Statement of the Shariah Advisory Council of Bank Negara Malaysia (SAC) on Funding Facility for Retail Payments Settlement (FRPS) through Real Time Electronic Transfer of Funds and Securities (RENTAS)

Part I: SAC Statement pursuant to section 52(1)(b) of Central Bank of Malaysia Act 2009

Funding Facility for Retail Payments Settlement (FRPS)[1] is a funding facility offered by Bank Negara Malaysia (BNM) to Real Time Electronic Transfer of Funds and Securities (RENTAS) participants who are unable to settle their retail payments settlement due to insufficient funds in their cash account in RENTAS.

The SAC at its 230th meeting dated 29 May 2023, 234th meeting dated 25 September 2023 and 235th meeting dated 30 November 2023, ascertained that the following proposed structure of FRPS is Shariah compliant:

1. Outright sale of securities by Islamic financial institutions (IFIs) to BNM, and outright purchase of securities by IFIs from BNM on the same day (intraday FRPS) or on the next RENTAS business day[2] (overnight FRPS).

2. Sale and purchase of securities in both transactions are conducted automatically through the appointment of BNM as the agent (*wakil*) of IFIs to execute such transactions in RENTAS.

3. Transfer of ownership of securities in RENTAS takes effect by the seller disposing the right of ownership (*takhliyah*), resulting in the purchaser having access (*tamkin*) to such securities by way of constructive possession (*qabd hukmi*). Each of the sale and purchase transaction is evidenced by notification from BNM to IFIs which specifies the transaction details including stock code, nominal amount, price, and contracting parties.

Part II: Legal Provision and Applicability

2.1 Part 1 of the SAC Statement is made pursuant to section 52(1)(b) and section 55(1)(b) of the Central Bank of Malaysia Act 2009 (CBA).

2.2 This SAC Statement is intended to provide Shariah clarity on the permissibility of FRPS and to affirm that the current subscription by IFIs to this facility is in compliance with Shariah.

2.3 This SAC Statement must be read together with other relevant legal instruments and policy documents issued by BNM, in particular, Operational Procedures for Malaysian Ringgit (MYR) Settlement in the Real Time Electronic Transfer of Funds and Securities System (RENTAS) issued on 29 September 2025 (including revisions from time to time).

[1] Formerly known as Automated Collateralized Overnight Funding Facility (ACOFF). The name was revised to reflect its mechanism and underlying Shariah contract.

[2] Refers to any calendar day from Monday to Friday, except public holiday in the federal territory of Kuala Lumpur.

Part III: Background

3.1 FRPS is a funding facility provided by BNM to RENTAS participants to facilitate:
(i) IFIs for Retail Payments Settlement (RPS) and MYR Evening Settlement; and
(ii) conventional financial institutions for management of unpaid MYR Intraday Credit upon RPS Cut-off time and MYR Evening Settlement Windows Cut-off time.

3.2 The facility is granted through the outright sale of eligible securities from the participants' K accounts[3] to BNM, with subsequent purchase by the same participant on the same day or the following RENTAS operational day.

3.3 The current Deferred Net Settlement (DNS) model for RPS exposes RENTAS participants to credit and settlement risks. The receiving bank credits the customer's account in real-time but receives funds from the paying bank on a deferred basis (T+1 via two settlement windows in RENTAS).

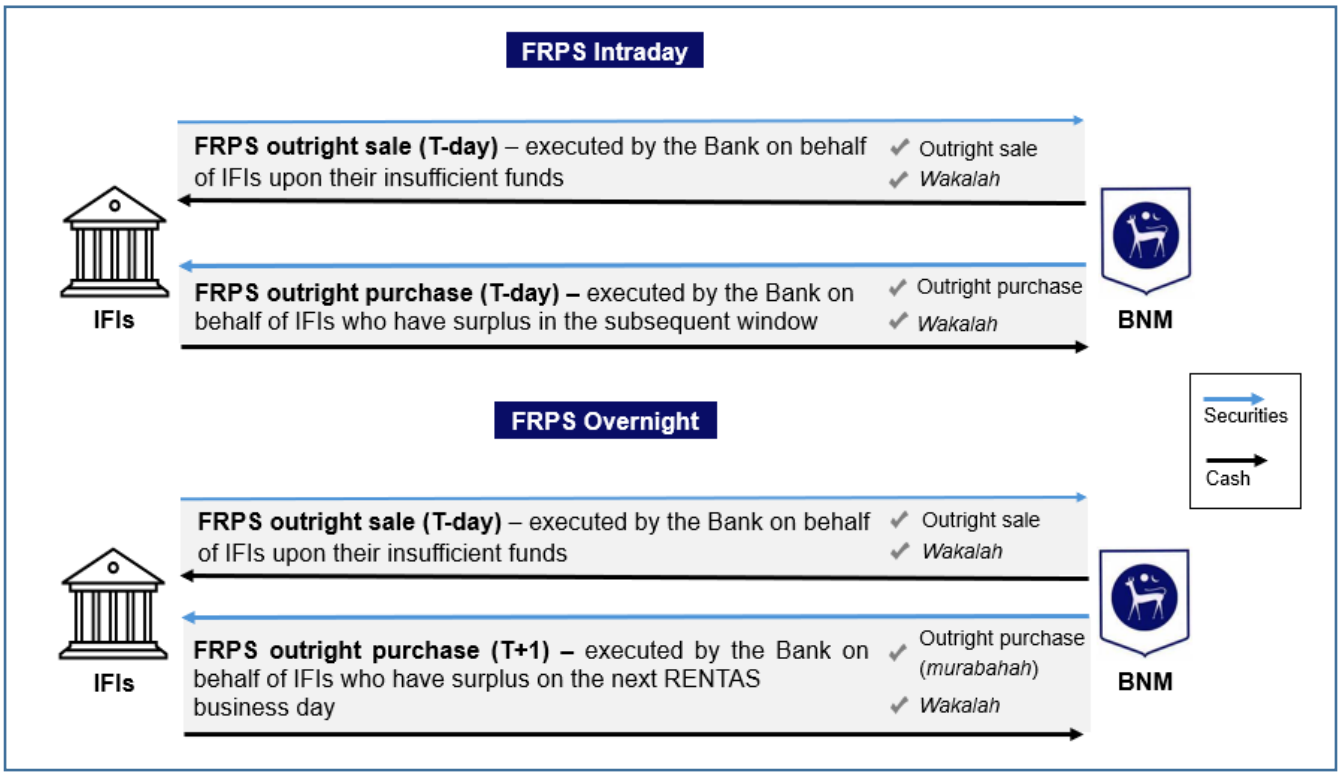
3.4 Credit exposures between the paying bank and the receiving bank are expected to increase further due to rising trends of RPS transactions. Higher credit exposures are typically observed during weekends and public holidays as settlement only takes place on the next RENTAS Business Day. To address the risks, BNM has introduced RPS during weekends and public holidays.

3.5 In this regard, the SAC was referred to on a proposed new mechanism of FRPS involving automated sale and purchase transactions using *wakalah* contract as follows:
(i) FRPS outright sale: Upon insufficient balance in IFIs' MYR Settlement Account, BNM acting on behalf of IFIs will automatically execute FRPS outright sale of eligible securities in IFIs' K accounts to BNM in order to obtain funding from BNM to settle RPS transactions.
(ii) FRPS outright purchase: BNM acting on behalf of IFIs will automatically execute FRPS outright purchase of the sold securities from BNM for IFIs who have surplus in the MYR Settlement Account in the subsequent settlement window.
(iii) Transfer of ownership of securities in RENTAS takes effect through constructive possession.

[3] Refers to collateral account for scripless securities in the RENTAS system held with BNM.

3.6 The new FRPS mechanism will be operated as per following structure:

Illustration of Proposed FRPS Mechanism



Shariah issues

1. Does the dual agency arrangement in the FRPS where BNM acts as an agent on behalf of IFIs to execute transactions with itself fulfil Shariah requirements?
2. Is the automated FRPS sale and purchase executed in accordance with Shariah requirements?
3. Is the transfer of ownership of securities in the FRPS through constructive possession in line with Shariah requirements of a valid sale contract?

Part IV: Key Discussion

The application of wakalah and automated transactions is in line with Shariah

4.1 The role of BNM as the agent in FRPS sale and purchase is based on its capacity as the owner and operator of RENTAS which ensures the successful automated execution of FRPS sale and purchase transactions.

4.2 Automated sale and purchase transactions are proposed to enhance the efficiency of FRPS and mitigate operational and Shariah non-compliance risks, as all the transactions are executed in timely and orderly manner according to pre-agreed arrangements and terms and conditions.

4.3 The recommendation to allow such automated transactions is consistent with the SAC ruling at its 199th meeting on 26 November 2018 that endorsed the execution of *tawarruq* via straight-through process (STP).

FRPS eligible securities

4.4 The FRPS eligible securities comprise of:
(i) specified RENTAS Securities issued by the Government of Malaysia and BNM; and
(ii) non-specified RENTAS Securities with minimum credit rating of AAA and above.

4.5 Only Shariah compliant securities are eligible to be transacted in FRPS. In this regard, IFIs are expected to ensure that Shariah non-compliant or non-tradable securities are not deposited into their K accounts.

4.6 To mitigate potential disputes concerning securities' coupon/profit entitlement, securities in IFIs' K accounts would no longer be FRPS eligible securities two (2) business days before the securities' final redemption date or early redemption date or partial redemption date or coupon date. IFIs shall monitor the coupon and redemption profile of securities in their K accounts to ensure that there is no shortfall in eligible securities due to upcoming coupon payments and redemptions.

FRPS sale and purchase price is mutually agreed by IFIs and BNM

4.7 The net price of eligible securities sold to BNM under FRPS is calculated as follows:

Net price = [100 – Margin]/100 X [Clean Market Price of Eligible Securities][4]

4.8 FRPS outright purchase would occur at net prices that are identical to the net price of FRPS outright sale.

4.9 FRPS profit is only applicable for the outright purchase executed on the next RENTAS business day (FRPS Overnight), calculated as follows:

FRPS Profit = Funding obtained under FRPS x FRPS Rate x No. of Days/365

Where:
- FRPS Rate = Ceiling Rate (currently at OPR[5] + 25 basis points)
- No. of Days = Business Day of FRPS Outright Purchase – Business Day of FRPS Outright Sale

4.10 The above-mentioned price formulas, which are mutually agreed upon by IFIs and BNM, are outlined in the Operational Procedures for Malaysian Ringgit (MYR) Settlement in the Real Time Electronic Transfer of Funds and Securities System (RENTAS).

[4] The applicable margin is determined by BNM. The net price of eligible securities can be viewed in Fully Automated System for Issuance and Tendering (FAST).
[5] Overnight Policy Rate.

FRPS sale and purchase do not resemble bai` `inah structure

4.11 Despite executing the sale and purchase of securities between two same contracting parties, the proposed FRPS structure is different from *bai` `inah* based on the following considerations:

(i) both transactions in FRPS are conducted on cash basis, whereas one of the transactions in *bai` `inah* involves deferred payment;

(ii) the sale and purchase contracts are certified as valid contracts as the objective (*muqtadha*) of each contract does not conflict each other; and

(iii) there is a valid transfer of ownership of the securities in each sale and purchase contract, as the purchaser has the right to transact (*tasarruf*) with the securities.

Part V: Basis of the SAC Statement

The permissibility of dual agency in FRPS structure

5.1 There is no Shariah prohibition in the implementation of dual agency arrangement in FRPS. The structure is in accordance with requirements specified in *Wakalah* Policy Document:

(i) rights, liabilities and responsibilities of the contracting parties, including the specification of the authorised tasks of the agent (BNM) are determined upfront and agreed by the principals (IFIs).

(ii) pre-agreed price formula for FRPS sale and purchase not only avoids uncertainty (*gharar*) but also addresses conflict of interest concern in the dual agency arrangement.

5.2 According to Maliki and Hanbali jurists, the agent is allowed to sell goods to himself provided he/she meets with all conditions stipulated by the principal, and consent of principal shall be obtained before the agent could sell goods for himself. The rule is mentioned by Al-Dusuki as followed:

فإن اشترى الوكيل لنفسه بعد تناهي الرغبات أو أذنه الموكل في شرائه لنفسه جاز شراؤ[6]

"If the agent purchases for himself after all the requirements had been fulfilled, or the principal has permitted him to purchase for himself, then the purchase is permissible."

The permissibility of constructive possession mechanism in RENTAS

5.3 The constructive possession in RENTAS fulfills the requirements of ownership transfer based on the following arrangements:

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[6] Muhammad bin Ahmad al-Dusuki, *Hashiah al-Dusuki*, (Damascus: Dar al-Fikr), 3:387. This is consistent with the view of Hanbali jurists. Refer: Mansur bin Yunus al-Buhuti, *Sharh Muntaha al-Iradat*, (Beirut: 'Alam al-Kutub, 1, 1414H – 1993M), 2: 195:

(ولا يصح بيع وكيل لنفسه) بأن يشتري ما وكل في بيعه من نفسه لنفسه (ولا) يصح (شراؤه منها) أي نفسه (لموكله) بأن وكل في شراء شيء فاشتراه من نفسه لموكله، ; لأنه خلاف العرف في ذلك، وكما لو صرح فقال له: بعه أو اشتره من غيرك، وللحوق التهمة له في ذلك (إلا إن أذن) موكل لوكيله في بيعه لنفسه، أو شرائه منها.

(i) upon sale of securities in RENTAS system, the seller disposes the right of their ownership (*takhliyah*) of the securities, which results in the purchaser having accessibility (*tamkin*) to such securities.

(ii) all rights, title and interest in and to any of the sold securities are vested in the purchaser, free and clear of any liens, claims, charges or encumbrances or any other interest of the seller.

5.4 According to Muslim jurists, there is no specification in determining what is construed as possession (*qabd*).[7] Hence the basis for determining the form of possession is based on the customary practices (*'urf*). This is in line with the following *fiqh* maxim:

كل ما ورد به الشرع مطلقا، ولا ضابط له فيه، ولا في اللغة، يرجع فيه إلى العرف[8]

"Whatever stated by Shariah in absolute term without any specifications or restrictions in Shariah or in the language, is to be referred to customary practices."

Part VI: Implication of the SAC Statement

6.1 The SAC Statement provides certainty on the permissibility of the proposed FRPS structure. This will ensure an end-to-end Shariah-compliant business activities and operations by IFIs.

6.2 The proposed automated transactions, dual agency arrangement and constructive possession mechanism enhance the operational efficiency of FRPS in facilitating IFIs' RPS and MYR evening settlement. This would help mitigate IFIs' credit and settlement risks during weekends and public holidays through sufficient liquidity to effect settlements on timely basis.

In the event there are any inconsistencies between the English and Bahasa Melayu versions, the Bahasa Melayu version shall prevail.

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[7] Muhammad bin Muhammad al-Khatib al-Syirbini, *Mughni al-Muhtaj ila Ma'rifati Ma'ani Alfaz al-Minhaj*, (Beirut: Dar al-Kutub al-'Ilmiah, 1415H – 1994M), 2:467:

لأن الشارع أطلق القبض وأناط به أحكاما ولم يبينه ولا له حد في اللغة فيرجع فيه إلى العرف

Ahmad bin Taimiyyah, *Majmu' al-Fatawa*, (Medina: Majma' al-Malik Fahd, 1425H – 2004M), 29:16:

وما لم يكن له حد في اللغة ولا في الشرع: فالمرجع فيه إلى عرف الناس كالقبض المذكور في قوله صلى الله عليه وسلم " {من ابتاع طعاما فلا يبعه حتى يقبضه}.

Hamd bin Muhammad al-Khattabi, *Ma'alim al-Sunan*, 3:136:

القبوض تختلف في الأشياء حسب اختلافها في أنفسها وحسب اختلاف عادات الناس فيها فمنها ما يكون بأن يوضع المبيع في يد صاحبه ومنها ما يكون بالتخلية بينه وبين المشتري.

[8] Abdul Rahman al-Suyuti, *al-Asybah wa al-Nazair fi Qawaid wa Furu' Fiqh al-Syafi'iyyah*, (Beirut: Dar al-Kutub al-Ilmiah, 1403H – 198M), 98.
Muhammad Mustafa al-Zuhaili, *al-Qawaid al-Fiqhiyyah wa Tatbiqatuha fi al-Mazahib al-Arba'ah*, (Damascus: Dar al-Fikr, 1467H – 2006M), 1:314:

كل اسم ليس له حد في اللغة، ولا في الشرع، فالمرجع فيه إلى العرف.