

Frequently Asked Questions

- 1. Do the Shariah requirements in policy document on *Qard* supersede the Shariah Resolutions in Islamic Finance (first and second editions) in relation to *qard* contract (e.g. permissibility of *hibah* that become *`urf* and acceptance of funds from Shariah non-compliant sources)?**

Yes, the policy document on *Qard* has incorporated latest SAC resolutions applicable to *qard* contract as at 3 August 2016.

- 2. Is there any difference between permissibility to grant *hadiyyah* as compared to *hibah*?**

The granting of *hibah* or *hadiyyah* shall have the same effect under the *qard* contract. Notwithstanding, Islamic financial institutions are encouraged to use *hibah* to refer to the granting of incentives, privileges or benefits for consistency purposes.

- 3. How should the repayment of *qard* in different currencies be ascertained?**

The variation of currency rate may be applied during the tenure of the *qard* contract provided that it must be based on mutual agreement between the contracting parties. The policy document on *Bai` al-Sarf* provides greater details on issues relating to currency exchange.

- 4. Can Islamic financial institutions transfer the cost of deposit insurance charged by Perbadanan Insurans Deposit Malaysia (PIDM) to the customer?**

The annual premium paid by Islamic financial institutions to PIDM is determined based on Differential Premium Systems (DPS) framework, whereby deposit-taking members (DTMs) with higher risk profile will pay higher premiums. The DPS framework is intended to provide incentives for DTMs to adopt sound risk management practices, which is one of PIDM's statutory mandates. Transferring the cost of deposit insurance to the customers will compromise the achievement of PIDM's mandate and therefore is not allowed.

- 5. Would the segmentation of *qard* contract from other Shariah contracts in one single document be sufficient to meet the requirement of paragraph 18.13 of the policy document?**

Where there is an arrangement of *qard* with other Shariah contracts or concepts in one transaction, the segmentation of Shariah contracts within a single document is allowed subject to the following conditions:

- (a) the objectives and features of individual Shariah contracts are clearly reflected;
- (b) features and terms of each Shariah contract do not contradict each other; and
- (c) any combination of Shariah contracts must not result in *ribawi* elements.

- 6. Does *ta`widh* (late payment charges) and *ibra'* (rebate) apply to *qard* contract?**

Ta`widh is applicable in the event that the borrower delays the repayment of the money borrowed under *qard* contract, consistent with the provisions in the policy document on Late Payment Charges for Islamic Financial Institutions. The Bank wishes to clarify that the "relevant authorities" as per paragraph 14.12 of the policy document on *Qard* shall be referred to the Bank (including the SAC).

The policy document also clarifies that any *ibra'* upon settlement of the full selling price of sales contract (e.g. *murabahah*, *tawarruq*) shall not be construed as contractual benefit to the lender where it is independent from the *qard* contract.

7. Is the Islamic financial institution allowed to disclose indicative rate of *tawarruq* during temporary placement under *qard*?

The disclosure of indicative rate in a Commodity Murabahah Transaction is permissible given that *tawarruq* is the underlying contract. The application of *qard* is merely to facilitate the *tawarruq* transaction out of necessity and is deemed as *tabi'* (unavoidable incidental circumstances).

8. Can the Islamic financial institution retain the usage of words related to *wadi'ah* (e.g. "savings", "safe keep", "*wadi'ah*" and "*wadi'ah yad dhamanah*") for *qard* products?

The word "savings" is allowed to be used for liability products based on *qard* contract. Any derivatives of any other words that relate to *wadi'ah* cannot be used for any new deposit products structured based on *qard* to avoid misinterpretation and misunderstanding of the *qard* contractual features by customers.

9. What is the treatment for insane, bankrupt and disable person and contracting party aged 13 to 17 years?

The treatment of legal capacity and minority (i.e. below 18 years old) are subject to the Contracts Act 1950 and the Age of Majority Act 1971.