



BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

Guidelines on Late Payment Charges for Islamic Financial Institutions

BNM/RH/GL 012-6	Islamic Banking and Takaful Department & Consumer and Market Conduct Department	Guidelines on Late Payment Charges for Islamic Financial Institutions
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OVERVIEW

1. Background

- 1.1 The purpose of the Guidelines is to specify the application of late payment charges that comprise two elements, namely compensation (*ta'widh*) and penalty (*gharamah*) for all Islamic financial products and services, as well as to enhance product transparency and disclosure requirements.

2. Applicability

- 2.1 The Guidelines are applicable to:
- (i) Islamic banks licensed under section 3(4) of the Islamic Banking Act 1983 (IBA);
 - (ii) Banking institutions participating in the Islamic Banking Scheme (IBS) licensed under the Banking and Financial Institutions Act 1989 (BAFIA);
 - (iii) Development financial institutions prescribed under the Development Financial Institutions Act 2002 (DFIA);
 - (iv) International Islamic banks that operate either as a subsidiary or as a branch; and
 - (v) Takaful operators registered under the Takaful Act 1984 (TA).
- [The institutions are hereafter referred to as "Islamic financial institutions" (IFIs)].
- 2.2 IFIs may but are not required to apply the requirements of the Guidelines for financing facilities offered to employees.

3. Legal provision

- 3.1 The Guidelines are issued pursuant to section 53(A) of the IBA, Section 126 of BAFIA, Section 126 of DFIA, Section 69 of the Takaful Act 1984 (TA) and Section 59 and 53 of the Central Bank of Malaysia Act 2009.
- 3.2 The Guidelines shall be read together with the:

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- (i) Guidelines on Product Transparency and Disclosure;
- (ii) Guidelines on the Imposition of Fees and Charges on Financial Products and Services; and
- (iii) Other relevant regulations, guidelines or circulars that Bank Negara Malaysia (the Bank) may issue from time to time.

4. Effective date/Implementation date

- 4.1 For IFIs other than takaful operators, the effective date of the guidelines is 1 January 2012.
- 4.2 For takaful operators, the effective date of the Guidelines is 31 January 2013 and is only applicable to financing contracts.

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PART 1: LATE PAYMENT CHARGE

5. Guiding principles

- 5.1 The objective of the Guidelines is to provide guidance to the IFIs on the mechanism of late payment charges that applies the concept of *ta'widh* (compensation) and *gharamah* (penalty). In the context of the Guidelines, *ta'widh* refers to the amount that may be compensated to the IFI based on the actual loss incurred due to default, whilst *gharamah* refers to the penalty charged on the defaulters over and above the *ta'widh*.
- 5.2 The imposition of the late payment charges shall be implemented based on the following principles:

5.2.1. Principle 1: Combined late payment charge

The IFI may impose a combined late payment charge comprising *ta'widh* and *gharamah* up to a prescribed limit.

The maximum combined late payment charge that can be imposed by the IFI need to be approved by the Bank¹.

- (i) The combined rate shall be capped at the IFI's respective Average Financing Rate (AFR) based on the product and type of customer. The combined rate cap shall be based on the AFR at the point of default computed on a monthly basis². (Refer to the illustration in Appendix I).
- (ii) The combined rate imposed shall not:

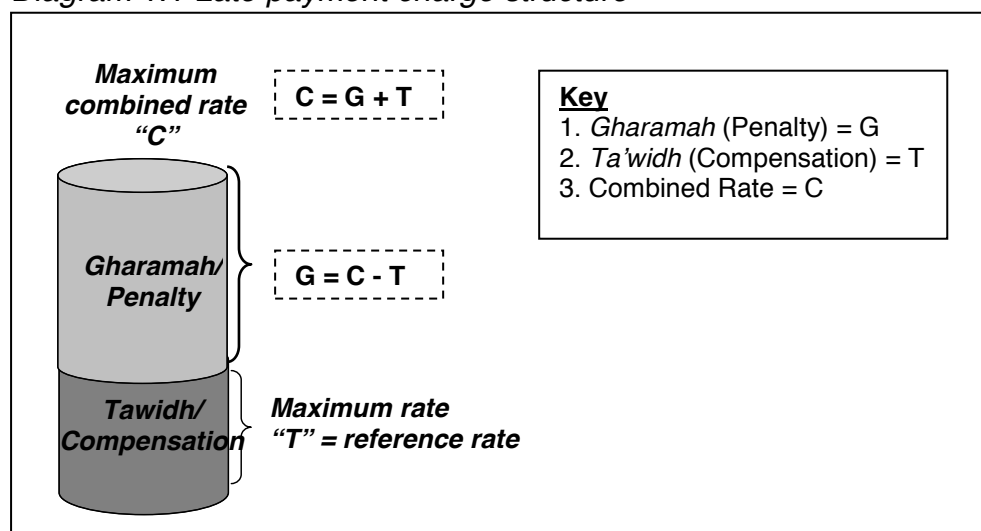
¹ The approval requirements in the guidelines should be read concurrently with the policy requirements in paragraphs 5.1, 5.5 to 5.7 of the Guidelines on the Imposition of Fees and Charges on Financial Products and Services.

² E.g. If the account payment is due on the 4th of each month, the IFI may impose a late payment charge at a combined rate not exceeding the prevailing AFR rate of the particular product/contract on each month of default.

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- a) exceed the cost/interest on default borne by an equivalent customer under conventional finance³. The IFIs may use available industry benchmark as a reference for conventional rates; and
 - b) be compounded on the overdue instalments or outstanding principal amount. (Refer to the illustration in Appendix I).
- (iii) The IFIs are accorded flexibility to structure the components of the combined late payment charges for different financial contracts and/or products, subject to the limits as determined above.

Diagram 1.1 Late payment charge structure



- (iv) The IFIs are required to submit their applications to the Bank in writing, explaining the justification for the imposition of the revised late payment charges, conditions under which the new late payment charges may be imposed, and enclose a communication plan after it is endorsed by the respective Shariah Committee.

For the purpose of initial adoption of the guidelines, the IFIs are required to submit an application for all changes to the late

³ This requirement is applicable to the late payment charge imposed on small and medium enterprises (SMEs, as per definition of SME by the National SME Development Council) and/or individuals only and excludes corporate accounts.

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payment charges of the respective Islamic financial product(s), if any, using the format of application provided as per Appendix II⁴.

- (v) For credit card-i, IFIs are required to adhere to the late payment charge rates as prescribed in the Credit Card-i Guidelines⁵.

5.2.2. Principle 2: *Ta'widh*

The IFI shall be compensated up to the amount of actual loss incurred as a direct result of the delay in repayment or default by the customer.

5.2.2.A For takaful operators, the shareholders' or takaful funds shall be compensated up to the amount of actual loss incurred by the respective funds as a direct result of the delay in repayment or default by the customer.

The IFIs are allowed to be compensated by way of *ta'widh* up to (or equivalent to) the actual amount of losses incurred by the IFIs, subject to the overall combined rate limit. In determining the compensation rate of actual loss incurred, the IFIs are required to observe the reference rate as prescribed by the Bank as follows:

- (i) The actual loss to be compensated from any default payment, from the date of payment until the maturity date shall not be more than 1% per annum:
 - a) on the overdue instalments of the Islamic financial product in the case of default of scheduled payments (Diagram 2.1); or
 - b) on outstanding balance (outstanding principal and accrued profit) of the Islamic financial product in the case of default causing the entire facility to be recalled or brought to court for judgement prior to maturity (Diagrams 2.2 and 2.3).

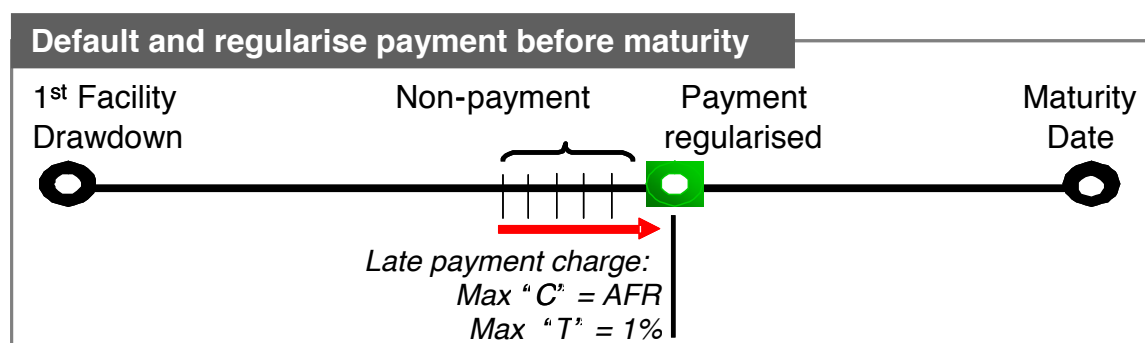
⁴ Any revision to the late payment charge may be made using the form available in the 'Guidelines on the Imposition of Fees and Charges on Financial Products and Services'.

⁵ Except for the prescribed rate for late payment charge as in the Credit Card-i Guidelines, IFIs are expected to comply with the remaining requirements of these guidelines.

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- (ii) The actual loss to be compensated from default payment which exceeded the maturity date shall not be more than the prevailing daily overnight Islamic Interbank rate (IIMM)⁶ on the outstanding balance (outstanding principal and accrued profit) of the Islamic financial product (Diagrams 2.4 to 2.6).
- (iii) The reference rate for the actual loss shall be determined at the point of default, computed on a monthly basis from the payment due date⁷. (Refer to the illustration in Appendix I).
- (iv) The *ta'widh* earned shall also be included in the computation of profit distributable to depositors/investment income holders.
- (v) For takaful operators, the *ta'widh* earned shall be included in the computation of income for the respective funds that provide the financing.

Diagram 2.1



⁶ The IIMM rate; defined as the daily weighted average for overnight rate of the Mudharabah interbank investment at the Islamic Interbank Money Market, has been agreed by the Shariah Advisory Council to be the reference rate for actual loss, post maturity. The IIMM rate can be sourced from the IIMM website <http://iimm.bnm.gov.my/index.php>.

⁷ E.g. If the account payment due date is on the 4th of each month, for any default prior to maturity the IFI may be compensated (*ta'widh*) up to a maximum of 1%. For any default post maturity the IFI may be compensated (*ta'widh*) up to a maximum of the daily overnight Islamic Interbank rate (IIMM) determined on the 4th of each month of default.

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Diagram 2.2

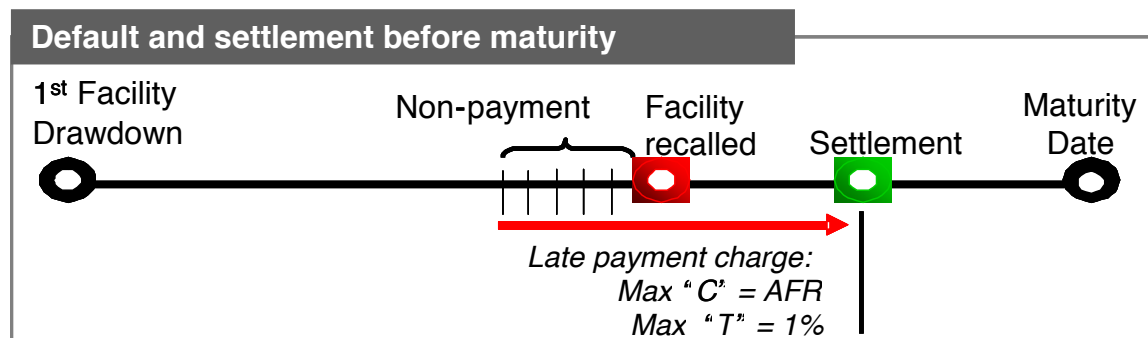


Diagram 2.3

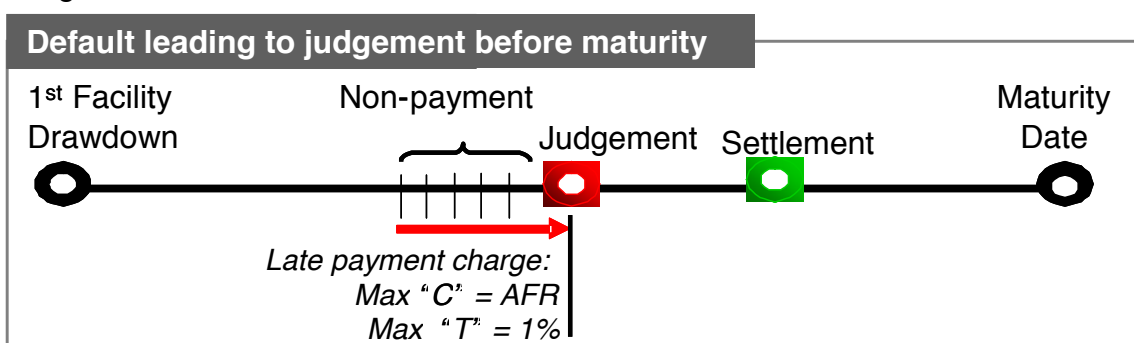


Diagram 2.4

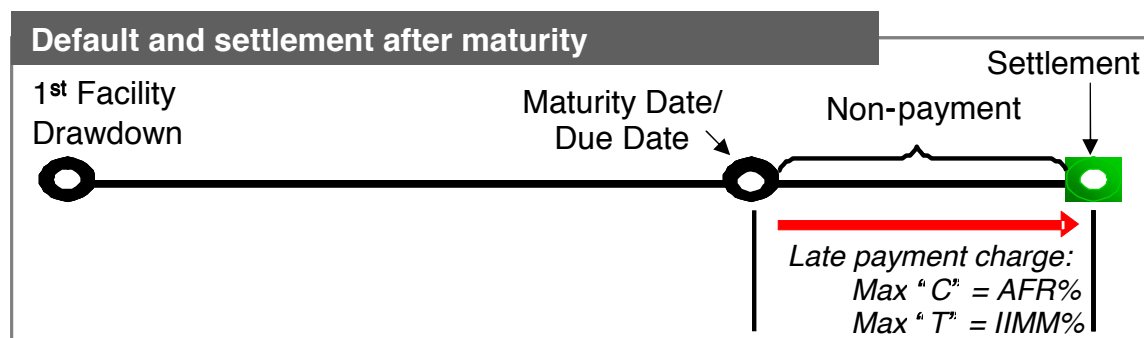
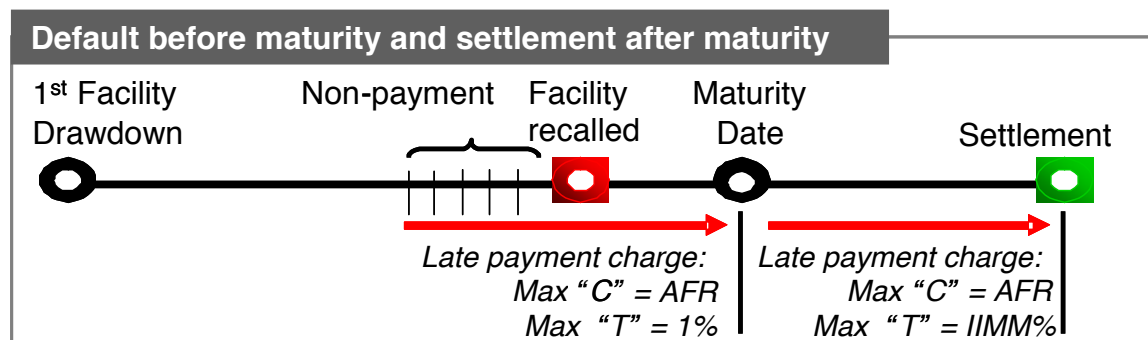
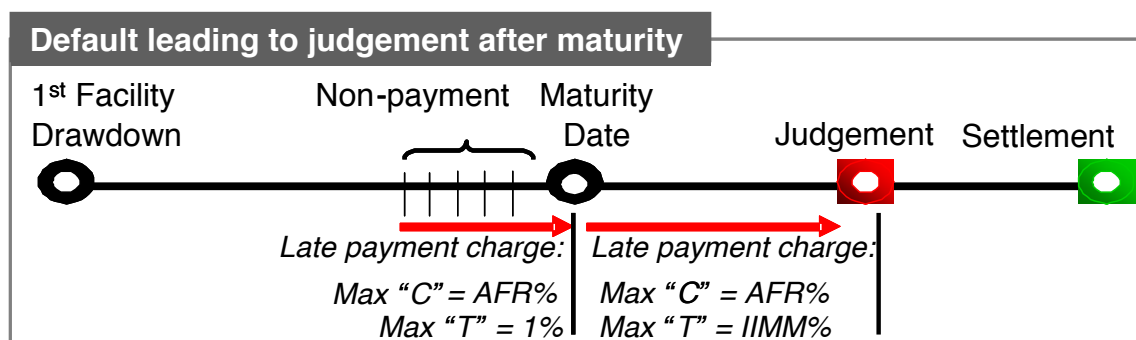


Diagram 2.5



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Diagram 2.6



5.2.3. Principle 3: *Gharamah*

The *gharamah* shall be channelled to charitable organisation(s) approved by the IFI's Shariah Committee.

The *gharamah* (the difference between the combined rate and *ta'widh*) is a means of deterrent for defaulters against delays in repayment or defaults. Shariah does not allow *gharamah* to be recognised as a source of income for the IFIs, as opposed to *ta'widh*, and therefore, all *gharamah* amounts must be channelled to charitable organisation(s). Any means to define and record *gharamah* as an income to the IFI shall be deemed to be non-Shariah compliant.

- (i) The IFIs are required to maintain a separate *gharamah* account from *ta'widh* to facilitate proper administration and governance of the accounts. This is to allow better monitoring and identification of the source and utilisation of *gharamah* for distribution to charitable organisation(s).
- (ii) The IFIs are required to disclose in its financial statements, as well as in the financing contracts to the customers on the use of *gharamah* amount for charitable purposes.
- (iii) The Shariah Committee of the respective IFIs is required to exercise its oversight function to ensure the appropriate management, allocation and timely distribution of *gharamah* to

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approved benefactors/charitable organisation(s). The Shariah Committee is expected to advise and determine the appropriate recipient(s) of the funds.

- (iv) The IFIs are required to submit a report to **Jabatan Perbankan Islam dan Takaful**, Bank Negara Malaysia, on the *gharamah* allocation made by the IFI on an annual basis in conjunction with their annual financial report submissions.
- (v) The IFIs are expected to be objective in the administration of the *gharamah* and should not be seen or implied at any point of time that it is benefiting from the management or distribution of the *gharamah* e.g. charging fees for the management of the account, using *gharamah* distribution as an advertisement/promotional campaign for the IFIs, distributing *gharamah* to recipient(s) which will cause IFIs to incur direct or indirect financial benefit.

6. Operational requirements

6.1 In the implementation of the guidelines, the IFIs are expected to act judiciously and to ensure that the late payment charges are imposed only on negligent defaulters⁸. The IFI is expected to implement and enforce clear policies and procedures to ensure that defaulters with genuine financial difficulties are given due consideration. Such procedures should include parameters in determining defaulters with genuine cases for consideration and all viable options in assisting the defaulter e.g. appeal or waiver over charges. Such procedures must be made aware to the customers and adequate training must be provided to staff dealing with the customers.

⁸ A default is considered to arise from negligence when it occurs despite there being no reasonable mitigating circumstances that would prohibit the customer from making prompt payments. Reasonable mitigating circumstances may include cash flow problems, unemployment, abandoned projects and loss of property due to natural disaster, fire or other related catastrophes and customers who have not abused the financing facilities or cases with good merit.

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- 6.2 The combined late payment charge mechanism shall apply to all types of contracts that result in a financial obligation or commitment between the IFI and the customer⁹.
- 6.3 The computation for the late payment charges shall be on a daily rest basis. (Refer to the illustration in Appendix I).
- 6.4 The accumulated combined late payment charges shall not exceed 100 percent of the outstanding principal amount. For example, if the outstanding principal is RM50,000 the total cumulative combined late payment charges amount must not be more than RM50,000.
- 6.5 The Bank reserves the right to require further information in addition to those prescribed in Appendix II, in order to assist in its deliberation.
- 6.6 The IFIs must ensure that the customers are duly informed of any revised fees at least 21 days before the effective date. In addition, the IFIs must ensure that the frontline staff is aware of the policy intent and why changes were made.

7. Governance

- 7.1. The IFIs are required to comply with the following governance requirements upon the implementation of the guidelines:

7.1.1. Board of Directors undertaking

The Board of Directors (Board) must ensure that the IFI has satisfied all the requirements of the guidelines, including putting in place appropriate controls and safeguards to monitor and determine the *ta'widh*, *gharamah* and combined rates, and ensuring capability of the information system and the IFI's compliance with Shariah rulings.

⁹ For takaful operators, the combined late payment charge mechanism shall only be applicable to financing contracts between the takaful operator and customer.

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7.1.2. Shariah Committee undertaking

The Shariah Committee must ensure that they are satisfied with the controls that are put in place to determine and monitor the late payment charges, especially on the *ta'widh* and *gharamah*, and that they are in compliance with the Shariah rulings.

7.1.3. Information system capability

For the purpose of monitoring and recording of *ta'widh* and *gharamah*, IFIs are required to put in place appropriate information system to ensure accurate computation and record-keeping. This will enable the IFIs to undertake diligent and proper management of *ta'widh* charged on the customer and *gharamah* that has been channelled to charitable organisation(s).

8. Disclosure requirements

- 8.1 The IFIs other than takaful operators shall recognise the *ta'widh* charges as 'Non profit income' in the income statement.
- 8.1A For takaful operators, the *ta'widh* charges shall be recognised as 'Other operating income' in the income statement of the shareholders' or takaful funds, where applicable.
- 8.2 The receipt of *gharamah* that the IFIs other than takaful operators have committed to distribute shall be recognised as 'Other liabilities' in the balance sheet. The utilisation of *gharamah* received for charitable purposes shall be disclosed in the notes to accounts for 'Sources and uses of donations/charities fund' (Appendix III). The *gharamah* received (but yet to be distributed) may not be invested by the IFIs.
- 8.2A The receipt of *gharamah* that the takaful operators have committed to distribute shall be recognised as 'Other liabilities' in the balance sheet of the shareholders' or takaful funds, where applicable.

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- 8.3 The Shariah Committee is required to disclose its oversight function over the management and distribution of the donation/charity fund in the Shariah Committee report.
- 8.4 The IFIs are required to comply with the disclosure requirements specified in the 'Guidelines on the Imposition of Fees and Charges on Financial Products and Services'.

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PART 2: POST JUDGEMENT DEBT

9. Guiding principles

- 9.1 The purpose of this part is to provide guidance to IFIs on the mechanism of late payment charge on judgement debt.
- 9.2 The court may include in its decision on the judgement amount awarded, a late payment charge to be imposed on the judgement debtor¹⁰ for any delays in payment to the judgement creditor¹¹, subsequent to the judgement.
- 9.3 The Shariah Advisory Council has resolved¹² that the court may impose a late payment charge on judgement debt as decided by the court on cases involving Islamic financial transactions. Following this resolution, IFIs are required to adopt the policy in the following manner:

9.3.1 Late payment charge

The court may impose a late payment charge at the rate as provided by the rules of the court. The imposition of late payment charge is based on the combination of *ta'widh* (compensation) and *gharamah* (penalty) mechanism.

9.3.2 *Ta'widh*

The judgement creditor can be compensated for the actual loss based on *ta'widh*. The *ta'widh* rate for the judgement creditor is the prevailing daily overnight Islamic Interbank rate (IIMM)¹³ on the judgement amount awarded. The actual loss, where applicable, excludes the court's order for cost.

¹⁰ A judgement debtor is a party against which a court has made a monetary award.

¹¹ A judgement creditor is a party to which a debt is owed that has proved the debt in a legal proceeding and that is entitled to use judicial process to collect the debt.

¹² Resolution achieved during its 13th special meeting held on 25 July 2011.

¹³ The IIMM rate; defined as the daily weighted average for overnight rate of the Mudharabah interbank investment at the Islamic Interbank Money Market, has been agreed by the Shariah Advisory Council to be the reference rate for actual loss, post judgement debt. The IIMM rate can be sourced from the IIMM website <http://iimm.bnm.gov.my/index.php>.

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- (i) In instances where the IFI is a judgement creditor and a late payment charge is imposed, the IFI is expected to submit to the court a claim on the *ta'widh* only, not exceeding the IIMM rate prescribed.
- (ii) If the amount of *ta'widh* is equivalent to or exceeds the total amount of late payment charge, the total amount of late payment charge may be taken by the judgement creditor as compensation.
- (iii) If the amount of *ta'widh* is less than the total amount of late payment charge, the difference will be treated as *gharamah*.

9.3.3 *Gharamah*

Gharamah is imposed as a preventive measure against late payment by the judgement debtor. The *gharamah* is the difference between the late payment charge and *ta'widh*, which is the balance if *ta'widh* is less than the amount of late payment charge.

- (i) The judgement creditor is required to channel the amount of *gharamah* to charitable organisation(s). The administration of *gharamah* to approved benefactors/chartable organisation(s) shall be determined by the Shariah Committee.
- (ii) The IFI is required to submit a report to **Jabatan Perbankan Islam dan Takaful**, Bank Negara Malaysia, on the *gharamah* allocation made by the IFI, on an annual basis in conjunction with their annual financial report submissions.

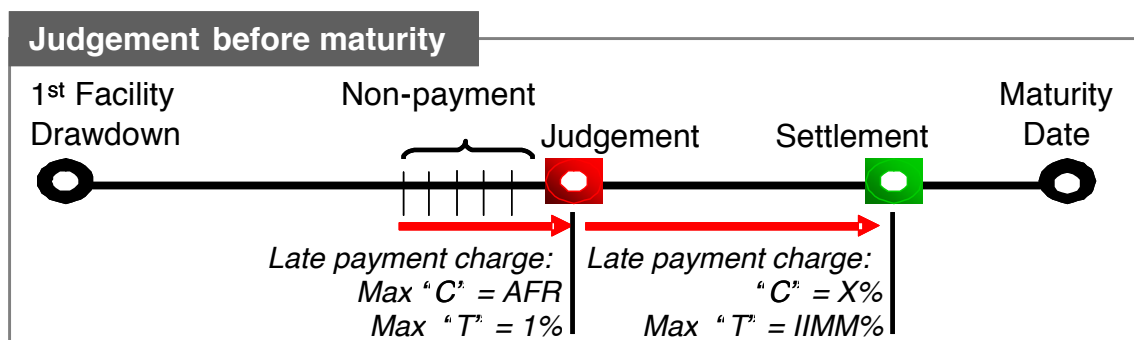
10. Operational requirements

- 10.1 The late payment charge rate shall be applied to the **basic** judgement sum awarded, from the date of the judgement is made until the judgement debt is fully settled by the judgement debtor to the judgement creditor. (Refer to the illustration in Appendix IV).

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- (i) The basic judgement sum refers to the outstanding balance (subject to *ibra'* if applicable)¹⁴, and does not include the late payment charges before the judgement and other costs.
- (ii) The accumulated late payment charge shall not exceed the outstanding principal of the judgement sum awarded. For example, if the outstanding principal is RM100,000, the cumulative late payment charge shall not be more than RM100,000.
- (iii) The late payment charge shall not be compounded on the basic judgement sum awarded.
- (iv) The *ta'widh* rate shall be determined on the date of the judgement, and reviewed monthly from the date of the judgement.
- (v) The late payment charge and *ta'widh* amounts shall be computed on a daily rest basis. (Diagrams 3.1 and 3.2)

Diagram 3.1

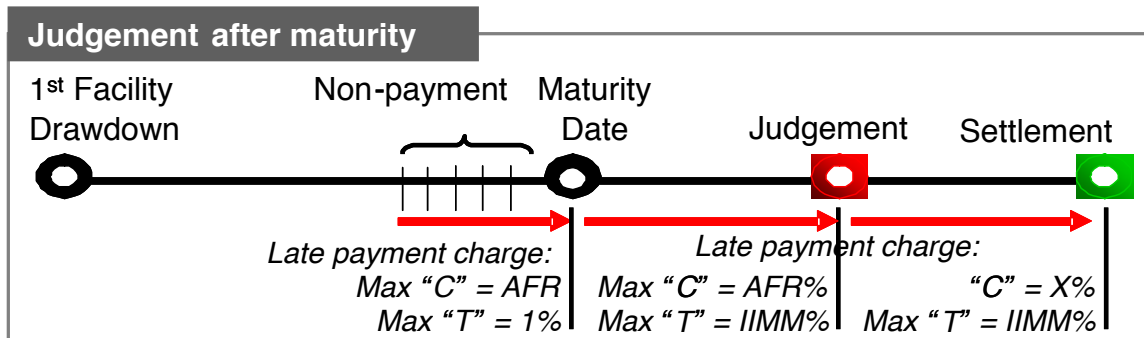


X% refers to rate as determined by rules of the court.

¹⁴ The outstanding balance is equivalent to the outstanding selling price at settlement date + overdue instalments at settlement date - *ibra'*. The IFI is required to refer to the Guidelines on *Ibra'* (Rebate) for Sale-Based Financing for the mechanism on *ibra'* computation.

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Diagram 3.2



X% refers to rate as determined by rules of the court.

11. Financial Reporting requirements

11.1 The IFIs are expected to comply with the financial reporting requirements as prescribed in paragraph 8 above.

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APPENDIX Ia: Illustration of late payment charges (before maturity date)

Product name	BBA Home Financing-i (Retail)
Bank's principal	RM100,000
Bank's selling price	RM158,520
Monthly instalment	RM1,321
Payment due date	4 th of the month
Financing profit rate	10%p.a.
Late payment charge (C) ¹⁵	C e.g. AFR
<i>Ta'widh</i> (compensation) (T) ¹⁶	T= 1% (before maturity date)
<i>Gharamah</i> (penalty) (G)	G = {C-T}

1. Formula for combined late payment charge on overdue instalment(s) is as follows:

$$\text{Overdue instalment(s)} \times \text{Combined rate}^{17} \times \frac{\text{No. of Overdue day(s)}}{365}$$

Example computation of combined late payment charge for the month of April 2011:

$$\text{RM1,321} \times 9.50\% \times \frac{30}{365} = \text{RM10.31}$$

2. Formula for *ta'widh* on overdue instalment(s) is as follows:

$$\text{Overdue instalment(s)} \times \text{Ta'widh rate}^{18} \times \frac{\text{No. of Overdue day(s)}}{365}$$

Example of computation of *ta'widh* for the month of April 2011:

$$\text{RM1,321} \times 1.00\% \times \frac{30}{365} = \text{RM1.09}$$

¹⁵ Rate applied as referenced under paragraph 5.2.1(i) of the Guidelines.

¹⁶ Rate applied as referenced under paragraph 5.2.2(i) of the Guidelines.

¹⁷ Combined rate determined on a monthly basis from the payment due date.

¹⁸ *Ta'widh* rate determined on a monthly basis from the payment due date.

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3. Formula for *gharamah* on overdue Instalment(s) is as follows:

Combined late payment charge – *Ta'widh*

Example of computation of *gharamah* for the month of April 2011:

RM10.31 – RM1.09 = RM9.22

4. Customer fails to pay monthly instalments for the months of April, May and June 2011. In the month of July 2011, customer makes repayment for the 3 overdue instalments including the instalment for the current month. The calculation for the late payment charges are as per the following table:

On the date	Balance Overdue instalment (RM)	No. of overdue days (days)	Combined rate		<i>Ta'widh</i> 1%p.a (RM)	<i>Gharamah</i> (RM)
			AFR rate ¹⁹ (%p.a)	AFR Cost (RM)		
4.4.11–3.5.11	1,321	30	9.50	10.31	1.09	9.22
4.5.11–3.6.11	2,642	31	9.55	21.43	2.24	19.19
4.6.11–3.7.11	3,963	30	9.60	31.27	3.26	28.01
TOTAL		91		63.01	6.59	56.42

5. The total penalty amount (RM56.42) **received** is recorded in the notes to accounts as the source of fund to be channelled to charitable organisation(s). The total compensation amount (RM6.59) charged is recorded in the income statement as 'Other income'.

¹⁹ AFR rate determined at the 4th of each month.

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APPENDIX Ib: Illustration of late payment charges (after maturity)

Product name	Murabahah Letter of Credit-I (SME)
Bank's outstanding principal	RM100,000
Bank's selling price	RM101,000
Payment maturity/due date	4 th April 2011
Financing profit rate	10%p.a.
Late payment charge (C) ²⁰	C e.g. AFR
<i>Ta'widh</i> (compensation) (T) ²¹	T = IIMM% (after maturity date)
<i>Gharamah</i> (penalty) (G)	G = {C-T}

1. The formula for late payment charge on post judgement debt is as follows:

$$\text{Outstanding principal} \times \text{Combined rate}^{22} \times \frac{\text{No. of Overdue day(s)}}{365}$$

Example of computation of late payment charge for the month of April 2011:

$$\text{RM100,000} \times 9.50\% \times \frac{30}{365} = \text{RM780.82}$$

2. The formula for *ta'widh* on post judgement debt is as follows:

$$\text{Outstanding principal} \times \text{Ta'widh rate}^{23} \times \frac{\text{No. of Overdue day(s)}}{365}$$

Example of computation of *ta'widh* for the month of April 2011:

$$\text{RM100,000} \times 2.68\% \times \frac{30}{365} = \text{RM220.27}$$

3. Formula for *gharamah* on post judgement debt is as follows:

$$\text{Combined late payment charge} - \text{Ta'widh}$$

Example of computation of *gharamah* for the month of April 2011:

$$\text{RM780.82} - \text{RM220.27} = \text{RM560.55}$$

²⁰ Rate applied as referenced under paragraph 5.2.1(i) of the Guidelines.

²¹ Rate applied as referenced under paragraph 5.2.2(i) of the Guidelines.

²² Combined rate determined on a monthly basis from the payment due date.

²³ *Ta'widh* rate determined on a monthly basis from the payment due date.

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4. Customer fails to pay the outstanding principal due of RM100,000 on the maturity date 4 April 2011. In the month of July 2011, the customer makes full settlement of the overdue principal. The calculation for the late payment charges, *ta'widh* and *gharamah* are as follows:

On the date	Overdue principal (RM)	No. of overdue days (days)	Combined rate		<i>Ta'widh</i>		<i>Gharamah</i> (RM)
			AFR rate ²⁴ (%p.a)	AFR Cost (RM)	IIM rate ²⁵ (%p.a)	IIMM Cost (RM)	
4.4.11– 3.5.11	100,000	30	9.50	780.82	2.68	220.27	560.55
4.5.11– 3.6.11	100,000	31	9.55	811.10	2.65	225.07	586.03
4.6.11– 3.7.11	100,000	30	9.60	789.04	2.99	245.75	543.29
TOTAL		91		2,380.96		691.09	1,689.87

5. The total *gharamah* amount (RM1,689.87) **received** is recorded in the notes to accounts as the source of fund to be channelled to charitable organisation(s). The total *ta'widh* amount (RM691.09) is recorded in the income statement as "Other income".

²⁴ AFR rate determined at the 4th of each month.

²⁵ IIMM rate determined at the 4th of each month.

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APPENDIX II: Information submission for revision or introduction of fees and charges (first time application)

Please provide detailed response in boxes provided as per examples (in italics) shown below. For each type of product or service, you may list all related charges in the same template. Please use separate template for different types of financial products and services.

Information to be submitted			Remarks	
1. Type ¹ of product or service (List names of product or services)			Home Financing (1. BBA Home Financing-i); (2. Musyarakah Mutanaqisah Home Equity-i)	
2. Brief features			Standard features – Financing tenor; Margin of financing; Selling price rate Additional features - None	
3. Information on proposed late payment charges				
Name of product or services	Existing late payment charges	Proposed late payment charges ^{2,3}	Rationale	Detailed cost breakdown
1. BBA Home Financing-i	1% per annum	Product AFR = 6.00%	To recoup actual loss and deterrent mechanism.	Prior to maturity: Ta'widh – 1% per annum; Gharamah – 5% per annum Post maturity: Ta'widh – IIMM% per annum; Gharamah – 6%-IIMM% per annum
2. Musyarakah Mutanaqisah Home Equity-i	1% per annum	Product AFR = 6.50%	To recoup actual loss and deterrent mechanism.	Prior to maturity: Ta'widh – 1% per annum; Gharamah – 5.5% per annum Post maturity: Ta'widh – IIMM% per annum; Gharamah – 6.5%-IIMM% per annum
4. Target implementation date		15 August 2011		
5. Communication plan to public		To update new/revised fees in IFI's website, letter to individual customers		

Officers responsible for information submission:

Officer 1				Officer 2			
Name		Phone Number		Name		Phone Number	
Designation		E-mail		Designation		E-mail	
Signature		Date		Signature		Date	

¹/Type of product or service includes home financing, vehicle financing, personal financing, cash line facility, trade financing, share margin financing, etc

²/ Please also state the conditions in which this late payment charges may be imposed (if any)

³/ Please also provide in an attachment the minimum 5-year historical data of the Average Financing Rate of the product or service. If the product is new, please provide the benchmark pricing rate.

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APPENDIX III: Illustration of financial reporting requirements

Notes to accounts

Sources and uses of charity funds	2011 RM'000	2010 RM'000
Sources of charity funds		
Undistributed charity funds as at 1 January	417	230
Non-Islamic/prohibited income	-	36
Excess compensation account ²⁶	67	100
<i>Gharamah</i> /penalty charges	187	250
Total sources of funds during the year	671	616
Uses of charity funds		
Contribution to Baitulmal	138	142
Contribution to non-profit organisations*	99	57
Aid to needy family	12	-
Total uses of funds during the year	249	199
Undistributed charity funds as at 31 December	422	417

* Non-profit organisations registered under Registrar of Society or Suruhanjaya Syarikat Malaysia (SSM) or any other sovereign laws that pursue humanitarian, charitable and/or philanthropic causes/objectives.

²⁶ Not applicable for takaful operators.

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APPENDIX IV: Illustration of late payment charges (post judgement debt)

Product name	Murabahah Home Financing-i
Outstanding balance ²⁷	RM1,024,658
Outstanding principal	RM1,000,000
Judgement date	4 June 2011
Late payment charge (C) ²⁸	C= 4%
<i>Ta'widh</i> (compensation) (T) ²⁹	T= IIMM%
<i>Gharamah</i> (penalty) (G)	G = {C-T}

1. The formula for late payment charge on post judgement debt is as follows:

$$\text{Basic judgement sum} \times \text{Late payment charge} \times \frac{\text{No. of Overdue day(s)}}{365}$$

Example of computation of late payment charge for the month of April 2011:

$$\text{RM1,024,658} \times 4.00\% \times \frac{30}{365} = \text{RM3,369}$$

2. The formula for *ta'widh* on post judgement debt is as follows:

$$\text{Basic judgement sum}^{30} \times \text{IIMM}^{31} \times \frac{\text{No. of Overdue day(s)}}{365}$$

Example of computation of *ta'widh* for the month of April 2011:

$$\text{RM1,024,658} \times 2.68\% \times \frac{30}{365} = \text{RM2,257}$$

3. Formula for *gharamah* on post judgement debt is as follows:

$$\text{Combined late payment charge} - \text{Ta'widh}$$

Example of computation of *gharamah* for the month of April 2011:

$$\text{RM3,369} - \text{RM2,257} = \text{RM1,112}$$

²⁷ Outstanding balance (subject to *ibra'* if applicable).

²⁸ Rate as determined by rule of the court as referenced under paragraph 9.3.1 of the Guidelines.

²⁹ Rate applied as referenced under paragraph 9.3.2 of the Guidelines.

³⁰ The basic judgement sum refers to the outstanding balance as referenced under paragraph 10.1(i) of the Guidelines.

³¹ IIMM rate determined on a monthly basis from the judgment due date.

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4. Assuming the judgement date was 4 April 2011, the basic judgement sum awarded was RM1,024,658 and the late payment charge imposed by the court is 4%. The final settlement of the judgement debt was made on 18 June 2011. The calculation for the late payment charges, *ta'widh* and *gharamah* are as follows:

On the date	Basic judgement sum (RM)	No. of overdue days (days)	Late payment charge 4%p.a (RM)	<i>Ta'widh</i>		<i>Gharamah</i> (RM)
				IIM rate ³² (%p.a)	IIMM Cost (RM)	
4.4.11–3.5.11	1,024,658	30	3,369	2.68	2,257	1,112
4.5.11–3.6.11	1,024,658	31	3,481	2.65	2,306	1,175
4.6.11–17.6.11	1,024,658	14	1,572	2.99	1,175	397
TOTAL		75	8,422		5,738	2,684

5. The total *gharamah* amount (RM2,684) **received** is recorded in the notes to accounts as the source of fund to be channelled to charitable organisation(s). The total *ta'widh* amount (RM5,738) is recorded in the income statement as "Other income". The total amount of late payment charge (RM8,422) has not exceeded the outstanding principal (RM1,000,000).

³² IIMM rate determined at the 4th of each month.