

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

SHARIAH PRONOUNCEMENT

AFFIN EMAS-i (Physical Gold)

1. Product Background

Affin Emas-i is a sale of physical gold product which offer customers the opportunity to participate in the precious metal market in a convenient and secured way. We, the Shariah Committee (“the SC”) of Affin Islamic Bank Berhad have approved Affin Emas-i (Physical Gold) based on the Shariah concept of Bay’ al-Sarf.

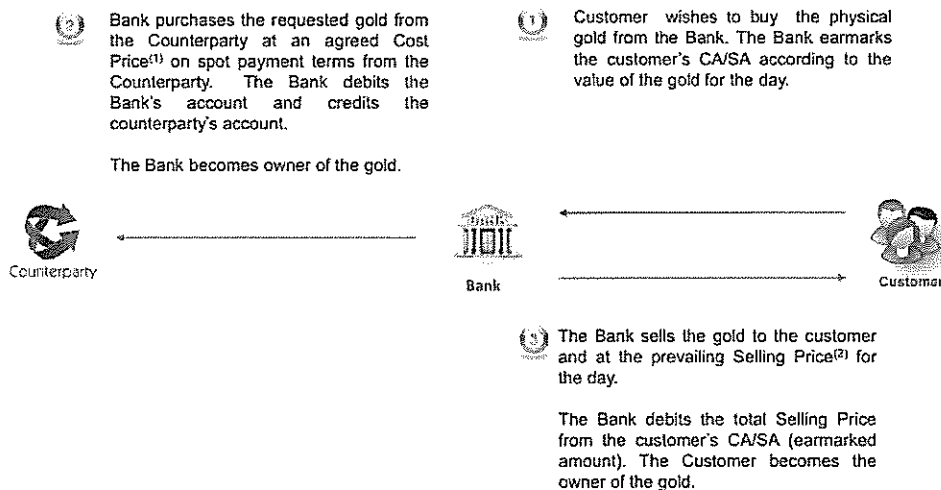
Based on the Shariah Standard of Gold by Accounting and Auditing Organization for Islamic Financial Institutions (“AAOIFI”), Gold is the well-known natural element and precious metal. It is, in principle, a fungible item (measured by weight) and a Ribawi commodity, and is subject to the Shariah ruling for currency exchange (Bay’ al-Sarf).

The SC also have made reference to the Policy Document of Bay’ al-Sarf by Bank Negara Malaysia (“BNM”) where Bay’ al-Sarf is defined as the contract of exchange of money for money of the same or different type. Money is a medium of exchange that shall be in the form of currency, gold, silver, or other forms accepted by Shariah.

2. Product Structure

Below is the approved product structure for Affin Emas-i:

Affin Gold-i (Physical Gold) – Buy Transaction



NOTES:

⁽¹⁾ Cost Price = London Metal Exchange (LME) + Counterparty's Margin + Minting Cost

⁽²⁾ Prevailing Selling Price = Cost Price + Bank's Margin

Affin Gold-i (Physical Gold) – Sell Transaction



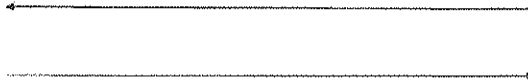
Customer wishes to surrender/sell the physical gold to the Bank at the prevailing Buying Price⁽¹⁾ for the day.

Subject to the surrendered gold conditions, the Bank buys the physical gold from the customer at the Buying Price on spot payment terms.

The Bank becomes the owner of the gold.



Bank



Customer



The Bank credits the total Buying Price for the day into the customer's CA/SA.

NOTES:

⁽¹⁾Prevailing Buying Price = London Metal Exchange (LME) – Counterparty's Margin – Bank's Margin

3. Salient Features of the Product

No.	Product Features	Description
1	Eligibility	<p><u>Individual</u></p> <ul style="list-style-type: none"> • 18 years above • Trust account (for individual below 18 years old) <p><u>Non-Individual</u></p> <ul style="list-style-type: none"> • Club • Societies • Associations • Institutions including firms, corporations and other business enterprise • Corporate and commercial customers
2	Market Segmentation	<ul style="list-style-type: none"> • Consumer • Corporate • Commercial • Government
3	Gold Fineness	99.99% purity of gold
4	Gold Type	Wafer
5	Gold Denomination	<ul style="list-style-type: none"> • 0.01 gram • 0.25 gram • 0.5 gram

		<ul style="list-style-type: none"> • 1 gram • 5 grams • 10 grams • 20 grams • 50 grams • 100 grams
6	Special Feature i.e. Exchange of Denomination	<p>Customer is allowed to exchange their gold into other denominations e.g. exchange of 5 grams x 1 piece gold into 1 grams x 5 pieces.</p> <p>Below is the fees related to exchange of denomination:</p> <ul style="list-style-type: none"> • <u>Services Charge</u> RM10 per transaction + GST (if any) • <u>Difference of Gold Price</u> Difference of Daily Gold Price for today (per gram) x Weight of gold in gram
7	Takaful Coverage	Takaful coverage is provided by the Counterparty for all unsold gold consignment stock stored in the Bank's premises.
8	Selling and Buying Price	<ul style="list-style-type: none"> • The Selling & Buying Prices are quoted on spot and determined by the Counterparty on the day of buying/selling transaction. The gold price may be changed from time to time. • Indicative prices are to be displayed at the Bank's banking halls and the Bank's corporate website. The price quoted by the Bank shall not be similar to the gold price quoted by any other sources.

4. Shariah Highlights

a) Shariah concepts of Bay' al-Sarf

Since Affin Emas-i (physical gold) will adopt the Shariah concept of Bay' al-Sarf, this product should follow the rule of Bay' al-Sarf completely. The rule of Bay' al-Sarf can be observed based the Hadith below:

عَنْ عُبَادَةَ بْنِ الصَّامِتِ، قَالَ: قَالَ رَسُولُ اللَّهِ صَلَّى اللَّهُ عَلَيْهِ وَسَلَّمَ "الدَّهَبُ بِالذَّهَبِ، وَالْفِضَّةُ بِالْفِضَّةِ، وَالْبُرُّ بِالْبُرِّ، وَالشَّعِيرُ بِالشَّعِيرِ، وَالتَّمْرُ بِالتَّمْرِ، وَالْمِلْحُ بِالْمِلْحِ مِثْلًا بِمِثْلِ سَوَاءٍ بِسَوَاءٍ يَدًا بِيَدٍ، فَإِذَا اخْتَلَفَتْ هَذِهِ الْأَصْنَافُ، فَبِيعُوا كَيْفَ شِئْتُمْ إِذَا كَانَ يَدًا بِيَدٍ "

From 'Ubadah ibn al-Samit that the Prophet (PBUH) said: "Gold for gold, silver for silver, wheat for wheat, barley for barley, dates for dates, and salt for salt - like for like, equal for equal, payment being made on the spot. If these kinds differ, sell as you wish provided the payment is made on the spot".

The SC noted that the Bank intends to introduce special features in Affin Emas-i which is exchange of denomination. Thus, the SC had highlighted that the Bank shall comply with the exchange rule of Bay' al-Sarf for same type of ribawi item i.e. same quantity (gram) and the transaction is made on the spot.

b) Treatment of Gold Delivery

In regards to the treatment of the gold delivery, the Bank may consider Muwa'adah on the physical gold subject to not using it for the purposes of speculation. However, it is still debatable among the scholars. The school of Maliki allows delivery of the stock to exceed T+2.

In addition, the SC also suggested the Bank to use Bay' al-Sarf fi Zimmah on the delivery treatment where the Bank may sell the gold which not in possession provided the Bank could deliver the gold within the contract session (Majlis al-Aqd). There are two Shariah scholar views in regards to T+2 i.e. (i) T+2 is within the allowable extension of contracting session (Imtidad Majlis al-Aqd) (ii) T+2 is beyond the contract session but it is tolerated on the basis of 'Urf Tijari (customary business practice) due to unavoidable constraints. The second view is adopted by AAOIFI.

Alternatively, the SC also agreed that if the Bank could provide the serial number to customers within the contract session, the constructive possession (Qabd Hukmi) is considered taken place by customer. Thus, the SC have no objections on the delivery exceeding T+2 if this is the case.

c) Fees and Charges

There will be two types of charges in regards to the exchange of gold denomination i.e. difference of gold price and service charges. Both fees and charges will be imposed based on the following scenarios:

- i. Exchange from **small** denomination to **big** denomination i.e. 5 pieces of 1g to 1 piece of 5g.

Fees	Chargeable	Amount	Imposed by
Difference of Gold Price	NO	NIL	Counterparty
Service Charge	YES	RM10 per transaction + GST (if any)	Bank

- ii. Exchange from **big** denomination to **small** denomination i.e. 1 pieces of 5g to 1 piece of 1g.

Fees	Chargeable	Amount	Imposed by
Difference of Gold Price	YES	Difference of Gold Price = Difference of Daily Gold Price for today (per gram) x Weight of gold in gram <i>Note:</i>	Counterparty

Fees	Chargeable	Amount	Imposed by
		The difference of daily gold price is according to the type of denomination.	
Service Charge	YES	RM10 per transaction + GST (if any)	Bank

Based on the above, the SC have no objection on the service charge. The SC understand that the exchange of gold is between the Customer and the Counterparty. The fees are based on the services provided by the Bank in arranging the exchange of denomination between both parties.

In regards to the difference of gold price, the SC had highlighted to the Bank that the Bank may impose fees on the exchange of gold denomination subject that the fees are based on the actual cost only. AAOIFI also has allowed to charge fee for safekeeping, allocating, minting and physical delivery of gold provided the fee is based on the actual cost.

10/7 It is permissible to charge a fee for safekeeping, allocating, minting, and physical delivery of gold, among other services. If these services involve exchange of gold for gold the fee shall be based on the actual expenses.

However, the Bank informed that there are some cost incurred by the Counterparty derived from exchange of gold arrangement. At the same time, the difference of gold price exists due to the different types of gold denomination. In some scenarios, the actual cost is higher than the difference of gold price.

The Bank may face difficulties to itemize each of the actual cost whenever customer request to exchange their gold. The Bank calculates the difference of gold price through the system while the calculation of the actual cost must be done manually.

Based on the above information, the SC are aware that the difference in scenarios will result to the difference price on exchanging the gold. The SC viewed that the Bank may take the difference of gold price as the average actual cost. This is comparable to other practice of standardizing actual cost e.g. ta'widh although actual cost may actually varies on case to case basis.

Hence, the SC agreed to allow the Bank to charge the difference of gold price for physical exchange based on the justification provided. The SC also suggested the Bank to conduct review on the actual scenarios to compare actual cost and different of gold price.

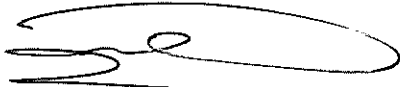
5. Resolution

We, the Shariah Committee of Affin Islamic Bank Berhad in AISCN 01/2018 (11th January 2018), AISCN 03/2018 (26th April 2018) and AISCN 04/2018 (25th May 2018) have reviewed the proposed

structure, salient features of the products and related Shariah issues on Affin Emas-i (described as above).

We, to the best of our knowledge and understanding hereby confirmed that Affin Emas-i (Physical Gold) are in compliance with AAOIFI Shariah Standard on Gold. The product does not contravene with Shariah principles and does not attract any Shariah issue related to BNM Shariah standards or Shariah resolutions made by BNM Shariah Advisory Council ("SAC").

Confirmed as correct,



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ASSOC. PROF. DR. SAID BOUHERAOUA
Chairman, Shariah Committee,
Affin Islamic Bank