PRESS STATEMENT BY
TAN SRI DATO' SERI ALI ABUL HASSAN BIN SULAIMAN
GOVERNOR OF BANK NEGARA MALAYSIA
ON
BON SIMPANAN MALAYSIA SIRI 02
(MALAYSIA SAVINGS BOND SERIES 02)

As announced by Yang Berhormat Menteri Kewangan I in the National Budget 2000, Bank Negara Malaysia will issue savings bond, the Bon Simpanan Malaysia Siri 02 (BSM 02) for subscription by retirees on 1 November 1999. A total of RM2 billion of BSM 02 will be offered for sale during the period from 1 November 1999 to 10 November 1999, of which RM1 billion will be issued under Islamic principle. The bonds will have a maturity of 2 years and have a rate of return of 5.75% per annum which will be paid to the bondholders on a quarterly basis. Only retirees above the age of 55 years old and who are not employed on a full time basis are eligible to purchase the bonds.

2. The BSM 02 are issued by Bank Negara Malaysia to ameliorate the adverse impact of the low interest rate environment on the income earned by retirees on their deposits. The BSM 02 will provide alternative investment instruments to retirees and in the process help to improve the returns on their investment during the current period when the returns on deposits with the banking systems are relatively low.

3. Retirees who are interested in purchasing the BSM 02 can obtain and submit the application forms, together with the funds at all branches of the following banks:

	Bank	**Type of bond**
a.	Malayan Banking Berhad	Conventional and Islamic
b.	Bumiputra-Commerce Bank Berhad	Conventional
c.	Public Bank Berhad	Conventional
d.	Bank Islam Malaysia Berhad	Islamic
e.	Bank Muamalat Malaysia Berhad	Islamic

Features of the BSM 02

Size of the bond issue

Maximum of RM2 billion nominal value.

Type of Bond

Two types of savings bonds will be issued. An amount of RM1 billion to be issued in the form of conventional bonds while another RM1 billion will be issued under the Islamic principle.

Transferability and Assignability

The bonds are non-negotiable, non-transferable and non-assignable.

Issue date

The bond will be offered for sale from 1 November 1999 until 10 November 1999, both dates inclusive.

Eligible buyers

The bond will be sold only to the Malaysian citizens who are 55 years old and above and who are not employed on a full-time basis.

Denomination

The minimum denomination (nominal value) is RM1,000 and in multiples of RM100, subject to a maximum of RM50,000 and 10 certificates per investor.

Tenor of the bond

The tenor of the bond is 2 years. The bond will mature on November 1, 2001.

Return on investment

(a) Conventional bond :

Issue price : RM100 per 100 units

Coupon rate: 5.75% per annum. Interest payment will be paid on a quarterly basis and will either be credited directly to bondholders' accounts or by cheques.

(b) Bond issued under the Islamic Principle:

Concept:	Bai' Al-Einah (Buy Back arrangement)
Issue price:	RM100 per 100 units
Profit margin:	5.75% per annum. Profits will be paid on a quarterly basis and will either be credited directly to bondholders' accounts or by cheques.

Physical certificates

The bond will be sold in registered form. Physical certificates will be issued in the name of the investor.

Redemption of bonds

Bondholders may redeem bonds at face value on or before maturity date at designated financial institutions. The designated financial institutions will reimburse the amount on the same day. However, if bonds are redeemed before maturity, the interest payment or the profits will be apportioned based on completed calendar months. The earliest redemption date is 3 January 2000.

Agent Banks

The bonds will be sold to the public through the branches of 5 authorised agents appointed by Bank Negara. These agents are Malayan Banking Berhad, Bumiputra-Commerce Bank Berhad and Public Bank Berhad for conventional bonds and Malayan Banking Berhad, Bank Muamalat Malaysia Berhad and Bank Islam Malaysia Berhad for Islamic bonds.

Tax exemption

The return on the bond is exempted from tax.

Bank Negara Malaysia
29 October 1999