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OVERVIEW

1. **Background**

1.1 The purpose of the Guidelines is to specify the application of late payment charges that comprise two elements, namely compensation (ta’widh) and penalty (gharamah) for all Islamic financial products and services, as well as to enhance product transparency and disclosure requirements.

2. **Applicability**

2.1 The Guidelines are applicable to:

   (i) Islamic banks licensed under section 3(4) of the Islamic Banking Act 1983 (IBA);

   (ii) Banking institutions participating in the Islamic Banking Scheme (IBS) licensed under the Banking and Financial Institutions Act 1989 (BAFIA);

   (iii) Development financial institutions prescribed under the Development Financial Institutions Act 2002 (DFIA); and

   (iv) International Islamic banks that operate either as a subsidiary or as a branch.

   [The institutions are hereafter referred to as “Islamic banking institutions” (IBI)].

3. **Legal provision**

3.1 The Guidelines are issued pursuant to section 53(A) of the IBA, Section 126 of BAFIA, Section 126 of DFIA, and Section 59 and 53 of the Central Bank of Malaysia Act 2009.

3.2 The Guidelines shall be read together with the:

   (i) Guidelines on Product Transparency and Disclosure;

   (ii) Guidelines on the Imposition of Fees and Charges on Financial Products and Services; and
(iii) Other relevant regulations, guidelines or circulars that Bank Negara Malaysia may issue from time to time.

4. Effective date/Implementation date

4.1 The effective date of the guidelines is 1 January 2012.

PART 1: LATE PAYMENT CHARGE

5. Guiding principles

5.1 The objective of the Guidelines is to provide guidance to the IBIs on the mechanism of late payment charges that applies the concept of ta’widh (compensation) and gharamah (penalty). In the context of the Guidelines, ta’widh refers to the amount that may be compensated to the IBI based on the actual loss incurred due to default, whilst gharamah refers to the penalty charged on the defaulters over and above the ta’widh.

5.2 The imposition of the late payment charges shall be implemented based on the following principles:

5.2.1. Principle 1: Combined late payment charge

The IBI may impose a combined late payment charge comprising ta’widh and gharamah up to a prescribed limit.

The maximum combined late payment charge that can be imposed by the IBI need to be approved by the Bank¹.

(i) The combined rate shall be capped at the IBI’s respective Average Financing Rate (AFR) based on the product and type of customer. The combined rate cap shall be based on the AFR at

¹ The approval requirements in the guidelines should be read concurrently with the policy requirements in paragraphs 5.1, 5.5 to 5.7 of the Guidelines on the Imposition of Fees and Charges on Financial Products and Services.
the point of default computed on a monthly basis. (Refer to the illustration in Appendix I).

(ii) The combined rate imposed shall not:
   a) exceed the cost/interest on default borne by an equivalent customer under conventional finance. The IBIs may use available industry benchmark as a reference for conventional rates; and
   b) be compounded on the overdue instalments or outstanding principal amount. (Refer to the illustration in Appendix I).

(iii) The IBIs are accorded flexibility to structure the components of the combined late payment charges for different financial contracts and/or products, subject to the limits as determined above.

Diagram 1.1 Late payment charge structure

(iv) The IBIs are required to submit their applications to the Bank in writing, explaining the justification for the imposition of the revised late payment charges, conditions under which the new late

---

2 E.g. If the account payment is due on the 4th of each month, the IBI may impose a late payment charge at a combined rate not exceeding the prevailing AFR rate of the particular product/contract on each month of default.

3 This requirement is applicable to the late payment charge imposed on small and medium enterprises (SMEs, as per definition of SME by the National SME Development Council) and/or individuals only and excludes corporate accounts.
payment charges may be imposed, and enclose a communication plan after it is endorsed by the respective Shariah Committee.

For the purpose of initial adoption of the guidelines, the IBIs are required to submit an application for all changes to the late payment charges of the respective Islamic financial product(s), if any, using the format of application provided as per Appendix II 4.

(v) For credit card-i, IBIs are required to adhere to the late payment charge rates as prescribed in the Credit Card-i Guidelines 5.

5.2.2. Principle 2: Ta’widh

The IBI shall be compensated up to the amount of actual loss incurred as a direct result of the delay in repayment or default by the customer.

The IBIs are allowed to be compensated by way of ta’widh up to (or equivalent to) the actual amount of losses incurred by the IBIs, subject to the overall combined rate limit. In determining the compensation rate of actual loss incurred, the IBIs are required to observe the reference rate as prescribed by the Bank as follows:

(i) The actual loss to be compensated from any default payment, from the date of payment until the maturity date shall not be more than 1% per annum:

a) on the overdue instalments of the Islamic financial product in the case of default of scheduled payments (Diagram 2.1); or

b) on outstanding balance (subject to ibra’ if applicable) of the Islamic financial product in the case of default causing the entire facility to be recalled or brought to court for judgement prior to maturity (Diagrams 2.2 and 2.3).

---

4 Any revision to the late payment charge may be made using the form available in the ‘Guidelines on the Imposition of Fees and Charges on Financial Products and Services’.

5 Except for the prescribed rate for late payment charge as in the Credit Card-i Guidelines, IBIs are expected to comply with the remaining requirements of these guidelines.
(ii) The actual loss to be compensated from default payment which exceeded the maturity date shall not be more than the prevailing daily overnight Islamic Interbank rate (IIMM)\(^6\) on the outstanding balance (subject to ibra‘ if applicable) of the Islamic financial product (Diagrams 2.4 to 2.6).

(iii) The reference rate for the actual loss shall be determined at the point of default, computed on a monthly basis from the payment due date\(^7\). (Refer to the illustration in Appendix I).

(iv) The ta‘widh earned shall also be included in the computation of profit distributable to depositors/investment income holders.

Diagram 2.1

**Default and regularise payment before maturity**

<table>
<thead>
<tr>
<th>1st Facility Drawdown</th>
<th>Non-payment</th>
<th>Payment regularised</th>
<th>Maturity Date</th>
</tr>
</thead>
</table>
| \[ \text{Late payment charge:} \]
| \[ \text{Max } C^* = AFR \]
| \[ \text{Max } T^* = 1\% \]

Diagram 2.2

**Default and settlement before maturity**

| 1st Facility Drawdown | Non-payment | Facility recalled | Settlement | Maturity Date |
|-----------------------|-------------|------------------|------------|
| \[ \text{Late payment charge:} \]
| \[ \text{Max } C^* = AFR \]
| \[ \text{Max } T^* = 1\% \]

---

\(^6\) The IIMM rate: defined as the daily weighted average for overnight rate of the Mudharabah interbank investment at the Islamic Interbank Money Market, has been agreed by the Shariah Advisory Council to be the reference rate for actual loss, post maturity. The IIMM rate can be sourced from the IIMM website http://iimm.bnm.gov.my/index.php.

\(^7\) E.g. If the account payment due date is on the 4\(^{th}\) of each month, for any default prior to maturity the IBI may be compensated (ta‘widh) up to a maximum of 1%. For any default post maturity the IBI may be compensated (ta‘widh) up to a maximum of the daily overnight Islamic Interbank rate (IIMM) determined on the 4\(^{th}\) of each month of default.
Diagram 2.3

**Default leading to judgement before maturity**

1st Facility
Drawdown

Non-payment → Judgement → Settlement

Late payment charge:
Max “C” = AFR 
Max “T” = 1%

Diagram 2.4

**Default and settlement after maturity**

1st Facility
Drawdown

Maturity Date/Due Date → Non-payment

Late payment charge:
Max “C” = AFR% 
Max “T” = IIMM%

Diagram 2.5

**Default before maturity and settlement after maturity**

1st Facility
Drawdown

Non-payment → Facility recalled → Maturity Date → Settlement

Late payment charge:
Max “C” = AFR 
Max “T” = 1%

Diagram 2.6

**Default leading to judgement after maturity**

1st Facility
Drawdown

Non-payment → Maturity Date → Judgement → Settlement

Late payment charge:
Max “C” = AFR% 
Max “T” = IIMM%
5.2.3. Principle 3: Gharamah

The gharamah shall be channelled to charitable organisation(s) approved by the IBI’s Shariah Committee.

The gharamah (the difference between the combined rate and ta’widh) is a means of deterrent for defaulters against delays in repayment or defaults. Shariah does not allow gharamah to be recognised as a source of income for the IBIs, as opposed to ta’widh, and therefore, all gharamah amounts must be channelled to charitable organisation(s). Any means to define and record gharamah as an income to the IBI shall be deemed to be non-Shariah compliant.

(i) The IBIs are required to maintain a separate gharamah account from ta’widh to facilitate proper administration and governance of the accounts. This is to allow better monitoring and identification of the source and utilisation of gharamah for distribution to charitable organisation(s).

(ii) The IBIs are required to disclose in its financial statements, as well as in the financing contracts to the customers on the use of gharamah amount for charitable purposes.

(iii) The Shariah Committee of the respective IBIs is required to exercise its oversight function to ensure the appropriate management, allocation and timely distribution of gharamah to approved benefactors/charitable organisation(s). The Shariah Committee is expected to advise and determine the appropriate recipient(s) of the funds.

(iv) The IBIs are required to submit a report to Jabatan Perbankan Islam dan Takaful, Bank Negara Malaysia, on the gharamah allocation made by the IBI on an annual basis in conjunction with their annual financial report submissions.
(v) The IBIs are expected to be objective in the administration of the gharamah and should not be seen or implied at any point of time that it is benefiting from the management or distribution of the gharamah e.g. charging fees for the management of the account, using gharamah distribution as an advertisement/promotional campaign for the IBIs, distributing gharamah to recipient(s) which will cause IBIs to incur direct or indirect financial benefit.

6. Operational requirements

6.1 In the implementation of the guidelines, the IBIs are expected to act judiciously and to ensure that the late payment charges are imposed only on negligent defaulters\(^8\). The IBI is expected to implement and enforce clear policies and procedures to ensure that defaulters with genuine financial difficulties are given due consideration. Such procedures should include parameters in determining defaulters with genuine cases for consideration and all viable options in assisting the defaulter e.g. appeal or waiver over charges. Such procedures must be made aware to the customers and adequate training must be provided to staff dealing with the customers.

6.2 The combined late payment charge mechanism shall apply to all types of contracts that result in a financial obligation or commitment between the IBI and the customer.

6.3 The computation for the late payment charges shall be on a daily rest basis. (Refer to the illustration in Appendix I).

6.4 The accumulated combined late payment charges shall not exceed 100 percent of the outstanding principal amount. For example, if the outstanding principal amount is $1000, the accumulated late payment charges should not exceed $1000.

---

8 A default is considered to arise from negligence when it occurs despite there being no reasonable mitigating circumstances that would prohibit the customer from making prompt payments. Reasonable mitigating circumstances may include cash flow problems, unemployment, abandoned projects and loss of property due to natural disaster, fire or other related catastrophes and customers who have not abused the financing facilities or cases with good merit.
principal is RM50,000 the total cumulative combined late payment charges amount must not be more than RM50,000.

6.5 The Bank reserves the right to require further information in addition to those prescribed in Appendix II, in order to assist in its deliberation.

6.6 The IBIs must ensure that the customers are duly informed of any revised fees at least 21 days before the effective date. In addition, the IBIs must ensure that the frontline staff is aware of the policy intent and why changes were made.

7. Governance

7.1. The IBIs are required to comply with the following governance requirements upon the implementation of the guidelines:

7.1.1. Board of Directors undertaking

The Board of Directors (Board) must ensure that the IBI has satisfied all the requirements of the guidelines, including putting in place appropriate controls and safeguards to monitor and determine the ta’widh, garamah and combined rates, and ensuring capability of the information system and the IBI’s compliance with Shariah rulings.

7.1.2. Shariah Committee undertaking

The Shariah Committee must ensure that they are satisfied with the controls that are put in place to determine and monitor the late payment charges, especially on the ta’widh and garamah, and that they are in compliance with the Shariah rulings.

7.1.3. Information system capability

For the purpose of monitoring and recording of ta’widh and garamah, IBIs are required to put in place appropriate information system to ensure accurate computation and record-keeping. This will enable the
IBIs to undertake diligent and proper management of *ta'widh* charged on the customer and *gharamah* that has been channelled to charitable organisation(s).

### 8. Disclosure requirements

8.1 The IBIs shall recognise the *ta'widh* charges as ‘Non profit income’ in the income statement.

8.2 The receipt of *gharamah* that the IBIs have committed to distribute shall be recognised as ‘Other liabilities’ in the balance sheet. The utilisation of *gharamah* received for charitable purposes shall be disclosed in the notes to accounts for ‘Sources and uses of donations/charities fund’ (Appendix III). The *gharamah* received (but yet to be distributed) may not be invested by the IBIs.

8.3 The Shariah Committee is required to disclose its oversight function over the management and distribution of the donation/charity fund in the Shariah Committee report.

8.4 The IBIs are required to comply with the disclosure requirements specified in the ‘Guidelines on the Imposition of Fees and Charges on Financial Products and Services’.
PART 2: POST JUDGEMENT DEBT

9. Guiding principles

9.1 The purpose of this part is to provide guidance to IBIs on the mechanism of late payment charge on judgement debt.

9.2 The court may include in its decision on the judgement amount awarded, a late payment charge to be imposed on the judgement debtor\(^9\) for any delays in payment to the judgement creditor\(^10\), subsequent to the judgement.

9.3 The Shariah Advisory Council has resolved\(^11\) that the court may impose a late payment charge on judgement debt as decided by the court on cases involving Islamic financial transactions. Following this resolution, IBIs are required to adopt the policy in the following manner:

9.3.1 Late payment charge

The court may impose a late payment charge at the rate as provided by the rules of the court. The imposition of late payment charge is based on the combination of ta’\(\text{widh}\) (compensation) and gharamah (penalty) mechanism.

9.3.2 Ta’\(\text{widh}\)

The judgement creditor can be compensated for the actual loss based on ta’\(\text{widh}\). The ta’\(\text{widh}\) rate for the judgement creditor is the prevailing daily overnight Islamic Interbank rate (IIMM)\(^12\) on the judgement amount awarded. The actual loss, where applicable, excludes the court’s order for cost.

---

\(^9\) A judgement debtor is a party against which a court has made a monetary award.

\(^10\) A judgement creditor is a party to which a debt is owed that has proved the debt in a legal proceeding and that is entitled to use judicial process to collect the debt.

\(^11\) Resolution achieved during its 13\(^{th}\) special meeting held on 25 July 2011.

\(^12\) The IIMM rate; defined as the daily weighted average for overnight rate of the Mudharabah interbank investment at the Islamic Interbank Money Market, has been agreed by the Shariah Advisory Council to be the reference rate for actual loss, post judgement debt. The IIMM rate can be sourced from the IIMM website http://iimm.bnm.gov.my/index.php.
(i) In instances where the IBI is a judgement creditor and a late payment charge is imposed, the IBI is expected to submit to the court a claim on the ta’widh only, not exceeding the IIMM rate prescribed.

(ii) If the amount of ta’widh is equivalent to or exceeds the total amount of late payment charge, the total amount of late payment charge may be taken by the judgement creditor as compensation.

(iii) If the amount of ta’widh is less than the total amount of late payment charge, the difference will be treated as gharamah.

9.3.3 Gharamah

Gharamah is imposed as a preventive measure against late payment by the judgement debtor. The gharamah is the difference between the late payment charge and ta’widh, which is the balance if ta’widh is less than the amount of late payment charge.

(i) The judgement creditor is required to channel the amount of gharamah to charitable organisation(s). The administration of gharamah to approved benefactors/chartable organisation(s) shall be determined by the Shariah Committee.

(ii) The IBI is required to submit a report to Jabatan Perbankan Islam dan Takaful, Bank Negara Malaysia, on the gharamah allocation made by the IBI, on an annual basis in conjunction with their annual financial report submissions.

10. Operational requirements

10.1 The late payment charge rate shall be applied to the basic judgement sum awarded, from the date of the judgement is made until the judgement debt is fully settled by the judgement debtor to the judgement creditor. (Refer to the illustration in Appendix IV).
(i) The basic judgement sum refers to the outstanding balance (subject to ibra’ if applicable)\(^\text{13}\), and does not include the late payment charges before the judgement and other costs.

(ii) The accumulated late payment charge shall not exceed the outstanding principal of the judgement sum awarded. For example, if the outstanding principal is RM100,000, the cumulative late payment charge shall not be more than RM100,000.

(iii) The late payment charge shall not be compounded on the basic judgement sum awarded.

(iv) The *ta’widh* rate shall be determined on the date of the judgement, and reviewed monthly from the date of the judgement.

(v) The late payment charge and *ta’widh* amounts shall be computed on a daily rest basis. (Diagrams 3.1 and 3.2)

### Diagram 3.1

**Judgement before maturity**

<table>
<thead>
<tr>
<th>1st Facility Drawdown</th>
<th>Non-payment</th>
<th>Judgement</th>
<th>Settlement</th>
<th>Maturity Date</th>
</tr>
</thead>
</table>

\[
\text{Late payment charge:} \\
\text{Max } "C" = AFR \\
\text{Max } "T" = 1\% \\
\text{Late payment charge:} \\
"C" = X\% \\
\text{Max } "T" = II MM\%
\]

X% refers to rate as determined by rules of the court.

---

\(^{13}\) The outstanding balance is equivalent to the sum of outstanding principal and earned profit computation.
11. **Financial Reporting requirements**

11.1 The IBIs are expected to comply with the financial reporting requirements as prescribed in paragraph 8 above.

12. **Compliance**

12.1 The IBI shall at any time prior to the implementation date of the guidelines confirm the status of compliance with the requirements of the guidelines in writing. The written communication shall include the following:

(i) Attestation by the Board of Directors that all requirements of the Guidelines have been met including governance requirements in paragraph 7 of the Guidelines.

(ii) Brief description of the changes, if any to the IBI’s late payment charges policy.

The IBI is required to submit the confirmation letter once upon initial implementation of the guidelines only. The letter shall be submitted to both Jabatan Perbankan Islam dan Takaful and Jabatan Konsumer dan Amalan Pasaran, Bank Negara Malaysia.
If the IBI fails to satisfy any of the guidelines’ requirement prior to the specified implementation date, the IBI is required to revert to the Bank with its plan and timeline for compliance.

APPENDIX Ia: Illustration of late payment charges (before maturity date)

<table>
<thead>
<tr>
<th>Product name</th>
<th>BBA Home Financing-i (Retail)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank’s principal</td>
<td>RM100,000</td>
</tr>
<tr>
<td>Bank’s selling price</td>
<td>RM158,520</td>
</tr>
<tr>
<td>Monthly instalment</td>
<td>RM1,321</td>
</tr>
<tr>
<td>Payment due date</td>
<td>4th of the month</td>
</tr>
<tr>
<td>Financing profit rate</td>
<td>10%p.a.</td>
</tr>
<tr>
<td>Late payment charge (C)(^{14})</td>
<td>C e.g. AFR</td>
</tr>
<tr>
<td>Ta’widh (compensation) (T)(^{15})</td>
<td>T = 1% (before maturity date)</td>
</tr>
<tr>
<td>Gharamah (penalty) (G)</td>
<td>G = {C - T}</td>
</tr>
</tbody>
</table>

1. Formula for combined late payment charge on overdue instalment(s) is as follows:

\[
\text{Overdue instalment(s)} \times \text{Combined rate}^{16} \times \frac{\text{No. of Overdue day(s)}}{365} = \text{RM10.31}
\]

Example computation of combined late payment charge for the month of April 2011:

\[
\text{RM1,321} \times 9.50\% \times \frac{30}{365} = \text{RM10.31}
\]

2. Formula for ta’widh on overdue instalment(s) is as follows:

\[
\text{Overdue instalment(s)} \times \text{Ta’widh rate}^{17} \times \frac{\text{No. of Overdue day(s)}}{365} = \text{RM1.09}
\]

Example of computation of ta’widh for the month of April 2011:

\[
\text{RM1,321} \times 1.00\% \times \frac{30}{365} = \text{RM1.09}
\]

---

\(^{14}\) Rate applied as referenced under paragraph 5.2.1(i) of the Guidelines.

\(^{15}\) Rate applied as referenced under paragraph 5.2.2(i) of the Guidelines.

\(^{16}\) Combined rate determined on a monthly basis from the payment due date.

\(^{17}\) Ta’widh rate determined on a monthly basis from the payment due date.
3. Formula for gharamah on overdue instalment(s) is as follows:

   Combined late payment charge – Ta’widh

Example of computation of gharamah for the month of April 2011:

   RM10.31 – RM1.09 = RM9.22

4. Customer fails to pay monthly instalments for the months of April, May and June 2011. In the month of July 2011, customer makes repayment for the 3 overdue instalments including the instalment for the current month. The calculation for the late payment charges are as per the following table:

<table>
<thead>
<tr>
<th>On the date</th>
<th>Balance Overdue instalment (RM)</th>
<th>No. of overdue days (days)</th>
<th>Combined rate AFR rate(^{18}) (%p.a)</th>
<th>AFR Cost (RM)</th>
<th>Ta’widh 1%p.a (RM)</th>
<th>Gharamah (RM)</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.4.11–3.5.11</td>
<td>1,321</td>
<td>30</td>
<td>9.50</td>
<td>10.31</td>
<td>1.09</td>
<td>9.22</td>
</tr>
<tr>
<td>4.5.11–3.6.11</td>
<td>2,642</td>
<td>31</td>
<td>9.55</td>
<td>21.43</td>
<td>2.24</td>
<td>19.19</td>
</tr>
<tr>
<td>4.6.11–3.7.11</td>
<td>3,963</td>
<td>30</td>
<td>9.60</td>
<td>31.27</td>
<td>3.26</td>
<td>28.01</td>
</tr>
<tr>
<td>TOTAL</td>
<td>91</td>
<td></td>
<td>63.01</td>
<td>6.59</td>
<td></td>
<td>56.42</td>
</tr>
</tbody>
</table>

5. The total penalty amount (RM56.42) received is recorded in the notes to accounts as the source of fund to be channelled to charitable organisation(s). The total compensation amount (RM6.59) charged is recorded in the income statement as ‘Other income’.

\(^{18}\) AFR rate determined at the 4\(^{th}\) of each month.
### APPENDIX I b: Illustration of late payment charges (after maturity)

<table>
<thead>
<tr>
<th>Product name</th>
<th>Murabahah Letter of Credit-I (SME)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank’s outstanding principal</td>
<td>RM100,000</td>
</tr>
<tr>
<td>Bank’s selling price</td>
<td>RM101,000</td>
</tr>
<tr>
<td>Payment maturity/due date</td>
<td>4th April 2011</td>
</tr>
<tr>
<td>Financing profit rate</td>
<td>10% p.a.</td>
</tr>
<tr>
<td>Late payment charge ($C$)</td>
<td>C e.g. AFR</td>
</tr>
<tr>
<td>Ta’widh (compensation) ($T$)</td>
<td>T = IMM% (after maturity date)</td>
</tr>
<tr>
<td>Gharamah (penalty) ($G$)</td>
<td>$G = {C - T}$</td>
</tr>
</tbody>
</table>

1. The formula for late payment charge on post judgement debt is as follows:

   \[
   \text{Outstanding principal} \times \frac{\text{Combined rate}}{365} \times \text{No. of Overdue day(s)}
   \]

   Example of computation of late payment charge for the month of April 2011:

   \[
   \text{RM100,000} \times \frac{9.50\%}{365} \times 30 = \text{RM780.82}
   \]

2. The formula for Ta’widh on post judgement debt is as follows:

   \[
   \text{Outstanding principal} \times \frac{\text{Ta’widh rate}}{365} \times \text{No. of Overdue day(s)}
   \]

   Example of computation of Ta’widh for the month of April 2011:

   \[
   \text{RM100,000} \times \frac{2.68\%}{365} \times 30 = \text{RM220.27}
   \]

3. Formula for Gharamah on post judgement debt is as follows:

   Combined late payment charge – Ta’widh

   Example of computation of Gharamah for the month of April 2011:

   \[
   \text{RM780.82} - \text{RM220.27} = \text{RM560.55}
   \]

---

19 Rate applied as referenced under paragraph 5.2.1(i) of the Guidelines.
20 Rate applied as referenced under paragraph 5.2.2(i) of the Guidelines.
21 Combined rate determined on a monthly basis from the payment due date.
22 Ta’widh rate determined on a monthly basis from the payment due date.
4. Customer fails to pay the outstanding principal due of RM100,000 on the maturity date 4 April 2011. In the month of July 2011, the customer makes full settlement of the overdue principal. The calculation for the late payment charges, ta’widh and gharamah are as follows:

<table>
<thead>
<tr>
<th>On the date</th>
<th>Overdue principal (RM)</th>
<th>No. of overdue days (days)</th>
<th>Combined rate</th>
<th>Ta’widh</th>
<th>Gharamah</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.4.11– 3.5.11</td>
<td>100,000</td>
<td>30</td>
<td>9.50</td>
<td>780.82</td>
<td>2.68</td>
</tr>
<tr>
<td>4.5.11– 3.6.11</td>
<td>100,000</td>
<td>31</td>
<td>9.55</td>
<td>811.10</td>
<td>2.65</td>
</tr>
<tr>
<td>4.6.11– 3.7.11</td>
<td>100,000</td>
<td>30</td>
<td>9.60</td>
<td>789.04</td>
<td>2.99</td>
</tr>
<tr>
<td>TOTAL</td>
<td>91</td>
<td></td>
<td>2,380.96</td>
<td>691.09</td>
<td>1,689.87</td>
</tr>
</tbody>
</table>

5. The total gharamah amount (RM1,689.87) received is recorded in the notes to accounts as the source of fund to be channelled to charitable organisation(s). The total ta’widh amount (RM691.09) is recorded in the income statement as "Other income".

---

23 AFR rate determined at the 4th of each month.
24 IIMM rate determined at the 4th of each month.
APPENDIX II: Information submission for revision or introduction of fees and charges (first time application)

Please provide detailed response in boxes provided as per examples (in italics) shown below. For each type of product or service, you may list all related charges in the same template. Please use separate template for different types of financial products and services.

<table>
<thead>
<tr>
<th>Information to be submitted</th>
<th>Remarks</th>
</tr>
</thead>
</table>
| 1. Type¹ of product or service  
(List names of product or services) | Home Financing  
(1. BBA Home Financing-i);  
(2. Musyarakah Mutanaqisah Home Equity-i) |
| 2. Brief features | Standard features – Financing tenor; Margin of financing; Selling price rate  
Additional features - None |
| 3. Information on proposed late payment charges | |

<table>
<thead>
<tr>
<th>Name of product or services</th>
<th>Existing late payment charges</th>
<th>Proposed late payment charges³³</th>
<th>Rationale</th>
<th>Detailed cost breakdown</th>
</tr>
</thead>
</table>
| 1. BBA Home Financing-i    | 1% per annum                  | Product AFR = 6.00%          | To recoup actual loss and deterrent mechanism. | Prior to maturity: Ta’widh – 1% per annum; Gharamah – 5% per annum  
Post maturity: Ta’widh – IIMM% per annum; Gharamah – 6%-IIMM% per annum |
| 2. Musyarakah Mutanaqisah Home Equity-i | 1% per annum | Product AFR = 6.50% | To recoup actual loss and deterrent mechanism. | Prior to maturity: Ta’widh – 1% per annum; Gharamah – 5.5% per annum  
Post maturity: Ta’widh – IIMM% per annum; Gharamah – 6.5%-IIMM% per annum |

4. Target implementation date  
15 August 2011

5. Communication plan to public  
To update new/revised fees in IBI’s website, letter to individual customers

Officers responsible for information submission:

<table>
<thead>
<tr>
<th>Officer 1</th>
<th>Officer 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name</td>
<td>Phone Number</td>
</tr>
<tr>
<td>Designation</td>
<td>E-mail</td>
</tr>
<tr>
<td>Signature</td>
<td>Date</td>
</tr>
</tbody>
</table>

¹/Type of product or service includes home financing, vehicle financing, personal financing, cash line facility, trade financing, share margin financing, etc
²/ Please also state the conditions in which this late payment charges may be imposed (if any)
³/ Please also provide in an attachment the minimum 5-year historical data of the Average Financing Rate of the product or service. If the product is new, please provide the benchmark pricing rate.
APPENDIX III: Illustration of financial reporting requirements

Notes to accounts

Sources and uses of charity funds

<table>
<thead>
<tr>
<th>Sources of charity funds</th>
<th>2011 RM'000</th>
<th>2010 RM'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Undistributed charity funds as at 1 January</td>
<td>417</td>
<td>230</td>
</tr>
<tr>
<td>Non-Islamic/prohibited income</td>
<td>-</td>
<td>36</td>
</tr>
<tr>
<td>Excess compensation account</td>
<td>67</td>
<td>100</td>
</tr>
<tr>
<td>Gharamah/penalty charges</td>
<td>187</td>
<td>250</td>
</tr>
<tr>
<td><strong>Total sources of funds during the year</strong></td>
<td><strong>671</strong></td>
<td><strong>616</strong></td>
</tr>
</tbody>
</table>

Uses of charity funds

<table>
<thead>
<tr>
<th>Uses of charity funds</th>
<th>2011 RM'000</th>
<th>2010 RM'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contribution to Baitulmal</td>
<td>138</td>
<td>142</td>
</tr>
<tr>
<td>Contribution to non-profit organisations*</td>
<td>99</td>
<td>57</td>
</tr>
<tr>
<td>Aid to needy family</td>
<td>12</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total uses of funds during the year</strong></td>
<td><strong>249</strong></td>
<td><strong>199</strong></td>
</tr>
</tbody>
</table>

Undistributed charity funds as at 31 December

<table>
<thead>
<tr>
<th>Undistributed charity funds as at 31 December</th>
<th>2011 RM'000</th>
<th>2010 RM'000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>422</td>
<td>417</td>
</tr>
</tbody>
</table>

* Non-profit organisations registered under Registrar of Society or Suruhanjaya Syarikat Malaysia (SSM) or any other sovereign laws that pursue humanitarian, charitable and/or philanthropic causes/objectives.
APPENDIX IV: Illustration of late payment charges (post judgement debt)

<table>
<thead>
<tr>
<th>Product name</th>
<th>Murabahah Home Financing-i</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outstanding balance(^{25})</td>
<td>RM1,024,658</td>
</tr>
<tr>
<td>Outstanding principal</td>
<td>RM1,000,000</td>
</tr>
<tr>
<td>Judgement date</td>
<td>4 June 2011</td>
</tr>
<tr>
<td>Late payment charge (C)(^{26})</td>
<td>C = 4%</td>
</tr>
<tr>
<td>Ta'widh (compensation) (T)(^{27})</td>
<td>T = IIMM%</td>
</tr>
<tr>
<td>Gharamah (penalty) (G)</td>
<td>G = {C-T}</td>
</tr>
</tbody>
</table>

1. The formula for late payment charge on post judgement debt is as follows:

\[
\text{Basic judgement sum} \times \text{Late payment charge} \times \frac{\text{No. of Overdue day(s)}}{365}
\]

Example of computation of late payment charge for the month of April 2011:

\[
\frac{\text{RM1,024,658} \times 4.00\% \times 30}{365} = \text{RM3,369}
\]

2. The formula for ta'widh on post judgement debt is as follows:

\[
\text{Basic judgement sum} \times \text{IIMM} \times \frac{\text{No. of Overdue day(s)}}{365}
\]

Example of computation of ta'widh for the month of April 2011:

\[
\frac{\text{RM1,024,658} \times 2.68\% \times 30}{365} = \text{RM2,257}
\]

3. Formula for gharamah on post judgement debt is as follows:

\[
\text{Combined late payment charge} - \text{Ta'widh}
\]

Example of computation of gharamah for the month of April 2011:

\[
\text{RM3,369} - \text{RM2,257} = \text{RM1,112}
\]

\(^{25}\) Outstanding balance (subject to ibra’ if applicable).

\(^{26}\) Rate as determined by rule of the court as referenced under paragraph 9.3.1 of the Guidelines.

\(^{27}\) Rate applied as referenced under paragraph 9.3.2 of the guidelines.

\(^{28}\) The basic judgement sum refers to the outstanding balance as referenced under paragraph 10.1(i) of the Guidelines.

\(^{29}\) IIMM rate determined on a monthly basis from the judgment due date.
4. Assuming the judgement date was 4 April 2011, the basic judgement sum awarded was RM1,024,658 and the late payment charge imposed by the court is 4%. The final settlement of the judgement debt was made on 18 June 2011. The calculation for the late payment charges, *ta’widh* and *gharamah* are as follows:

<table>
<thead>
<tr>
<th>On the date</th>
<th>Basic judgement sum (RM)</th>
<th>No. of overdue days (days)</th>
<th>Late payment charge 4%p.a. (RM)</th>
<th><em>Ta’widh</em> IIM rate(^{30})</th>
<th>IIMM Cost (RM)</th>
<th><em>Gharamah</em> (RM)</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.4.11–3.5.11</td>
<td>1,024,658</td>
<td>30</td>
<td>3,369</td>
<td>2.68</td>
<td>2,257</td>
<td>1,112</td>
</tr>
<tr>
<td>4.5.11–3.6.11</td>
<td>1,024,658</td>
<td>31</td>
<td>3,481</td>
<td>2.65</td>
<td>2,306</td>
<td>1,175</td>
</tr>
<tr>
<td>4.6.11–17.6.11</td>
<td>1,024,658</td>
<td>14</td>
<td>1,572</td>
<td>2.99</td>
<td>1,175</td>
<td>397</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td>75</td>
<td>8,422</td>
<td></td>
<td>5,738</td>
<td>2,684</td>
</tr>
</tbody>
</table>

5. The total *gharamah* amount (RM2,684) received is recorded in the notes to accounts as the source of fund to be channelled to charitable organisation(s). The total *ta’widh* amount (RM5,738) is recorded in the income statement as "Other income". The total amount of late payment charge (RM8,422) has not exceeded the outstanding principal (RM1,000,000).

\(^{30}\) IIMM rate determined at the 4\(^{th}\) of each month.