Summary of the Shariah Advisory Council of Bank Negara Malaysia (SAC) Statement and Standards under Section 29(1) of the Islamic Financial Services Act 2013 (IFSA) and Section 33E(1) of the Development Financial Institutions Act 2002 (DFIA) on Inventory Purchase Based on Parallel *Istisna`* Contract

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

The SAC in its 245th meeting dated 23 January 2025 and 247th meeting dated 29 April 2025, ascertained that the proposed structure of inventory purchase product based on parallel *istisna`* contract is permissible, as follows:

1. Inventory purchase product structure involves two (2) *istisna`* transactions between three (3) contracting parties, the Islamic Financial Institution (IFI), the End Buyer and the Manufacturer which is also the IFI's customer:

   (i) The first *istisna`* contract is between the IFI and the End Buyer, where the IFI is the seller (*sani`*). The Manufacturer acts as the IFI's agent (*wakil*) to execute the first *istisna`* contract with the End Buyer; and

   (ii) The second *istisna`* contract is between the IFI and the Manufacturer, where the IFI is the buyer (*mustasni`*), while the Manufacturer is the seller (*sani`*).

2. The application of the proposed parallel *istisna`* structure must fulfil the following conditions:

   (i) The two (2) *istisna`* contracts must be executed independently of and without any interconditionality. The termination of one *istisna`* contract shall not cause the termination of the other *istisna`* contract;

   (ii) The *wakalah* arrangement between the IFI and the Manufacturer to execute the first *istisna`* contract must be independent of the second *istisna`* contract and without any interconditionality. The termination of the second *istisna`* contract shall not absolve the IFI's obligation in the first *istisna`* contract; and

   (iii) If the parallel *istisna`* contract involves a *kafalah* (guarantee) arrangement from the Manufacturer, the execution of the *kafalah* contract must be independent of the other contracts.

Part II: Legal Provision and Applicability

2.1. Part 1 of this SAC Statement is made pursuant to section 52(1)(a) of the Central Bank of Malaysia Act 2009 (CBA) and section 55(2)(a) of the CBA.

2.2. Bank Negara Malaysia specifies Part 1 of this SAC Statement as standards under section 29(1) of the IFSA and section 33E(1) of the DFIA, effective on 17 October 2025 and applicable to the following IFIs:

(i) licensed Islamic banks under the IFSA;

(ii) licensed banks and licensed investment banks approved under section 15(1) of the Financial Services Act 2013 (FSA) to carry on Islamic banking business; and

(iii) prescribed institutions approved under section 33B(1) of the DFIA to carry on Islamic financial business.

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