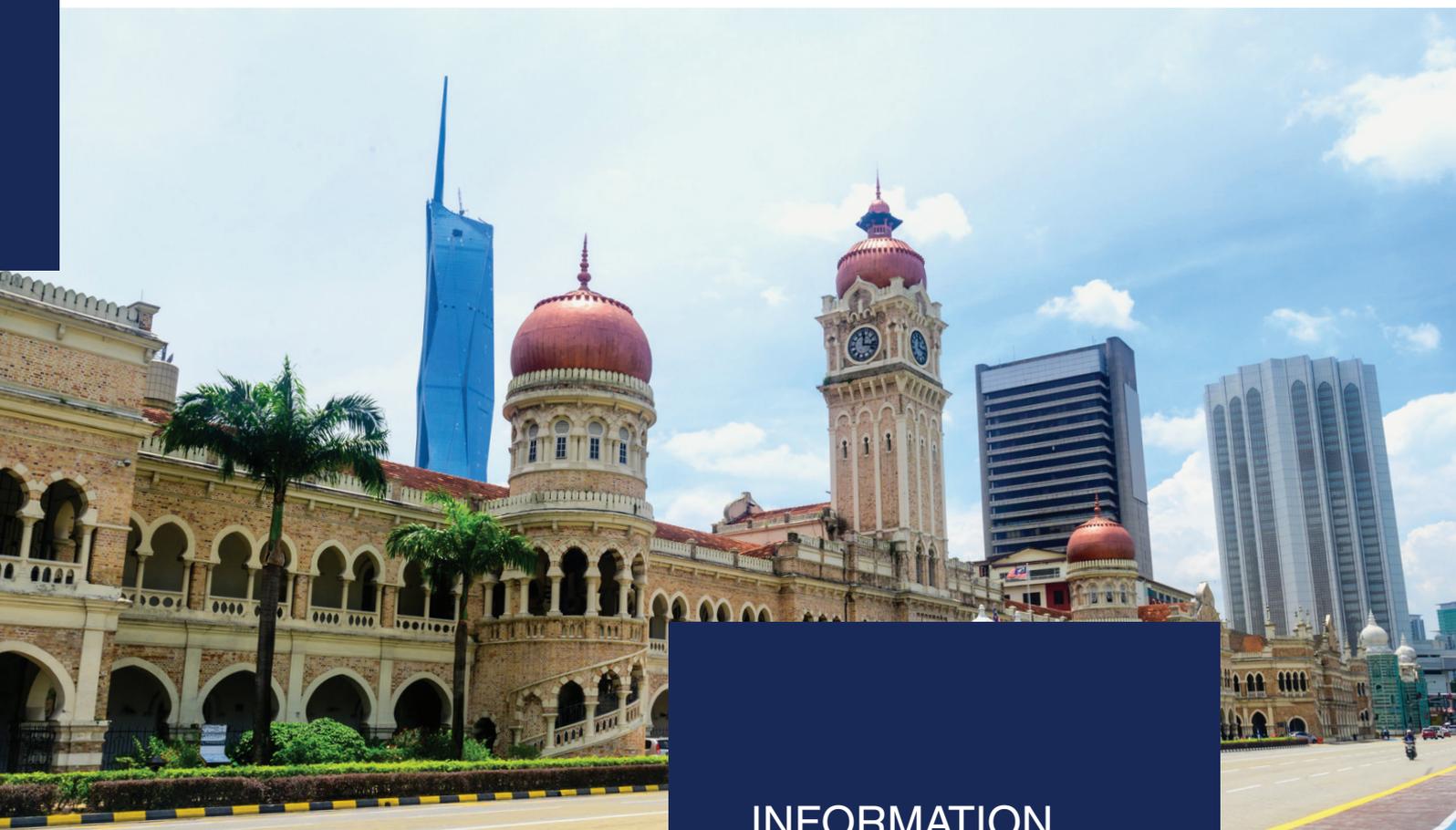




**BANK NEGARA MALAYSIA**  
CENTRAL BANK OF MALAYSIA



**INFORMATION  
NOTE**

**MALAYSIAN  
GOVERNMENT  
INVESTMENT  
ISSUE (MGII)**

# Principal Information

## Malaysian Government Investment Issue (“MGII”)

### Issuer

Government of Malaysia (“GOM”)

### Facility Agent/Lead Arranger

Bank Negara Malaysia (“BNM”)

### Issuance Principle

Effective from 22 July 2013, MGII is issued based on the *Murabahah* concept. MGII, which is based on the *Murabahah* contract, is essentially a certificate of indebtedness arising from a deferred mark-up sale transaction of an asset in the form of commodity, which complies with Shariah principles (refer to Appendix I).

Under the issuance principle, successful bidders will appoint BNM as their agent to purchase the commodity. BNM as the commodity agent will purchase the commodity e.g. crude palm oil. Upon the completion of the purchase, BNM, on behalf of the successful bidders, will sell the commodity to the Government at a mark-up price which is to be paid on a deferred payment date. The Government will then appoint BNM as their agent to sell the commodity at cost. BNM, functioning as the commodity agent, will sell the commodity and remit the cash to the Government. The obligation of the Government to settle the purchase price is securitised in the form of MGII and is subsequently issued to the investors. The profit from the sale represents the coupon of MGII and will be paid periodically on a semi-annual basis. On the maturity date, the Government will pay the principal amount and final profit payable to the MGII holders to redeem the MGII.

### Facility Description

MGII is a long-term coupon-bearing Government security based on Islamic principles to fund the Government’s developmental expenditure. MGII is issued through a competitive bidding auction by Bank Negara Malaysia on behalf of the Government. The MGII issuance programme is pre-announced in the auction calendar, with issuance sizes ranging from RM3 billion to RM5.5 billion and original maturities of 3, 5, 7, 10, 15 or 30 years.

### Governing Law

MGII is issued under the Government Funding Act 1983. MGII holds a pari passu ranking with other unsecured direct obligations (e.g. Malaysian Government Securities (MGS)) of the GOM.

The terms and conditions of the MGII shall be governed by, and construed in accordance with, the laws of Malaysia. The parties irrevocably submit to the exclusive jurisdiction of the courts of Malaysia.

### Shariah Adviser

Shariah Advisory Council of Bank Negara Malaysia

### Particulars of the assets

For issuance under *Murabahah*, the underlying assets used are Shariah-compliant commodities, e.g. crude palm oil, timber, metal etc.

## Mode of Issuance

MGII will be issued through a competitive multiple-price auction via the Fully Automated System For Issuance/Tendering (FAST). All bids at primary issuance must be submitted through the Principal Dealers (PDs) and Islamic Principal Dealers (i-PDs) appointed by BNM. The list of PDs and i-PDs can be obtained from the Fully Automated System for Issuance/Tendering (FAST) website: <https://fast.bnm.gov.my/fastweb/public/MainPage.do>

## Payment

Payments for the accepted and allotted amounts must be made in full by 11:30 a.m. on the issue date. On the issue date, RENTAS (Malaysia's Real Time Gross Settlement (RTGS) system) will credit the MGII to the securities accounts of the successful bidders and debit the respective cash accounts.

## Rating

Exempted

## Listing Status

Listed on Bursa Malaysia (under an Exempt Regime)

## Indices

MGII included in major bond indices:

1. Markit iBoxx ALBI Index
2. Bloomberg Global Aggregate
3. JPMorgan GBI-EM

## Redemption

MGII shall be redeemed by the Government of Malaysia at their par value on the maturity date

## Status of the Securities

The MGII will be accorded with the following regulatory treatment:

- (i) 0% risk weight under the Capital Adequacy Framework (Risk-Weighted Assets) and the Capital Adequacy Framework for Islamic Banks;
- (ii) Eligible collateral for Standing Facility;
- (iii) Excluded from *Single Counterparty Exposure Limit*;
- (iv) Classified as High-Quality Liquid Assets (HQLA), Level 1 and assigned 0% haircut for the purpose of Liquidity Coverage Ratio (LCR) computation;
- (v) 0% risk charge under the Risk-Based Capital Framework for Insurers and Takaful Operators; and
- (vi) Banking institutions are allowed to deduct from the Eligible Liabilities (EL) base holdings of MGII in their trading book for Statutory Reserve Requirement (SRR) computation.<sup>1</sup> PD and i-PD are allowed to deduct from their EL base the daily holding of MGII in their trading and banking books.<sup>2</sup>

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<sup>1</sup> Holdings of MGII in the trading book are eligible for deduction from the EL base for the purpose of SRR computation, except where:

- (a) securities are sold under repo/sell-and-buy-back agreement (SBBA); and
- (b) securities are lent or securities that have been used as collateral under securities borrowing and lending (SBL).

<sup>2</sup> PDs and i-PDs may also deduct holdings of MGII in the banking book, except where:

- (a) securities are sold under repo/SBBA; and
- (b) securities are lent or securities that have been used as collateral under SBL.

## **Paying Agent**

Bank Negara Malaysia

## **Authorised Depository**

RENTAS will hold the Certificate for the beneficial holders and credit them with the specific amount of securities held for their accounts for the purpose of trading and transfer on the Scripless Securities Depository System (SSDS). RENTAS will record the holdings and transactions of scripless securities of the holders who are members of the SSDS. Holders who are not SSDS members have to appoint an Authorised Depository Institution (ADI) (usually a bank and SSDS member) for their holdings of the MGII. The holdings and transactions of non-SSDS members will be recorded under the Customers Holdings of ADIs, with details on each holder recorded at a secondary level by the ADIs. Upon redemption, holders who are SSDS members shall be paid directly by the Authorised Depository, while non-SSDS member holders shall be paid the redemption proceeds through the ADIs. MGII is eligible to be cleared through International Central Securities Depository (ICSD), i.e. Euroclear and Clearstream.

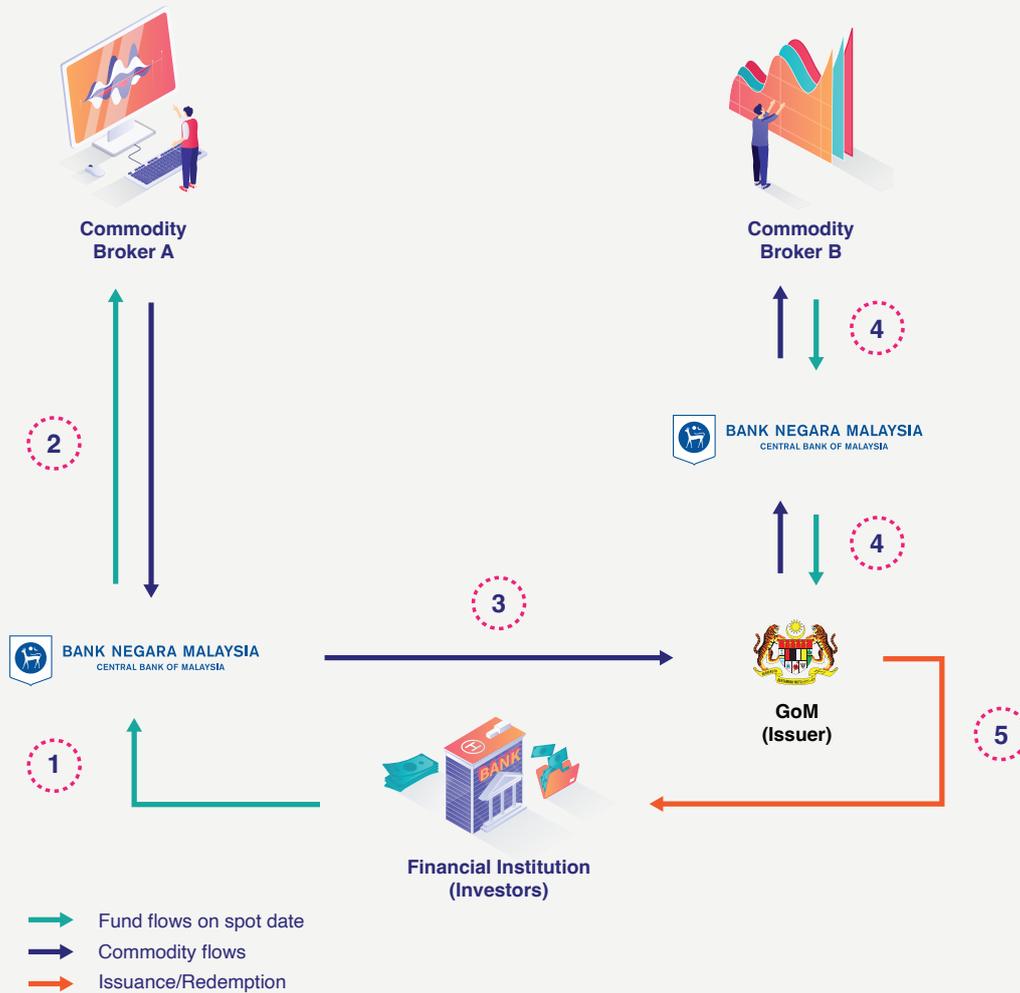
## **Master Agreement**

Issuance of MGII under *Murabahah*, will be issued pursuant to the Program Agreement and Master Commodity *Murabahah* Agreement for the Government Investment Issues between the Issuer (Government of Malaysia) and the Facility Agent and Commodity Agent (Bank Negara Malaysia), and the Agency Agreement between successful bidders and the Commodity Agent (Bank Negara Malaysia). The Issuer is to enter into *Murabahah* transactions involving the buying and selling of commodities, and to issue securities in its own name. The issuance, holding, sale, and purchase of such securities shall be subject to such terms and conditions or guidelines governing the issuance thereof. A copy of the Terms and Conditions of the MGII *Murabahah* can be obtained from the Fully Automated System for Issuance/Tendering (FAST) website: <https://fast.bnm.gov.my/fastweb/public/MainPage.do>

## Appendix I

### Malaysian Government Investment Issue Structure

(based on *Murabahah* concept)



- 1** Investor will appoint BNM as their agent to buy the commodities.
- 2** BNM as the commodity agent will buy the commodities e.g. crude palm oil.
- 3** Upon completion of purchase, BNM as an agent to the investor will sell the commodities to the Government at mark-up price to be paid on deferred payment date.
- 4** The Government will appoint BNM as their agent to sell the commodities at cost to raise the required funding. BNM as the commodity agent will sell the commodities and remit the cash to Government.
- 5** MGII will be issued to evidence the indebtedness. Profit portion is paid to investors on periodic basis. On maturity (i.e. deferred payment date), the Government will make payment, representing the principal amount and final profit, and MGII will be redeemed.