

### FAQ for Term Deposit-*i* (TD-*i*)

#### **1. What is Term Deposit-*i*?**

Term Deposit-*i* (TD-*i*) is an Islamic fixed term deposit based on the Islamic financial principle of 'Murabaha' and involves customer purchasing an approved Syariah-compliant commodity and selling the commodity to the bank at a marked-up price. Customer will be paid profit from the sale upfront and principal to be paid by the bank on maturity.

#### **2. Is TD-*i* a Fixed Deposit?**

Yes as the economic substance and risks are similar as conventional fixed deposit where you place your funds for a fixed period (with returns decided upon placement) and receive your principal and returns at the end of the tenure.

#### **3. How is it different from the normal Fixed Deposits?**

One of the differences is that there is an underlying purchase and sale of commodities so as to comply with the 'Murabaha' structure mentioned in Q1 above.

#### **4. What are the benefits of this product?**

It offers several advantages namely;

- Syariah compliant.
- Pay returns upfront to customers instead of upon maturity.
- A choice of tenures for as short as 3 months only.
- Low minimum deposit of S\$10,000. Competitive returns which are mutually agreed upfront.
- Capital guaranteed.
- Can be used to diversify customer's portfolio as it give customers opportunity to participate in the growing phenomenon of Islamic Banking. Commodity Murabaha deposit products were only offered to either privileged customers or as a wealth management product before this.

#### **5. Will customers incur any additional risks in entering into this contract, particularly commodity risks?**

Such risks are inherently minimized as it has been structured in that neither customers nor the Bank would derive any gain nor suffer any loss from any movement in the market value of the asset other than the profit amount fixed contractually.

#### **6. Which commodity are we talking about?**

We will choose one or more commodities that have been approved for use by our Syariah committee such as metal, palm oil etc.

#### **7. How competitive is the profit rate of the Term Deposit-*i* ( TD-*i* ) against conventional interest rate?**

TD-*i* is based on a fixed selling price. The profit rate is determined between the client and the bank mutually. Therefore the bank will ensure that the profit rates are always competitive with market rates.

**8. How will the profit be paid to the account holder?**

Upon placement, you will receive your profit on the next business day if placement is by cash or upon cheque clearance if placement is by cheque. Profit will be credited into the Maybank savings or current account of your choice.

**9. Do I need to open a savings or current account with Maybank to open a TD-i account?**

Yes. You should have either a savings or current account with us for crediting of the upfront profit.

However, if you do not have any savings or current account with us, you can apply for one by visiting any of our 22 Branches in Singapore.

**10. Is the placement also available online via maybank2u.com.sg?**

The placement is not available online at the moment.

**11. What happens upon maturity? What are the maturity instructions that I can provide?**

At the point of placement, you can give instructions either to:

- Auto renew the principal amount upon maturity for similar tenure at the prevailing profit rates at the point of renewal OR
- To have the principal amount credited back into your Maybank savings or current account upon maturity

The upfront profit on roll-over date will be credited into your Maybank savings or Current account as per Q9 above.

**12. Can I change my maturity instructions subsequently? If so, can I do so online?**

For changes to principal disposition after placement, you may visit any of our Branches. You may also change the account to which the principal and profit are to be credited to. Changes cannot be made online at the moment.

**13. Will there be any additional charges imposed by the Bank that would reduce the returns to the client if deposit is kept for the full term?**

This product is structured on the concept of 'Murabaha' which will lock in the selling price from the onset. The selling price will consist of the principal amount and the profit which will accrue to the customer. The Bank will not impose any other charges subsequent to the determination of the selling price.

**14. Can I withdraw my funds before maturity date?**

Premature withdrawal is allowed but the bank is entitled to a rebate from the original selling price agreed earlier in view of the early payment requested for. The rebate will be calculated such that for withdrawals made:-

- a. Within 3 months and less (where the tenure is more than 3 months) – No profit will be paid. The profit paid upfront will be clawed back from the principal.
- b. More than 3 months – Only 50% of the originally agreed profit, prorated based on the actual number of days placed, shall be paid (the remaining profit amount will be clawed back from the principal).

### Formula to calculate the Rebate

$$\text{Rebate} = \text{Sale Price} - [ (P \times R \times T / D \times 50\%) + P ]$$

Where:

- Sale Price : Principal Amount + Profit
- P : Purchase Price (=Principal Amount)
- R : Profit rate
- T : No. of days since date of deposit
- D : No. of days in a year

### Illustration:

- Principal Amount : S\$100,000
- TD-*i* term : 12 months
- TD-*i* opened : 01/01/09
- TD-*i* Profit rate : 1.00% p.a.
- Upfront profit paid : S\$1000 on 02/01/09

### Scenario 1: For premature withdrawal < 3 months from date of deposit (where the tenure is more than 3 months)

If customer decides to withdraw TD-*i* on 01/03/09, which is <3months from date of deposit, **NO profit will be paid.**

Net settlement amount to customer = S\$100,000 – S\$1,000 = S\$99,000

Total amount paid to customer = S\$1000 (Upfront profit paid) + S\$99,000  
= S\$100,000

### Scenario 2: For premature withdrawal > 3 months from date of deposit

If customer decides to withdraw TD-*i* on 01/07/09, which is > 3months from date of deposit, to calculate the rebate to the Bank is as follows:

Rebate  
= Sale Price – [ (P x R x T / D x 50%) + P ]  
= S\$100,000 + S\$1,000 – [ S\$100,000 x 1% x 180/360\* x 50%) + S\$100,000 ]  
= S\$101,000 – S\$100,250  
= S\$750

\*For illustration purposes & easy calculation, D = 1 year = 360 days

Hence, on 01/07/09, the net settlement amount to customer  
= P- Rebate  
= S\$100,000-S\$750  
= S\$99,250

Total amount paid to customer = S\$1000 (Upfront profit paid) + S\$99,250  
= S\$100,250

## **15. Can I lose my money? Is this product very risky?**

Neither customers nor the Bank would derive any gain nor suffer any loss from any movement in the market value of the commodities other than the profit amount fixed contractually.

## **General FAQs on Islamic Banking**

### **1. Is this product only for Muslims?**

No. Islamic Banking is available to anyone. We welcome customers regardless of their religious background.

### **2. Who decides that this product is Syariah-compliant?**

We are working with a committee of distinguished scholars who have a lot of experience in Islamic finance and the Syariah law. These renowned scholars have reviewed this product and certified it Syariah compliant. For details of our Syariah committee please call 1800 6292265.

### **3. What do you do with the Commodities bought?**

We will sell them for cash and manage the funds in accordance with the Syariah (Islamic law). This means that we do not use the fund for any interest based business activities such as the provision of interest based loans. We also do not participate in investment activities that are not in compliance with Syariah.

### **4. What do you mean by activities that are not in compliant with Syariah?**

Generally, Islamic law prohibits trading in financial risk (which is seen as a form of gambling). Transactions must also be free from elements such as usury (riba) and ambiguity (gharar). In addition, Islamic law prohibits investing in businesses that are considered non-permissible (such as businesses that sell alcohol or pork, entertainment industries, defence industries, pornography etc).

### **5. How is the Bank able to pay the profit upfront?**

The profit paid is not determined directly from the gain/loss in the actual trade in the commodities. It is part of the sale price that had been mutually agreed upfront. Although the sale is for deferred payment the Bank is paying the profit component in advance as a form of benevolent loan (qard hasan) to the customers until the deposit matures. Upon maturity the Bank will only pay the principal amount back to customers since the profit had already been paid earlier.

### **Important Notes:**

This FAQ is for information purpose and does not constitute investment, legal or financial advice or a recommendation or an offer or solicitation. This FAQ is qualified in its entirety by and is subject to the prevailing terms and conditions governing Term Deposit-*i*.