000,000 Coupon rate : 7.8% p.a.

Interest dates : 12 May and 12 November (in each year after issue date)

The first interest date would be 12 May 2002 i.e. only three months after the iss date. The interest payable would be computed as follows:

$$\text{Coupon Proceeds} = RM1,000,000 \times \left(\frac{7.8/2}{100} \right) \times \left(\frac{89}{181*} \right)$$

(rounded to nearest 2 decimal places)

$$= RM19,176.80$$

* This is obtained by calculating the number of days between 12 November 2 and 12 May 2002. The actual coupon period is 89 days but a quasi semi-an period is created by extending backwards the start date of the semi-annual period to 12 November 2001.

BNM/RH/GL 001-26	Financial Sector Development Department	Guidelines on Negotiable Instruments of Deposit	F 1
------------------	--	--	--------

- 14.2.6 In the event that an interest date (not being the maturity date) falls on a Sunday or a known public holiday in Kuala Lumpur, the coupon proceeds shall be payable on the next business day, if the latter falls within the same month. If the next business day crosses into the next month, the interest payment date shall be the preceeding business day before the interest date.
- 14.2.7 In the event that the interest date becomes an unexpected holiday in Kuala Lumpur, the coupon interest shall be payable immediately on the next business day after the interest date, irrespective of whether the next business day crosses into the next month or not.
- 14.2.8 Except as stated in paragraph 10.11, interest period shall be based on the fixed interest dates, unadjusted for expected or unexpected holidays.
- 14.2.9 On the maturity date, the Authorised Depository, acting on behalf of the bearer, shall collect the nominal value and coupon proceeds for the last interest period from the Issuer in accordance with Part II, paragraph 11.1.

14.3 Zero-coupon Negotiable Instruments of Deposit

- 14.3.1 A Zero-coupon Negotiable Instruments of Deposit (ZNID) shall have the following general specifications:
- (i) It certifies that a sum in Ringgit or foreign currency has been deposited with the Issuer, whereby it is repayable:
 - (a) to the bearer, upon presentation of the certificate to the Issuer through an Authorised Depository;
 - (b) on a specified future date (that is, maturity date), such date being earlier than 1 calendar month and not later than 120 calendar months from the date of issue;
 - (c) at the nominal value, which is in an amount of not less than RM100,000, and in multiples of RM50,000 up to a maximum of RM500,000.

BNM/RH/GL 001-26	Financial Sector Development Department	Guidelines on Negotiable Instruments of Deposit	F 1
------------------	--	--	--------

applicable in Ringgit equivalent amount),

- (ii) Its terms and conditions shall be as provided in these Guidelines; and
- (iii) It is drawn on a standard format as per Schedule IV of these Guidelines printed on security paper.

14.3.2 On the maturity date, the Authorised Depository, acting on behalf of the bearer shall collect the nominal value from the Issuer in accordance with Part II, paragraph 11.1.

14.4 Floating Rate Negotiable Instruments of Deposit

14.4.1 A Floating Rate Negotiable Instruments of Deposit (FRNID) shall have the following general specifications:

- (i) It certifies that a sum in Ringgit or foreign currency has been deposited with the Issuer, whereby it is repayable:
 - (a) to the bearer, upon presentation of the certificate to the Issuer through an Authorised Depository;
 - (b) on a specified future date (that is, maturity date), such date being less than 12 calendar months if the interest rate is determined every calendar months, or not less than 24 calendar months if the interest rate is determined every 6 calendar months and in multiples of three calendar months or six calendar months respectively, up to 120 calendar months, from the date of issue; and
 - (c) at the nominal value, which is in an amount of not less than RM100,000, and in multiples of RM50,000 up to a maximum of Five million (for foreign currency FRNID, this requirement shall also be applicable in Ringgit equivalent amount);
- (ii) It requires the Issuer to pay interest to the bearer upon presentation of the certificate through an Authorised Depository on the specified interest date

BNM/RH/GL 001-26	Financial Sector Development Department	Guidelines on Negotiable Instruments of Deposit	F 2
------------------	--	--	--------

determined coupon rate in per cent per annum, which is variable every three or six calendar months in accordance with variations of the relevant underlying asset(s) or indices respectively. However, FRNID products shall not contain elements which allow investors to take a speculative view on Ringgit exchange rate and shall not offer leveraged FRNID products containing multipliers;

- (iii) Its terms and conditions shall be as provided in these Guidelines; and
- (iv) It is drawn on a standard format as per Schedule IV of these Guidelines printed on security paper.

14.4.2 The tenure of an FRNID shall be divided into at least four interest periods, each of which shall have a duration of three calendar months or six calendar months.

14.4.3 All interest periods of an FRNID must be of equal duration in terms of either three or six calendar months or six calendar months.

14.4.4 The applicable interest rate in per cent per annum shall be predetermined up to the date of issue and investors should be made aware of the formula used as well as risks involved with the product, through proper disclosure statements in which the requirements are as per paragraph 14.4.7.

14.4.5 For the first interest period, the coupon rate shall be fixed on the date of issue. For subsequent periods, the applicable coupon rate for each interest period shall be determined on the basis of the underlying asset or index on the interest date.

14.4.6 If an interest date falls on a Saturday, Sunday or public holiday in Kuala Lumpur, the applicable coupon rate shall be determined on the basis of the underlying asset or index of the last business day preceding the interest date.

14.4.7 **Disclosure Requirements**

14.4.7.1 The following information must be made available to investors in relation to any issue, offer or invitation of FRNID:

- a) Risk disclosure statement highlighting the risk factors involved;
- b) Principle terms and conditions of the transaction;

BNM/RH/GL 001-26	Financial Sector Development Department	Guidelines on Negotiable Instruments of Deposit	F 2
------------------	--	--	--------

- d) Index/indices or underlying asset(s) used in the pre-agreed formula calculation;
- e) Balanced view (upside and downside) on price simulation (if any); and
- f) Highlighting that investors are accessible to information on the performance of the indices or underlying asset(s) at any time upon request.

14.4.7.2 The issuer must also highlight the following risk warning statement at the bottom of every page of any document released and/or any advertising medium used pertaining to an issue, offer or invitation for FRNID under these Guidelines:

“Depositors should be aware that this instrument is principal protected by the issuing bank upon maturity only. If the instrument is redeemed or sold PRIOR to maturity, the investor may face fees or costs which could result in the investor LOSING PART OR ALL of the initial deposit amount. The returns on this instrument are uncertain and the depositor risks earning no returns at all”

14.4.8 For FRNID that is based on KLIBOR, if on an interest determination date (that is, the interest date or the last business day preceding the interest date, whichever is applicable), some of the appointed contributors to the KLIBOR fixing fail to post their relevant interest, the KLIBOR shall be calculated by reference to the interest rate posted by other remaining contributors.

14.4.9 The Issuer must be prepared to certify the applicable coupon rate for a current interest period upon request by the bearer through his Authorised Depository.

14.4.10 The Issuer and the bearer may by mutual agreement terminate a FRNID on an interest payment date prior to the maturity of the FRNID.

14.4.11 On an interest date (not being the maturity date), the Authorised Depository, on behalf of the bearer, shall collect the coupon proceeds in two ways:

- (i) If the FRNID certificate is presented to the Issuer over-the-counter one day before the interest payment date, the Issuer shall pay the coupon proceeds

BNM/RH/GL 001-26	Financial Sector Development Department	Guidelines on Negotiable Instruments of Deposit	F 2
------------------	--	--	--------

presented on the interest payment date or after, the Issuer shall pay the proceeds by 5.30 p.m. on the day the certificate is presented; and

- (ii) If the NID is kept with the Issuer, a Debit Notification (DRN) must be sent to the Issuer one day before the interest payment date. Under such circumstances, the Issuer shall pay the coupon proceeds by 11.00 a.m. on the interest payment date. However, if the DRN is sent to the Issuer on the interest payment date or after, the Issuer shall pay the coupon proceeds by 5.30 p.m. on the day the DRN is received.

14.4.12 The coupon proceeds shall be computed as follows:

$$\text{Coupon Proceeds} = NV \times \left(\frac{CPN}{100} \right) \times \left(\frac{DCC}{365} \right)$$

(rounded to nearest 2 decimal places)

where,

NV = nominal value

CPN = coupon rate in per cent per annum

DCC = number of days in the interest period (include start date but exclude end-date)

Note:

For foreign currency FRNID, the day count basis can be based on either 365 or 360 depending on the currency's day-count convention.

14.4.13 In the event that an interest date (not being the maturity date) falls on a Sunday or a known public holiday, the coupon proceeds shall be payable on the next business day, if the latter falls within the same month. If the next business day crosses into the next month, the interest payment date shall be the preceding business day before the interest date.

14.4.14 In the event that the interest date becomes an unexpected holiday in Kuala Lumpur,

BNM/RH/GL 001-26	Financial Sector Development Department	Guidelines on Negotiable Instruments of Deposit	F 2
------------------	--	--	--------

day after the interest date, irrespective of whether the next business day crosses into the next month or not.

14.4.15 Regardless of whether the interest payment date is the interest date or otherwise the interest period shall still be equal to the number of days between the issue date (counted) and the first interest date (not counted) in the case of the first interest period, or between two consecutive interest dates (counting the start-date but excluding the end-date) in the case of the second and subsequent interest periods.

14.4.16 On the maturity date, the Authorised Depository, acting on behalf of the bearer, shall present the FRNID to the Issuer to collect the nominal value and coupon proceeds for the last interest period in accordance with Part II, paragraph 11.1.

14.4.17 The following example illustrates:

Example 1

A Ringgit FRNID was issued with the following features:

Issue Date : 9/2/2001 (Fri) Maturity Date : 9/2/2006 (Thurs)
 Nominal value : RM1,000,000 Coupon rate : 6 months KLIBOR + 0.1%
 Interest dates : 9 August and 9 February (in each year after issue date)

(i) On the issue date, KLIBOR was 7% p.a. For the first interest period (9/2/2001 to 9/8/2001) the coupon rate was therefore 7.1% p.a. Coupon proceeds for the period payable on 9/8/2001 was computed as follows:

$$\text{Coupon proceeds} = \frac{1,000,000 \times 7.1 \times 181}{36500} = \text{RM}35,208.22$$

BNM/RH/GL 001-26	Financial Sector Development Department	Guidelines on Negotiable Instruments of Deposit	F 2
------------------	--	--	--------

(ii) On the roll-over date on 9/8/2001, the coupon rate for the second interest period (9/8/2001 to 9/2/2002) is redetermined based on the 6 month KLIBOR. If KLIBOR was 7.2% p.a., the coupon rate would be 7.3% p.a. the second interest period.

Example 2
 A Ringgit FRNID was issued with the following features:
 Issue Date : 9/2/2001 (Fri) Maturity Date : 9/2/2006 (Thurs)
 Nominal value : RM1,000,000
 Coupon rate : (No. of days of USD/JPY index is within agreed range / no. of days in interest period) plus 6%
 Agreed range for index: 110.00 – 117.00
 Interest dates : 9 August and 9 February (in each year after issue date)

(i) For the first interest period (9/2/2001 to 9/8/2001), assuming the index is within the agreed range for 60 days. Therefore, coupon rate was therefore $(60\text{days}/181\text{days}) + 6\% = 6.33\%$. Coupon proceeds for the period payable on 9/8/2001 was computed as follows:

$$\text{Coupon proceeds} = \frac{1,000,000 \times 6.33 \times 181}{36500} = \text{RM}31,389.86$$

(ii) On the next subsequent interest period, the coupon rate shall be redetermined based on the coupon rate formula that was agreed upon earlier as per (i)

BNM/RH/GL 001-26	Financial Sector Development Department	Guidelines on Negotiable Instruments of Deposit	F 2
------------------	--	--	--------

PART IV TRADING GUIDELINES

15. Types of Trade

15.1 An NID may generally be traded in the secondary market on the following basis

- (i) Outright sale and purchase, which results in a transfer of ownership of the NID from the seller to the buyer, without recourse, other than to the Issuer;
- (ii) Purchase and redemption prior to maturity date by the Issuer of its own NID, which results in the premature liquidation of the NID; and
- (iii) Repurchase Agreement (repo), whereby the first seller and the first buyer respectively, undertake to repurchase and sell-back the NID, at an agreed price and on a specified future date.

15.2 A transaction in an NID may be undertaken for value "same day", "tomorrow", "next business day" or "forward".

16. Delivery and Settlement

16.1 The seller and the buyer shall respectively, forward a written notification to their Authorised Depositories on the sale and purchase of a NID and the identity of the counterparty, on a timely basis, so as to allow the seller's Authorised Depository sufficient time to deliver the NID to the buyer's Authorised Depository within the time stipulated in Schedule V.

16.2 Where both the buyer and the seller are approved interbank money market participants, delivery of the NID to the buyer's Authorised Depository may be made after settlement, if so agreed, but not later than the time and date given in Schedule V.

16.3 Where either the buyer or the seller is not an approved interbank money market participant, settlement shall be made upon delivery of the NID to the buyer's

BNM/RH/GL 001-26	Financial Sector Development Department	Guidelines on Negotiable Instruments of Deposit	F 2
------------------	--	--	--------

16.4 The cut-off times for settlement of trades through RENTAS shall be as follows:

- (i) For same day value trades,
Monday to Friday Deals transacted before 5.00 p.m. to be settled by 5.30 p.m.
- (ii) For forward value-dated trades, settlement for RENTAS member's own account must be made by 11.00 a.m. on value date.
- (iii) For third party payments*,
Monday to Friday Payments by 4.00 p.m.
(Third party payments refer to IFTS transactions where the beneficiary order party is a non-RENTAS member institution).*

16.5 All settlement of trades in RENTAS must be made in Ringgit. For FXNID, the settlement shall also be in Ringgit equivalent amount.

16.6 For settlement of trades outside RENTAS, settlement on the value date shall be made by means as mutually agreed by the buyer and seller.

17. **Outright Sale and Purchase**

17.1 An Issuer is encouraged, on request, to provide a quotation at which it is prepared to issue the relevant NID for specific original tenure(s).

17.2 Unless otherwise specified, a quotation by an Issuer for an interbank transaction shall be for a standard amount of RM5 million nominal value of the NID involved (for FXNID, this requirement shall also be applicable in Ringgit equivalent amount).

17.3 A licensed financial institution may act as a market maker for NID issued by another financial institution.

17.4 Unless otherwise specified, a quotation on another Issuer's NID for an interbank transaction shall be for a standard amount of RM5 million nominal value of the NID involved (for FXNID, this requirement shall also be applicable in Ringgit equivalent amount).

BNM/RH/GL 001-26	Financial Sector Development Department	Guidelines on Negotiable Instruments of Deposit	F 2
------------------	--	--	--------

17.5 A person shall not sell an NID to its Issuer and an Issuer shall not buy its own from another person, except under the circumstances given in paragraph 18.

18. Purchase and Redemption of Own NID

18.1 An Issuer may purchase and redeem its own NID prior to its maturity date, subject to the following conditions:

- (i) The NID has been issued and outstanding for at least 1 calendar month
- (ii) Where the NID is a FRNID, it may be redeemed prematurely by the Issuer only on an interest payment date.

18.2 Upon redemption, the NID shall be cancelled.

18.3 An Issuer is encouraged, on request, to provide a buy-back quotation for its own (except own FRNID).

19. NID with Callable Features

19.1 An Issuer may issue NID with callable features, subject to the following conditions:

- (i) It can only be callable after the NID has been issued and outstanding for at least 1 calendar month;
- (ii) Where the callable NID is a floating rate NID, it may be redeemed prematurely only on an interest payment date; and
- (iii) The call price and call schedule has been agreed upon on the issue date and shall remain until the maturity of the NID.

19.2 The NID shall be cancelled if it has been called by the Issuer.

BNM/RH/GL 001-26	Financial Sector Development Department	Guidelines on Negotiable Instruments of Deposit	F 2
------------------	---	---	--------

20. Computation of Proceeds

The proceeds of a sale/purchase transaction in an NID are generally derive follows:

Types of NID	Proceeds
SNID	Computed as per formula given in section 20.1
LNID	(Price x Nominal Value) + Accrued Interest
ZNID	Computed as per formula given in section 20.3
FRNID	(Price x Nominal Value) + Accrued Interest

20.1 Short-Term Negotiable Instruments of Deposit

20.1.1 An SNID is traded on a yield per annum basis, specified to two decimal places (example, 7.05 per cent per annum).

20.1.2 The proceeds to be paid by the buyer of an SNID is computed as follows:

$$\text{Proceeds} = NV \times \left[\frac{36500 + (CPN \times DIM)}{36500 + (YLD \times DSM)} \right]$$

(rounded to nearest 2 decimal places)

where,

- NV = nominal value
- CPN = coupon rate in per cent per annum
- YLD = yield in per cent per annum
- DSM = number of days from settlement date (counted) to maturity date (not counted)
- DIM = number of days between issue date (counted) and maturity date (not counted)

Note:

For foreign currency SNID, the day count basis can be based on either 360 or 365 depending on the currency's day-count convention.

BNM/RH/GL 001-26	Financial Sector Development Department	Guidelines on Negotiable Instruments of Deposit	F 2
------------------	---	---	-----

20.1.3 The following example illustrates:

A Ringgit SNID was issued with the following features:

Issue Date : 5/2/2002 (Tues) Maturity Date : 5/8/2002 (Mon)
 Nominal value : RM1,000,000 Coupon rate : 7.45% p.a.

The original bearer sold for same day value, the SNID at a yield of 7.5% p.a. to buyer on 3/5/2002, for proceeds computed as follows:

$$\begin{aligned} \text{Proceeds} &= RM1,000,000 \times \left[\frac{36500 + (7.45 \times 181)}{36500 + (7.50 \times 94)} \right] \\ &= RM1,017,294.72 \end{aligned}$$

20.2 Long-Term Negotiable Instruments of Deposit

20.2.1 An LNID is traded on price basis, whereby its principal value is quoted in terms “price per RM100 nominal value” specified to two decimal places (e.g. 99.90 or 100.15). For foreign currency LNID, the principal value is quoted in terms of “pri per FX100 nominal value” specified to two decimal places.

20.2.2 The proceeds to be paid by the buyer of an LNID shall be equal to the sum of the principal value (= Nominal value x Price) and interest accrued from the last inter date to the settlement date (or value date):

$$\text{Proceeds} = NV \times \left[\left(\frac{P}{100} \right) + \left\{ \left(\frac{CPN}{100} \right) \times \left\{ \frac{DCS}{DCC} \right\} \right\} \right]$$

where,

NV = nominal value
 P = price
 CPN = coupon rate in percent per annum

BNM/RH/GL 001-26	Financial Sector Development Department	Guidelines on Negotiable Instruments of Deposit	F 3
------------------	--	--	--------

DCS = number of days between the last interest date (counted) and settlement date (not counted)

DCC = number of days in the current interest period (always equal to calendar months) in which settlement takes place. [It should be noted that, if a first interest period with actual duration of less than 6 months is involved, the start-date for DCC should be backdated accordingly – refer to section 14.2.4 (i)]

Note:

For foreign currency LNID, the day count basis can be based on either 30/360 or 360 depending on the currency's day-count convention.

20.2.3 The following example illustrates:

A Ringgit LNID was issued with the following features:

Issue Date : 4/5/2001 (Fri) Maturity Date : 4/5/2006 (Thurs)
 Nominal value : RM1,000,000 Coupon rate : 8% p.a.
 Interest dates : 4 November and 4 May (in each year after issue)

The LNID was sold on 4 July 2001 at a price of RM99.95. The sale proceeds are computed as follows:

$$\begin{aligned}
 \text{Proceeds} &= RM1,000,000 \times \left[\left(\frac{99.95}{100} \right) + \left(\left\{ \frac{8\frac{1}{2}}{100} \right\} \times \left\{ \frac{61}{184} \right\} \right) \right] \\
 &= RM1,012,760.87 \\
 &\quad (\text{of which accrued interest} = RM13,260.87)
 \end{aligned}$$

BNM/RH/GL 001-26	Financial Sector Development Department	Guidelines on Negotiable Instruments of Deposit	F 3
------------------	---	---	-----

20.2.4 The price of an LNID can be computed as follows:

(i) When the LNID has one interest period or less to maturity,

$$\text{Price} = \left[\frac{RV + \left(\frac{CPN}{n}\right)}{1 + \left\{ \frac{DSM}{DCC} \right\} \times \left\{ \frac{YLD/n}{100} \right\}} \right] - \left[100 \left(\frac{CPN/n}{100} \times \frac{DCS}{DCC} \right) \right]$$

(rounded to nearest 2 decimal points)

where,

- RV = redemption value per RM100 nominal value or redemption value per FX100 nominal value (for foreign currency LNID)
- CPN = coupon rate in per cent per annum
- n = frequency of coupon payment per annum (either 2 or 4)
- DCS = number of days from previous interest date (counted) to settlement date (not counted)
- DSM = number of days from settlement date (counted) to maturity date (not counted)
- DCC = number of days from previous interest date (counted) to current interest date (not counted)
- YLD = yield in per cent per annum

Note:

For foreign currency LNID, the day count basis can be based on either 30 or 360 depending on the currency's day-count convention.

BNM/RH/GL 001-26	Financial Sector Development Department	Guidelines on Negotiable Instruments of Deposit	F 3
------------------	--	--	--------

(ii) When the LNID has more than one interest period to maturity,

$$\text{Price} = \left[\frac{RV}{\left(1 + \frac{YLD/n}{100}\right)^{n-1 + \frac{DSC}{DCC}}} \right] + \left[\sum_{k=1}^N \frac{CPN/n}{\left(1 + \frac{YLD/n}{100}\right)^{k-1 + \frac{DSC}{DCC}}} \right] - \left[100 \left(\frac{CPN/n}{100} \times \frac{DCS}{DCC} \right) \right]$$

(rounded to nearest
2 decimal places)

where,

- RV = redemption value per RM100 nominal value or redemption value per FX100 nominal value (for foreign currency LNID)
- CPN = coupon rate in per cent per annum
- YLD = yield in per cent per annum
- n = frequency of coupon payment per annum (either 2 or 4)
- DSC = number of days from settlement date (counted) to the current interest date (not counted)
- DCS = number of days from previous interest date (counted) to settlement date (not counted)
- DCC = number of days from previous interest date (counted) to current interest date (not counted)
- N = number of interest payments between settlement date and maturity date
- ∑ = summation symbol

Note:

For foreign currency LNID, the day count basis can be based on either 360 or 365 depending on the currency's day-count convention.

BNM/RH/GL 001-26	Financial Sector Development Department	Guidelines on Negotiable Instruments of Deposit	F 3
------------------	--	--	--------

20.3 Zero-coupon Negotiable Instruments of Deposit

20.3.1 A ZNID, with remaining maturity of less than 365 days or less than 360 days (for foreign currency ZNID that is based on 360 day-count convention), is traded on yield basis, specified to two decimal places (for example, 7.05 per cent per annum). For foreign currency ZNID, the day count basis shall either be based on 360 or 365 days depending on the currency's day-count convention.

20.3.2 A ZNID, with remaining maturity exceeding 365 days or exceeding 360 days (for foreign currency ZNID that is based on 360 day-count convention), is traded on price basis, whereby its principal value is quoted in terms of "price per RM100 nominal value" specified to two decimal places (for example, 98.88 or 103.52) or "price per FX100 nominal value" (for foreign currency ZNID) specified to two decimal places.

20.3.3 The proceeds to be paid by the buyer can be computed as follows:

- (i) When the remaining maturity of ZNID is less than 365 days or less than 360 days (for foreign currency ZNID that is based on 360 day-count convention)

$$\text{Proceeds} = \left[\frac{NV}{1 + \left(\frac{YLD \times DSM}{36500} \right)} \right]$$

(rounded to nearest 2 decimal places)

where,

- NV = nominal value
- DSM = number of days from settlement date (counted) to maturity date (not counted)
- YLD = yield in per cent per annum

Note:
For foreign currency ZNID, the day count basis can be based on either 360 or 365 days depending on the currency's day-count convention.

BNM/RH/GL 001-26	Financial Sector Development Department	Guidelines on Negotiable Instruments of Deposit	F 3
------------------	--	--	--------

- (ii) When the remaining maturity of ZNID exceeds 365 days or exceeds 360 (for foreign currency ZNID that is based on 360 day-count convention),

$$\text{Proceeds} = NV \times \frac{P}{100}$$

(rounded to nearest
2 decimal places)

where,

NV = nominal value
 P = price

20.3.4 The following example illustrates:

- (i) When the remaining maturity of a Ringgit ZNID is less than 365 days,

A Ringgit ZNID was issued with the following features:

Issue Date : 7/2/2000 (Mon) Maturity Date : 7/2/2002 (Thurs)

Nominal value : RM1,000,000

The ZNID was sold on 4 September 2001 at a yield of 7.5% p.a. The sale proceeds are computed as follows:

$$\text{Proceeds} = \left[\frac{1,000,000}{1 + \left(\frac{7.5 \times 156}{36500} \right)} \right]$$

$$= \text{RM968,940.80}$$

BNM/RH/GL 001-26	Financial Sector Development Department	Guidelines on Negotiable Instruments of Deposit	F 3
------------------	--	--	--------

- (ii) When the remaining maturity of a Ringgit ZNID exceeds 365 days,

A Ringgit ZNID with a nominal value of RM1,000,000 is purchased at a price of RM95.00. The proceeds to be paid by the buyer is computed as follows:

$$\begin{aligned} \text{Proceeds} &= RM1,000,000 \times \frac{95}{100} \\ &= RM950,000 \end{aligned}$$

20.3.5 The price of a ZNID can be computed as follows:

- (i) When the remaining maturity of ZNID is less than 365 days or less than days (for foreign currency ZNID that is based on 360 day-count convent

$$\text{Price} = \left[\frac{RV}{1 + \left(\frac{YLD \times DSM}{36500} \right)} \right]$$

(rounded to nearest
2 decimal places)

where,

- RV = redemption value per RM100 nominal value or redemption value per FX100 nominal value (for FXNID)
- DSM = number of days from settlement date (counted) to maturity date (not counted)
- YLD = yield in per cent per annum

Note:

For FXNID, the day count basis can be based on either 365 or 360

BNM/RH/GL 001-26	Financial Sector Development Department	Guidelines on Negotiable Instruments of Deposit	F 3
------------------	--	--	--------

- (ii) When the remaining maturity of ZNID exceeds 365 days or exceeds 360 (for foreign currency ZNID that is based on 360 day-count convention),

$$\text{Price} = \left[\frac{RV}{\left(1 + \frac{YLD/n}{100}\right)^{N-1 + DSC/DCC}} \right]$$

(rounded to nearest
2 decimal places)

where,

- RV = redemption value per RM100 nominal value or redemption value per FX100 nominal value (for FXNID)
- YLD = yield in per cent per annum
- n = frequency of coupon payment per annum (either 2 or 4)
- DCC = number of days in quasi-coupon interest period (start-date counted and end-date not counted)
- DSC = number of days from settlement date (counted) to next quasi coupon date (not counted)
- N = number of quasi coupon periods between settlement date (counted) and maturity date (not counted)

Note:

For foreign currency ZNID, the day count basis can be based on either 365 or 360 depending on the currency's day-count convention.

BNM/RH/GL 001-26	Financial Sector Development Department	Guidelines on Negotiable Instruments of Deposit	F 3
------------------	---	---	-----

20.4 Floating Rate Negotiable Instruments of Deposit

20.4.1 An FRNID is traded on a price basis, whereby its principal value is quoted in ter “price per RM100 nominal value” specified to two decimal places (for example, 99.95). For foreign currency FRNID, the principal value is quoted in terms of “pr per FX100 nominal value” specified to two decimal places.

20.4.2 The amount of proceeds to be paid by the buyer shall be equal to the principal \ (= Nominal value x Price) plus accrued interest for the number of days from the date or an interest date to the settlement date, which can be computed as follow

$$\text{Proceeds} = NV \left[\left(\frac{P}{100} \right) + \left(\frac{CPN \times DCS}{36500} \right) \right]$$

(to the nearest 2 decimal places)

where,

- NV = nominal value
- P = price per RM100 nominal value
- CPN = current coupon rate
- DCS = number of days from the issue date or interest date (whichev applicable) to the settlement date (start-date counted and en date not counted)

Note:

For foreign currency FRNID, the day count basis can be based on eithe 365 or 360 depending on the currency’s day-count convention.

BNM/RH/GL 001-26	Financial Sector Development Department	Guidelines on Negotiable Instruments of Deposit	F 3
------------------	--	--	--------

20.4.3 The following example illustrates:

A Ringgit FRNID was issued with the following features:

Issue Date : 1/3/2000 (Wed) Maturity Date : 1/3/2005 (Tues)
 Nominal value : RM1,000,000 Coupon rate : KLIBOR + 0.25% p.a.
 Interest dates : 1 September and 1 March (in each year after issue date)

On the first interest date of 1 September 2000, KLIBOR was 7.6% p.a. The coupon rate was then fixed at 7.85% p.a. The FRNID was sold for value 2 October 2000 at a price of RM99.95. The proceeds to be paid by the buyer would be computed as follows:

$$\begin{aligned} \text{Proceeds} &= RM1,000,000 \left[\left(\frac{99.95}{100} \right) + \left(\frac{7.85 \times 31}{36500} \right) \right] \\ &= RM1,006,167.12 \end{aligned}$$

Note: There are a number of approaches to comparing the relative value of floating rate instruments like the FRNID. Market participants are encouraged to express the relative value of FRNIDs in terms of the effective spread above the reference rate.

BNM/RH/GL 001-26	Financial Sector Development Department	Guidelines on Negotiable Instruments of Deposit	F 3
------------------	--	--	--------

21. Repurchase Agreements (Repo and Reverse repo)

21.1 An NID may be sold under a repurchase agreement, subject to the following restrictions:

- (i) An Issuer shall not “buy-back” its own NID under a reverse repo;
- (ii) The tenure of the repo and reverse repo is within the tenure of the NID;
- (iii) The repo and reverse repo are undertaken within any other prevailing restrictions on such transactions imposed by the Bank.

21.2 The amount of proceeds receivable by the first seller of the NID in a repurchase agreement transaction shall not exceed the nominal value or the initial cost of acquisition, whichever is lower.

21.3 Repo on a pool basis is allowed subject to the following conditions:

- (i) The NID pledged to a pool are segregated from the other NID;
- (ii) Proper control, measures and documentation are in place to avoid “double tagging” of the NID;
- (iii) Ensure sufficient NID (security coverage) within a pool to back an amount of repo i.e. total repo amount outstanding should not exceed the book value or fair value, whichever is lower, of NID in the pool (including the margin);
- (iv) The NID in the pool shall be continuously marked to market and replenished or substituted, if need be.

21.4 An NID, which is the subject of a repurchase agreement, is not required to be delivered, unless otherwise agreed by the two transacting parties.

21.5 A licensed financial institution may provide, on a regular basis, a two-way quota

BNM/RH/GL 001-26	Financial Sector Development Department	Guidelines on Negotiable Instruments of Deposit	F 4
------------------	--	--	--------

21.6 The cost of a repo is computed on the following basis:

$$\text{Cost} = \frac{RPR \times RPP \times RPV}{36500}$$

(rounded to nearest
2 decimal places)

where,

RPR = repo rate in per cent per annum

RPP = tenure of the repo that is, number of days from sale date
(counted) to the repurchase date (not counted)

RPV = repo value of the NID that is, the amount of proceeds to be
received by the seller

Note:

For FXNID, the day count basis can be based on either 365 or 360
depending on the currency's day-count convention.

21.7 The repurchase proceeds of an NID at the end of the agreement is computed
follows:

$$\text{Repurchase Proceeds} = RPV \left[1 + \left(\frac{RPR \times RPP}{36500} \right) \right]$$

where,

RPV = repo value of the NID

RPR = repo rate in per cent per annum

RPP = tenure of the repo

Note:

For FXNID, the day count basis can be based on either 365 or 360
depending on the currency's day-count convention.

BNM/RH/GL 001-26	Financial Sector Development Department	Guidelines on Negotiable Instruments of Deposit	F 4
------------------	--	--	--------

21.8 The following example illustrates:

A six-month (182 days) Ringgit SNID with a remaining maturity of 90 days and bearing a nominal value (NV) of RM1,000,000 and a coupon rate of 7 per cent is sold on a repo basis with the following terms:

Repo rate (RPR) : 6.55 % p.a.
 Repo value (RPV) : Nominal value
 Repo tenure (RPP) : 6 days

The repo cost to the seller is computed as follows:

$$\begin{aligned} \text{Cost} &= \frac{6.55 \times 6 \times 1,000,000}{36500} \\ &= \text{RM1,076.71} \end{aligned}$$

The repurchase proceeds is computed as follows:

$$\begin{aligned} \text{Repurchase Proceeds} &= 1,000,000 \left[1 + \left(\frac{6.55 \times 6}{36500} \right) \right] \\ &= \text{RM1,001,076.71} \end{aligned}$$

21.9 Detailed calculations on repo are provided in Appendix V of the Rules on Bond Information and Dissemination System (BIDS) and Guidance Notes On Repurchase Agreement Transactions.

BNM/RH/GL 001-26	Financial Sector Development Department	Guidelines on Negotiable Instruments of Deposit	F 4
------------------	--	--	--------

SCHEDULE I

Approved Issuers and Authorised Depositories of Negotiable Instruments of Dep

Commercial Banks

1. ABN Amro Bank Berhad
2. Affin Bank Berhad
3. Alliance Bank Malaysia Berhad
4. AmBank (M) Berhad
5. Bangkok Bank Berhad
6. Bank of America Malaysia Berhad
7. Bank of China (Malaysia) Berhad
8. Bank of Tokyo-Mitsubishi UFJ (Malaysia) Berhad
9. CIMB Bank Berhad
10. Citibank Berhad
11. Deutsche Bank (Malaysia) Berhad
12. EON Bank Berhad
13. Hong Leong Bank Berhad
14. HSBC Bank Malaysia Berhad
15. J.P. Morgan Chase Bank Berhad
16. Malayan Banking Berhad
17. OCBC Bank (Malaysia) Berhad
18. Public Bank Berhad
19. RHB Bank Berhad
20. Standard Chartered Bank Malaysia Berhad
21. The Bank of Nova Scotia Berhad
22. United Overseas Bank (Malaysia) Berhad

Merchant Banks

1. Affin Investment Bank Berhad
2. Alliance Investment Bank Berhad
3. AmInvestment Bank Berhad
4. Aseambankers Malaysia Berhad
5. CIMB Investment Bank Berhad
6. MIMB Investment Bank Berhad
7. Public Investment Bank Berhad
8. RHB Investment Bank Berhad

BNM/RH/GL 001-26	Financial Sector Development Department	Guidelines on Negotiable Instruments of Deposit	F 4
-------------------------	--	--	----------------

11. KAF Investment Bank Berhad
12. OSK Investment Bank Berhad

BNM/RH/GL 001-26	Financial Sector Development Department	Guidelines on Negotiable Instruments of Deposit	F 4
------------------	--	--	--------

SCHEDULE II

Fees and Charges

An Issuer and an Authorised Depository may only levy the following fees and charges in relation to Negotiable Instruments of Deposit:

Services	Payable		Maximum Rate of Charge
	By	To	
(i) Delivery of certificate to Authorised Depository which is another institution at primary issue	Depositor	Issuer	RM5 per certificate
(ii) Splitting/Combining denomination(s)	Bearer	Issuer	RM3 per certificate
(iii) Replacement of lost or damaged certificate(s)	Authorised Depository Responsible	Issuer	RM3 per certificate
(iv) Maintenance of depository account	Bearer (customer)	Authorised Depository	RM50 per half year
(v) Delivery of certificate from seller's Authorised Depository to buyer's Authorised Depository	Seller	Seller's Authorised Depository	RM5 per certificate

BNM/RH/GL 001-26	Financial Sector Development Department	Guidelines on Negotiable Instruments of Deposit	F 4
------------------	--	--	--------

SCHEDULE III

Specimen Negotiable Instruments of

		NEGOTIABLE INSTRUMENTS OF D	
		(1)	
Certificate Number	(2)	Logo	
Date of Issue	DD-MM-YYYY	COMMERCIAL MERCHANT BANKING BERHAD	
Date of Maturity	DD-MM-YYYY		
Coupon Rate (Per cent per annum)	(3)		
<p>This certifies that a sum in Ringgit / foreign currency (whichever applicable) has been deposited with Co upon terms that the nominal value shall be payable on the date of maturity to the bearer upon surrender listed in the Schedule of Authorised Depositories specified in the "Guidelines on Negotiable Instruments Negara Malaysia. The terms and conditions of this instrument shall be as provided in the Guidelines. Th Malaysia</p>			

210 mm

BNM/RH/GL 001-26	Financial Sector Development Department	Guidelines on Negotiable Instruments of Deposit	F 4
------------------	--	--	--------

Completing the Specimen Format

The Issuer shall complete the certificate by inserting the relevant terms in the shaded spaces.

- (1) Insert the appropriate instrument type:
 - (i) Short-term Negotiable Instruments of Deposit
 - (ii) Long-term Negotiable Instruments of Deposit
 - (iii) Zero-coupon Negotiable Instruments of Deposit
 - (iv) Floating Rate Negotiable Instruments of Deposit

- (2) Insert the number assigned to the certificate. Each Issuer may have its own numbering system, provided that the system should ensure that the certificates logically and serially sequenced. Otherwise, insert "N.A.", if the control system is based only on the pre-printed "Serial No:xxxxxxx".

- (3) Insert the coupon rate (per cent per annum), if the instrument pays coupon, otherwise, the space should be filled as 'Zero' or "Nil". Where the instrument is FRNID, the space should be filled in accordance with the coupon rate formula agreed upfront.

- (4) Insert the nominal value of the instrument.

- (5) Insert the interest dates (without the year) as follows:
 - (i) For an SNCD, insert date of maturity (without the year);
 - (ii) For an LNCD, insert the two interest dates in the top two boxes if interest payment is semi-annual or all 4 interest dates in the 4 boxes, if the interest payment is quarterly;
 - (iii) For a ZNCD, insert "Nil" or "N/A" in all the 4 boxes; and
 - (iv) For an FRNID, insert the two interest dates in the top two boxes if interest payment is semi-annual or all 4 interest dates in the 4 boxes, if the interest payment is quarterly.

- (6) This space is provided for the signature(s) of the authorised signatory(ies) of the Issuer.

BNM/RH/GL 001-26	Financial Sector Development Department	Guidelines on Negotiable Instruments of Deposit	F 4
------------------	--	--	--------

SCHEDULE IV

Delivery of Negotiable Instruments of Deposit

Trade Value	Latest Delivery Time	Delivery Date	
		Interbank Transaction	Non-Interbank Transaction
Same Day	3.00 p.m. (Mon – Fri)	Value date + 1 working day	Value date
Tomorrow	3.00 p.m. (Mon – Fri) 11.00 a.m. (Sat)	Value date + 1 working day	Value date
Spot	3.00 p.m. (Mon – Fri) 11.00 a.m. (Sat)	Value date + 1 working day	Value date
Forward	3.00 p.m. (Mon – Fri) 11.00 a.m. (Sat)	Value date + 1 working day	Value date

