Abstract
Mudharabah is cooperation between an investor who gives fund or capital to a party who will manage the fund or capital for trading. The profit will be shared between two parties, investor and the caretaker. Bank Negara Malaysia (BNM), the central bank, has already published the draft of its latest Shariah parameter on Mudharabah contract. The rationale of this Shariah parameter is to provide reference on the nature and features of the mudharabah contract to Islamic financial services industry, who is to promote the harmonization of Islamic finance market practices. These are identified and proposed as secondary features mentioned in this parameter. This paper is focusing critically analyzes on practical constraint faced by Islamic banking in the implementation of Mudharabah financing facilities focus on under three categories: Demand Deposit, Mutual Investment Deposits and Special Investment Deposits. What do we expect from this paper may identify if a special rules apply to a types of contract mudharabah especially in restricted and unrestricted because their implication on conflict of interest.

Keywords: Mudharabah; capital provider; entrepreneur; deposits; Shariah rulings.
1. Introduction
The contract of mudharabah has gained importance in modern applications because it provides limited or no liability for the worker or the managing partner. This makes it attractive for Islamic banks and financial institutions that hope to fill the role of the worker. In addition, a mudharabah financing contract refers to a partnership between an Islamic banking institution that assume the role as capital provider (rabbulmal), and the customer who assume the role as manager of funds (mudharib) who is expected to perform the best of his ability to translate the capital provided into profit.\(^3\) Many studies have discussed in the context of business and trade, it means a joint enterprise in which all the partners share the profit according to a mutually agreed profit sharing ratio but loss is borne solely by the capital provider or investor.

In principal, any financial loss under mudharabah financing must be borne by the Islamic banking institution. However, if the loss is caused by negligence, mismanagement or breach of contracted terms by the customer, then the customer is liable for the loss. Mudharabah financing can be divided into two main types, i.e. restricted mudharabah (mudharabah muqayyadah) and unrestricted mudharabah (mudharabah mutlaqah).

Under restricted mudharabah, the Islamic banking institution may specify certain terms and conditions, for example stipulate a particular business or particular place for the customer to invest the capital. The customer is bound by all these restrictions and any violation of these restrictions may make the customer liable for the loss, if any. This type of mudharabah financing may be used for contract financing of a specific project awarded to the customer.

Under unrestricted mudharabah, an Islamic banking institution does not impose any limitation on the customer or partner, for example, on the type of business, place of business, methods of payment from the customers and period of investment. In this case, the Islamic banking institution will not have any recourse to the customer should the business incur losses due to the investment policy as there would have been no such policy prescribed by the Islamic banking institution in the first place. This type of mudharabah, for example, may be used towards financing a customer’s working capital requirements.

The concept of the mudharabah contract also made a good sense. People need money, and they need to perform work

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\(^3\) See BNM (2009)
or make goods for money, and they can not engage in that business except by obtaining money to start it. After all, money grows in a given society through circulation and trade and investment. In view of John W. Livingston (1971), Ibn al Qayyim said that, the mudharib is a trustee, an employee, a deputy and a partner. He is a trustee when he takes the money; a deputy when he uses it, an employee in the work that he executes, and a partner in the profit. Hence, for mudharabah to be valid in Islamic transaction, the share of the worker should be named.

The mudharabah contract is beneficial to the worker and to the society, and that was why it was so popular and remains intact in the collection of business terminology. Speedy growth in the Islamic finance industry has encouraged foreign financial institutions to make our country, Malaysia their choice destination to conduct Islamic banking business. This has created competition among industry players, indirectly affected the structures of Islamic banking products, services and activities.

Therefore, Bank Negara Malaysia (BNM), the central bank, is pressing ahead with developing a series of Shariah parameters that would provide a standard guidance on applying the respective Shariah contracts in Islamic finance. In fact, BNM in December 2009 published its latest draft concept paper on the Shariah Parameter specify Mudharabah contract. The purpose BNM introduce of this Shariah Parameter Reference 3: Mudharabah Contract (SPRC 3) is to provide a reference on the nature and features of the contract to the Islamic financial services industry and the Shariah requirements for the application of the Mudharabah contract. The development of Shariah parameters or guidance references is the latest manifestation of this essential process, which is based on the need to outline the essential features of Islamic financial products based on the underlying Shariah contracts that are endorsed by Shariah boards and adopted by the Islamic financial institutions (IFIs).

However, Bank Negara Malaysia recognizes that there are challenges facing the implementation of Shariah rulings in the global Islamic finance industry. Indeed, in response to the need for a conducive, sound and stable Islamic financial environment, local and international Shariah governing bodies have formulated Shariah rulings and passed fatwas, resolutions and policies to be adopted by the Islamic financial industry.

In addition to that, the Quran was not only a moral and religious guide, but a social, legal and business guide that instructed its followers on how to conduct themselves in business and other legal matters, so it comes as no surprise that mudharabah was put in practice and used for so long.

Meanwhile, this study differs in significant ways. First, the objective of this paper focus on the critically analyze the Shariah Parameter Guideline of Mudharabah contract issued by BNM. Second, this study indirectly view on practical constraint faced by Islamic banking in the implementation of Mudharabah financing facilities focus on deposit under three categories: Demand Deposit, Mutual Investment Deposits and Special Investment Deposits. Why Islamic deposit products? Because, one must bear in mind that the prohibition of interest in Islam does not mean that savings will not be rewarded. It also does not mean that the cost of financing would be zero. Instead of using the rate of interest to mobilize savings, Islamic banks mobilize funds on the basis of profit sharing with the depositors. These funds are then passed on to corporate and other clients using sale based, asset-based or financing and investment contracts. The availability of Mudharabah contracts not only fulfills the religious requirements of
Muslim customers but also provides a wider set of products for all customers.

The structure of this paper is as follows. Section 2 discusses the review on Shariah Parameter guideline on Mudharabah contract. Section 3 examines the critical analysis followed by the applications of Mudharabah financing in section 4. Section 5 proposed about issues in existing practices. Section 6 which summarizes this work along with some views on how Mudharabah deposits products and services can be competing with conventional in globally.

2. Review on Shariah Parameter guideline on Mudharabah contract

The discussion in the guideline can be divided into: (i) introduction, (ii) purpose, (iii) legitimate; and (iv) features.

Introduction

According to introduction on BNM (2009), it shows that the essential application of a Mudharabah contract could be achieved in the combination of financial and managerial resources between the parties. Mudarabah is functionally adaptive in the area of general or specific investment, project financing, bridge financing, working capital and small and medium enterprises (SMEs) financing, inter-bank investment, structured products, investment deposits, etc. The capital as wealth entrusted to the manager promotes mutual goodwill among the partners and channels wealth to productive use. The manager in the position of trustee should act in full integrity and is expected to perform in the best manner to achieve the desired aim of the capital provider who has invested his capital without having any control in the management of the venture.

Purpose

The purpose of this guideline is to provide reference on the nature and features of the contract to the Islamic financial services industry. It is will be endorsed by the Shariah Advisory Council of Bank Negara Malaysia. Specific definition and guidelines on the basis of legitimacy in adopting the Mudarabah contract are described to facilitate the understanding of the Shariah contract requirements. The features identified in this parameter shall serve to assist the Islamic financial services industry to identify, understand, apply and distinguish the contract from other contracts prevalent in the industry.

Legitimate

The establishment of legitimacy of the guideline is founded on the basis of the Quranic verses, the Sunnah of the Prophet Muhammad (SAW), and the consensus of Muslim Jurists (Ijma”). In the Quranic verses imply the general permissibility of commercial ventures including Mudarabah.

i. “…others travelling through the land, seeking of Allah’s bounty…”

(Al-Muzammil:20)

ii. “And when the Prayer is finished, then may ye disperse through the land, and seek of the Bounty of Allah; and celebrate the Praises of Allah often (and without stint): that ye may prosper.”

(Al-Jumu’ah:10)

In the Sunnah of the Prophet Muhammad SAW, this is quote into two narrations from Ibnu Abbas and Suhayb. Ibnu Abbas r.a. reported that: “When our leader Abbas Ibn Abd al-Mutallib gives his property to someone for Mudarabah, he
stipulated conditions for his partner not to bring the capital throughout the sea; and not to bring with him the capital crossing a valley; and not to buy livestock with the capital; and if his partner violates the conditions, he should guarantee the loss occurred. These conditions have been brought to the attention of Prophet Muhammad (SAW) and he approved them.” (Mu’jam Al-Awsat; Al-Tabrani)

The Narration of Suhayb r.a. reported that the Prophet Muhammad (SAW) said: “Three matters that have the blessing (of Allah): A deferred sale, Muqaradah (Mudarabah), mixing the wheat with barley for domestic use and not for sale.” (Sunan Ibn Majah)

Another source from tacit approval of the Prophet Muhammad (SAW) is mudarabah venture has being practiced before the Prophet’s (SAW) first revelation and he did not raise or show any objections against the practice. This is considered a tacit approval by the Prophet Muhammad (SAW).

However, from Ijma’, the Muslim jurists have reached Ijma’ among them upon conducting Ijtihad on the permissibility of the mudarabah contract. It has also been established that the companions of the Prophet Muhammad (SAW) such as Umar, Uthman, Ali, Abdullah Ibn Mas’ud, Abdullah Ibn Umar, Ubaydullah Ibn Umar and Aishah⁴ have placed the property of orphans under the mudarabah contract with no objections from other companions.

Features of Mudharabah contract
There are a number of discussions under shariah parameter guideline which are attributable to the Mudarabah contract. These include nature of contract in the case of unilateral contract, capital contribution, management of mudharabah venture, profit sharing right, treatment of losses, and another enhanced conditions of Mudharabah contract such as origination and execution, third party guarantee and termination of these contract.

3. Critical Analysis

The analysis will be divided into three sub-sections. In this sub-section we argue that the several issues reflect in the guideline. Instead, it offers a critical reflection on application contemporary from other resources. Overall, our contextual analysis provides as follows:

(i) Purpose of the Guideline
The guidelines supply only references on the nature and features of the contract but not the purpose of mudarabah contract. This guideline should be expose what a special kind of mudarabah partnership where one partner gives money to another for investing it in a commercial enterprise. However in order to ensure their performance of this contract, the guideline also should be impose an important on practices. This contract implies that the investment comes from the first partner who is called rabbul mal, while the management and work is an exclusive responsibility of the other, who is called mudarib.

(ii) Foundations
The foundation comes from the primary and secondary sources by the Quran, Hadis and Ijma’. The following guideline, Quranic verses imply the Mudarabah contract is generally permissibility of commercial ventures. Additional sources to support the mudharabah basis also can refer from surah al-Baqarah.

⁴ See Wahbah Al Zuhaili (2007).
“It is no crime in you if ye seek of the bounty of your Load (during pilgrimage)…”

(Al-Baqarah: 198)

We can simplifies that these verses do not directly address the permissibility of mudarabah but are interpreted to imply mudarabah by referring to those who travel for the purpose of trading and seeking permissible income including those who undertake labour with someone else’s capital in exchange for part of the profit.

Furthermore, the mudharabah also should be described by the jurists of the main references such as of the Imam Hanafis explained, mudharabah is derived from Wahbah (2007), it is called with such term because the agent-manager is entitled for the profit derived from his efforts and works, he is the investor’s partner in profit, capital and business decision making. Furthermore, Imam Maliki added mudharabah is an act of appointing an agent (tawkil) to conduct business by giving (the agent manager) cash for some return of business profit. Then, Imam Shafie further with illustrated mudharabah takes place when a man had been handed money to trade with and profit will be shared between the two parties. Lastly, the Imam Hanbali explained the contract as a person gives someone his money to trade with and any realized profit will be shared between the two parties based on the pre agreed ratio.

From the above foundation demonstrate dissimilar approaches taken by the jurists when describing the mudharabah contract all of them addressed similar salient features which form the fundamental elements of the contract. In order to execute a valid mudharabah contract there are five elements need be clearly identified; the investor, agent manager, capital, work and profit.

(iii) Features contract
The guideline which are attributable some factors to the Mudarabah contract such as nature of contract, capital, management, profit sharing right, treatment of losses, origination and execution, third party guarantee and termination of these contract. Let us discuss detail each features provided.

a) Nature of contract
In general the contract of Mudarabah allows anyone of the contracting parties to terminate the contract unilaterally. Hence, the contract shall not be terminated unilaterally if the manager has commenced the work or when both parties have agreed not to terminate the contract during a specified time.

Basically, there are two types of mudharabah contract: Unrestricted and Restricted mudharabah. In case unrestricted mudharabah, the capitalist gives the entrepreneur a certain amount of money, specifying only the profit sharing rule. Thus, she/he leaves unspecified the work to be done, its time and place, etc.

However, in the contract restricted mudharabah, the capitalist specifies a list of conditions relating to the work.

b) Capital
Capital is the principal element of Mudarabah forming the substance of the contract. It shall be contributed by the capital provider only. The capital of Mudarabah may be in the form of monetary or non-monetary assets and shall be managed by the manager to generate income. Monetary assets of different currencies shall be valued according to an agreed currency at the time of signing the Mudarabah contract.
In case of the Multi Currency Mudarabah Fund. An Islamic Financial Institution has launched a global Mudarabah fund. The fund accepts subscriptions of capital investment by investors in various currencies such as USD, Euro, Ringgit Malaysia, Saudi Riyal etc. However, the prospectus has stated that the Mudarabah fund is denominated in USD. Hence, all contributions by investors in non-USD currencies will be converted into USD equivalent amount based on the exchange rate on the day of subscription to the Mudarabah fund.

Non-monetary Mudarabah capital contributed may be redeemed at its original value invested should it be possible or otherwise at its residual market value upon termination or the expiry of the contract. Debts such as account receivables or loans due to a capital provider do not qualify as capital of Mudarabah. The agreed capital shall be made available to the manager to commence the business activities. The capital may be fully or partially disbursed or made available to the manager at the time of the conclusion of the contract and based on terms of the contract.

Capital provider and manager may agree for a gradual withdrawal of Mudarabah capital by the capital provider. Failure to provide capital by the capital provider as per the agreed schedule shall constitute a breach of promise according to specified terms and conditions of the contract. The manager has an option to terminate the agreement or both parties may agree to revise the agreement based on actual capital contribution. Where the agreement is terminated the manager has to return the outstanding capital. If the Mudarabah expenditure exceeds the actual capital contribution, such liability shall be borne by the capital provider up to the limit of the total amount committed under the contract.

c) Management

All works and activities undertaken by the manager in relation to the Mudarabah capital shall be Shariah-compliant. The manager shall have the exclusive right to manage the Mudarabah venture. The capital provider shall be precluded from managing the venture. However, the capital provider has the right to information regarding the conduct of the manager. The manager(s) shall not be liable for any loss of capital unless such loss is due to the manager(s) negligence, dishonesty, misconduct or breach of terms of the contract.

Negligence: Among the typical conditions specified in the Mudarabah contract is that the managing partner is to exercise due care and diligence. For example, the assets purchased for sale was kept in the store without Takaful coverage against fire and theft. As a result of fire some of the assets perished. The manager is liable for the loss due to his negligence of not obtaining necessary protection.

Misconduct: The scope of the Mudarabah agreement specified that the Mudarabah fund should be invested in securities with investible grades and the securities should be from the list agreed by the capital provider. During the course of investments, in anticipation of huge profits the manager invested in non-approved securities with lower ratings. If a loss arises from such investment, the manager is liable for the loss of capital.

Breach of Terms: According to the terms of Mudarabah venture, the manager should disclose all relevant information that is significant for the capital provider to form a decision to proceed with investing in the venture. During the presentation of the feasibility study, the manager concealed significant information which is known to the manager to be material to the decision making process. Upon engagement, losses
on investment occurred and post-mortem findings indicate that such unfavorable information was not disclosed. This tantamount to the manager breaching the terms of engagement for willful non-disclosure and hence shall bear such loss of capital.

d) Profit sharing right

The manager enters into Mudharabah seeking his share of profits. Thus, this integral part of the contract must be known, otherwise the contract would be rendered defective. If mudharabah contract is concluded without specifying the manager ratios in profits, then the default ruling is that they divide the profits equally between them. This ruling follows from the view that equality is the default rule of division in mudharabah, as shown in the verse:

‘But if more than two, they share in a third’
(An-Nisa; 12)

The profit sharing ratio shall be determined at the time of the conclusion of contract and may be revised from time to time during the contract subject to mutual agreement. Let say, a Mudarabah agreement stipulates that the IFI shares 60% of profit after deducting approved expenses as specified in the agreement and accepted by the customer. As such, the profit sharing ratio between the IFI and the customer is 60:40 respectively.

It is not permissible to include a condition in Mudharabah contract that stipulates a pre-determined fixed amount of profit to one partner which deprives the profit share of the other partner. Consequently and subject to certain conditions, a lump sum amount or fixed amount of profit may be permissible if it does not deprive the other partner from benefiting from, and sharing in, the profit. Such as, Mudharabah agreement begins with a simple profit sharing ratio of 50:50. The capital provider further specifies that should the venture achieve a target profit above RM100,000, the capital provider will keep the first RM100,000 with the balance to be given to the manager. During the contract period, if the profit is RM 80,000 the profit share to the manager and capital provider each is RM 40,000. If the profit is RM 150,000, the profit share of the manager is RM50,000 and the profit to the capital provider is RM100,000.

e) Cure of losses

Mudharabah operating loss which is measured during the operating period may be offset against prior or future profits. In case of operational loss of capital, due to decline in market prices sale of goods by Mudharabah venture is much lower than cost of purchase. As a result the asset value decreases with given amount of outstanding liability and Mudharabah capital. Hence, the Mudharabah venture reports a loss for the net decrease in capital. Mudarib decides to offset the loss against undistributed profit from previous period.

The manager may not undertake to bear the loss. However, manager may bear the loss at the time the loss is realized without any prior condition or undertaking. A third party may undertake to bear the loss of capital due to misconduct or negligence on the part of the manager. The capital provider may take collateral from the mudarib, provided that the collateral could only be liquidated in the event of negligence or misconduct or violation of term of contract by the Mudarib.

Capital loss shall be recognized when the loss occurs prior to the commencement of the business or due to extenuating circumstances beyond the control of the manager and not due to the
negligence or misconduct of the manager. Relate on that, the Mudharabah agreement may be mutually reviewed to ascertain whether the capital loss impairs the future performance of the business activity and the partners may decide to restructure the agreement accordingly.

Enhanced conditions Mudharabah contract:

f) Origination and Execution of Mudarabah Contract

Prior to the Mudarabah contract, the parties may agree on general terms which include inter alia, the definition of the general contractual framework; the intention of the parties on restrictions on the contract or otherwise; the intention of the parties on having either a revolving transaction or separate transactions; the profit sharing arrangement; and types of guarantees or collaterals involved in the contract in the event of loss due to misconduct, negligence and breach of contract.

A business venture of Mudarabah may be in various sectors including but not limited to trading, plantation, construction, manufacturing, investment and services. A Mudarabah contract may incorporate Mubara’ah or Takharuj clause whereby: i) An existing capital provider agrees to forgo his right over certain profit if he exits the venture prior to its maturity date; and ii) A new capital provider agrees to assume liability of the venture which has commenced operation prior to his participation.

g) Third Party Guarantee in Mudharabah

Specific conditions on third party guarantee of the capital are as follows: i) The legal capacity and financial stability of such a third party as a guarantor shall be independent from the Mudarabah contract and partners; ii) The third party guarantor shall not hold the majority ownership of the guaranteed party; and iii) The guaranteed party shall not hold the majority ownership of the third party guarantor.

A third party guarantee on a Mudarabah venture with recourse and/or a fee consideration shall be limited to the capital. A third party may guarantee the capital and expected profit of mudarabah venture subject to the following conditions: i) The guarantee is given voluntarily without recourse and/or a fee consideration; and ii) The guarantee contract shall be non-conditional/non-contingent to the mudarabah venture.

h) Termination of Mudharabah contract

Upon agreement to provide capital or disbursement of funds, the capital provider may withdraw the capital from the venture prior to commencement of the business venture subject to term and conditions. The capital provider may not be entitled to the profits on capital if the withdrawal is made before the maturity of the investment period in a restricted Mudarabah business venture.

However, the Mudarabah contract shall be binding in the following events: i) When the manager has commenced the business. In this event, the contract is binding up to the date of actual or constructive completion; ii) When the duration or the termination date of the contract has been determined. However, the contract may be terminated earlier based on a mutual agreement by the parties.

In general, the Mudarabah contract may be terminated due to the following circumstances: i) Unilateral termination by
any of the parties when the Mudarabah does not constitute a binding Mudarabah. ii) Mutual agreement to terminate between the parties. iii) The contract expires as at the maturity date agreed by the parties. iv) The impairment of the Mudarabah fund does not favour the continuity of the venture. v) The demise of the manager or the liquidation of the managing institution. vi) The existence of one of the conditions that would consequently render a Mudarabah contract invalid. In this case, the Mudarib is deemed as the worker/agent who deserves fair and reasonable wages or fees only.

4. The applications of Mudharabah financing

Islamic Banking has been believed as one of aspects that affect a nation’s economic growth is a system that can respond positively to economic problems. Such endurance has inspired the government to give rises to the existence of Islamic banking by promulgating shariah act. The act should be contains regulations which deal with Islamic banking. The development of Islamic banks still needs for improvement in order to support strength and economy. According to the above brief description, we presents statements of the problem as the followings: i) how is the principle and implementation of mudharabah financing of the customers of Islamic bank?; ii) what problems that prevent the implementation of mudharabah financing of the customers of Islamic bank?; and iii) how is the appropriate solution to overcome these problems?

To answer the question, better we refer based on the idea siddiqi (1983) emphasized the necessity for Islamic banking and finance to base on the profit sharing concepts. According to him, in order to attain real success in Islamic banking, the players are to be involved more aggressively in profit sharing concept of mudharabah to replace entirely the institution of interest which is totally forbidden as according to him bank interest is equal to usury or riba. He totally believed that Islamic banks cannot to be successful if concentration of the banking business is sale and leasing based transactions. According to him, the interest based banking and lending has resulted in injustice and inefficiency and hence, it is necessary for Islamic banking to change its operations based on to profit sharing concept to ensure justice and improved efficiency. Siddiqi nevertheless did not elaborate on how banking should be organized on profit loss sharing basis in present day situation where misreporting is very likely while monitoring cost is significant.

Islamic banking in the implementation of Mudharabah financing facilities, this paper focus on three categories: Demand Deposit, Mutual Investment Deposits and Special Investment Deposits.

i) Islamic Demand Deposit

Demand deposits like savings and current account are normally placed under trust in Islamic Banks. These types of deposits can be withdrawn on demand and the withdrawal of which can be conducted by proper authorization through cheques, automated machines, over the counter provided proper written agreement or aqad is signed.

Demand deposits are more commonly placed under the contract of wadiah, or trust. The Islamic Banks guarantee the return of the principal sum. The principal is not used for investments by the bank unless authorization from the depositors is acquired. Since the deposit is placed under trust, Islamic Banks may not give any returns on their deposits but when they do, it is purely based on the concept of
hibah or gift. Most Islamic Banks are now more innovative in their product offerings and a number of demand deposits are now structured under the contract of mudharabah.

The complete absence of interest in Islamic financial institutions changes the role of depositors and regulators, and the way in which deposits are handled. A depositor places his money in bank, whilst the regulator is an officially appointed party who is there to ensure proper control and supervision of the banking activities. The difference between conventional and Islamic banks as regards the role of depositors and regulators is that in conventional banks, private or public, regulators act as a proxy for debt holders and take control away from equity holders in bad times. To unsophisticated depositors, just because an Islamic bank seems to hold quasi equity profit sharing investment accounts (PSIAs) instead of debt, they as depositors and regulators, are both considered to be fully consistent with Islamic rules and guidelines.

The following the two tier mudharabah model as for example, the assets and liabilities sides of a bank’s balance sheet are fully integrated. On the liabilities side, depositors enter into a mudharabah contract with the bank to share the overall profits accruing to the bank’s business. Here, the depositors act as financiers by providing funds and the bank acts as an entrepreneur by accepting them.

On the assets side, the bank, in turn, enters into mudharabah contracts with agent entrepreneurs who search for investable funds and who agree to share profits with the bank according to a certain percentage stipulated in the contract. In addition to investment deposits, banks are allowed to accept demand deposits that yield no returns and may be subject to a service charge. These deposits are repayable on demand at par value.

However, depositors are also aware that banks will be using demand deposits for financing risk bearing projects. Under this arrangement, banks may grant short term interest free loans to the extent of a part of total current deposits. Lastly, it should be noted that, although the concept of reserve requirements is recognized in Islamic banking, the two tier mudharabah does not mandate specific reserve requirements on either type of deposits.

**ii) Mutual Investment Deposits**

The bank accepts investment amount from customers who are looking for investment opportunities for their funds. Under this principle, the bank provides the entrepreneurship and the customer acts as the capital provider. All profits are shared in accordance with pre agreed profit sharing ratio, which is usually on a 70:30 ratio. Losses, if any, are borne entirely by the capital provider, example the investor.

**iii) Special Investment Deposits**

This is similar to the mutual investment account except that it is special because there is a minimum tenor of investment required as well as minimum amount of normally RM500, 000. In view of the amount, the investors are usually government institutions or large corporate customers, for specific investments, such as repurchase agreements in the Islamic money market or project financing.

**Case Study: Mudharabah products under Bank A**

**Al-Awfar**

Awfar is a unique savings and investment account based on the Mudharabah, a contract of profit sharing. Al-Awfar means prosperous investment. Al-Awfar Savings
and Investment Account-i is a rewarding account that offers a host of additional features, which include expected Mudharabah returns on savings and investments. This is in addition to the opportunity to receive cash prizes from the bank through a quarterly prize draw. Prize draws are permitted according to the Shariah Law if there is no elements of riba (usury), gharar (uncertainty) and maysir (gambling). This product is free from any elements of gambling.

Al-Mudharabah Savings Account
Bank A offers the unique Mudharabah Savings Account facility. This facility is based on the Mudharabah contract, which entails the concept of profit sharing. The customer will enjoy the profit gained from investment according to previously determined ratio.

Wadi Savings Account-i
Discover the advantages and enjoyment of saving with Wadi Savings Account-i. This special Bank A account helps us to start saving early for your little ones.

Pewani Savings Account-i
Bank A offers Pewani Savings Account-i, a unique deposit product designed to help women save for the future.

General Investment Account-i
Bank A offers the General Investment Account-i facility for customer to gain maximum profit through investment. This facility, which is based on Mudharabah contract, prescribes customer as the provider of capital and the Bank as the entrepreneur. Profit gained from the investment will be shared between both parties according to previously determined ratio.

Case Study: Mudharabah products under Bank B

Nuri Savings Account-i
The Nuri Savings Account-i is a savings account designed specially for children. Using concept Al-Mudharabah, this contract refer to an agreement where customers deposit capital in the Bank, and the Bank becomes wholly responsible and liable in the management and investment the deposits in halal business ventures. Profits gained will be divided and distributed accordingly, based on margins agreed upon earlier.

Savings Account-i
Savings Account-i Tawfir allows us to set aside money and earn profit on those invested funds and customer can withdraw cash at anytime.

Qiradh Investment Account-i
Qiradh Investment Account-i is an investment account whereby the customer provides capital for the Bank to invest for a specified period. Upon maturity, the profits earned will be shared between the Bank and the customer based on a mutually agreed ratio.

Case Study: Mudharabah products under Bank C

Al-Mudharabah Saving Account

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6 The basis on the permissibility of draw in Islam:-

داکلک من أنبياء الله نوحية بإذان (لهم) وما كنت لديهم إذ يلقون أقسمتهم أن كنمن كفّال مزيد وما كنت لديهم إذ يختصمون

(44)

This is a part of the news of the Ghaib (unseen, i.e. the news of the past nations of which you have no knowledge) which We inspire you with (O Muhammd). You were not with them, when they cast lots with their pens as to which of them should be changed with the care of Maryam; nor were you with them when they disputed.

(In Surah Ali 'Imran verse 44)
One reach Saving Account is an account based on the Islamic concept of Al-Mudharabah. It refers to a contract made between a provider of capital (depositor) and an entrepreneur or fund manager (the Bank) to enable the Bank to carry out business ventures within Shariah guidelines. Both parties agree to share profits from the investment according to a mutually agreed ratio.

**Al-Mudharabah Current Account**
Current Account is an account based on the Islamic concept of Al-Mudharabah. It refers to a contract made between a provider of capital (depositor) and an entrepreneur or fund manager (the Bank) to enable the Bank to carry out business ventures within Shariah guidelines. Both parties agree to share profits from the investment according to a mutually agreed ratio.

**BeeSTAR-i (Children Savings Account)**
BeeSTAR-i Savings Account is an account for young savers based on the Islamic concept of Al-Mudharabah. It refers to a contract made between a provider of capital (depositor) and an entrepreneur or fund manager (the Bank) to enable the Bank to carry out business ventures within Shariah guidelines. Both parties agree to share profits from the investment according to a mutually agreed ratio.

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**BeeSTAR-i**

| Bee | An icon that carry significant principles with strong characters and natural effort such as purity, sincerity, integrity, productivity, competent, sharing, network, etc |
| Star | Our noble mission in raising a star in a fun way yet promises glittering success in the future undertakings |
| i | Islamic/Intelligent |
| Bistari | Portray as a wise tool to retain source of knowledge, disseminate information and even to deliver message intellectually |

---

**Al-Mudharabah General Account**
An investment account accepted based on the Islamic contract of Al-Mudharabah. Al Mudharabah refers to a contract made between provider of capital (depositor) and an entrepreneur or fund manager (the Bank) to enable the Bank to carry out business ventures within the Syariah guidelines whereby both parties agree to share the profits from investment according to a mutually agreed ratio.

**Case Study: Mudharabah products under Bank D**

**Mudharabah Current Account-i**

If consumer has a high volume of transactions and payments to be made regularly every month, an account that comes with a chequebook will make things a lot easier. Just write a cheque for each transaction consumer need to make and send them off. Whilst Current Accounts-i may pay hibah at Bank’s discretion (Wadiah account) or pay profit based on profit sharing ratio (Mudharabah account), so consumer can actually treat it as a savings account. This means consumer just need one account instead of multiple ones.

For individuals who regularly issue cheques to make payments with no fixed value and/or frequency. A profit sharing account based on the concept of Mudharabah with an agreed profit sharing ratio, and may provide potentially higher returns. Includes internet banking facilities.
Mudharabah Saving Account-i
Mudharabah Savings account-i where profit is based on profit sharing ratio credited every month end.

Junior Savers Account-i
A savings account for kids which offers high yielding savings plan with bonus incentive of 100% on annual profit earned and exclusive benefits and privileges for both parents and kids. Children can have fun with children edutainment via kids activities on-line and on-ground.

EcoSave Saving Account-i
EcoSave Savings Account-i is based on existing Islamic saving account Mudharabah concept. EcoSave is an account that is environmentally friendly with ‘on-line’ and paperless mode of operations (no passbook and no physical statement). EcoSave promotes ‘green cause activities’. Account holder shall be rewarded with cash incentive of RM5 on monthly basis, if there is no over-the-counter (no paper transaction) in any day of the month and maintained average monthly balance of RM5,000 a month. Quarterly contribution of 0.2% of the total EcoSave portfolio balance shall be rewarded for environmental activities. Account opening during launching promotion period, shall be offered a free, re-usable shopping bag, while stock last.

Detail information of Mudharabah products for each bank can be found in the Appendix.

Table below summarizes the Mudharabah financing (Demand Deposit, Mutual Investment Deposits and Special Investment Deposits) based on mudharabah structure by four Islamic banks in Malaysia under case study.

Table: Mudharabah financing based on Mudharabah Structure offered by Malaysian Islamic Banks

<table>
<thead>
<tr>
<th>Islamic Bank</th>
<th>Mudharabah financing based on mudharabah contract</th>
</tr>
</thead>
</table>
Bank D

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>a.</td>
<td>Nuri Savings Account-i</td>
</tr>
<tr>
<td>b.</td>
<td>Tawfir Savings Account-i</td>
</tr>
<tr>
<td>c.</td>
<td>Qiradh Investment Account-i</td>
</tr>
</tbody>
</table>

5. Issues in existing practices

The practice of shariah compliant Islamic banking is the focus of the study authors, many of the issues that arise in the application of jurisdiction mudharabah contract on the products offered by Islamic banks to the public, this is due to take the easy attitude to the conditions and the tenets of mudharabah which is applied on products - certain products as to meet current needs. The need for disclosure of these issues have a goal to apply the principles of Islamic shariah compliant products. Critical issues that arise in the application of Islamic banking in mudharabah contract is as follows:

j) Determination of the Minimum Account Balance

In this case, determination of the minimum account balance means the money belonging to depositors who must remain in the account, not to be taken by depositors in the former. For instance, Bank Islam Malaysia Berhad set a minimum balance in savings account if it is not mentioned on the investment period. Similarly, Bank Mualamat also, set a minimum balance in the account if they feel safe and not mudharabah current account. In contrast to the bank that does not set a minimum balance in any account that is based mudarabah.

The issue that arises here is that depositors will suffer in the interests of all deposit money if they want to unilaterally terminate the contract (of course it is required by Islamic law). Because the bank does not limit the minimum balance to be widespread depositor, it must be on bank approval. In this case the depositors as sahibulmal reduced power on his own property because of the determination of the minimum balance.

In Islamic law, mudharabah is a contract that can be dissolved by any party involved in the contract, whether or mudarib or sahibulmal, at any time before the transaction begins mudharabah. Only just jurists differ after trading began. According to the jurists Maliki, sahibulmal can not take back his property and mudarib also can not pull the hand back to the capital assets sahibulmal only after completion of all the property transferred back to the original form of money.

In jurists Shafie, mudharabah is a contract that should not be binding on both parties because it resembles the early stages wakalah and after it became profitable musyarakah. Wakalah and loss sharing is a contract that should not be binding. Any party involved in the contract may abolish. However, in Hanafi and Hanbali schools mudharabah also be considered a contract is not binding, may be dissolved by any party to the contract at any time. This contract is dissolved by the death, insanity or retention of the right to manage the property for loss of properties caused by the lack of sound.

From the above discussion that opinions are more appropriate and maslahah are opinions expressed by saying that jurists Maliki mudharabah contract is binding once the work begins with the way the deal mudharabah capital by buying and selling items. However, when viewed in the application of Islamic banking, the capital accumulated in the account mudharabah especially mudharabah Mutlaqah, allocated
most of the reserves at the central bank and the bank’s reserves and it is cash or cash assets that must be submitted to the central bank is also in the bank itself as a liquidity reserve to meet the needs of customers if they want to withdraw money from the bank.

Hence, the money in the account mudharabah (mainly based on savings) are not exchangeable for cash to goods, it is better to not yet transacted mudharabah capital, the bank does not have to limit the minimum balance on your account. Customers have the opportunity to terminate the contract at any time if he wanted to end it.

ii) Determination of the Investment Period

In this section, we will explain the law of real investment in the contract set a mudharabah. Jurists differ relevant investment period setting, Hanafi and Hanbali jurists believe that the contract should mudharabah dimaterai by determining the time of investment as mudharabah contracts made in one year, two years or so. As explained by Ibn al-Qudamah in the book of al-Mughni: "Determining the investment period the rule is valid as mudarabah, sahibulmal said to mudarib I give money to the transaction dirhams in one year, after a year do not make the sale or purchase of goods".

Similarly, in the jurists Hanafi, "If sahibulmal said to mudarib, take this money as mudarabah capital and run the business within a year, then this is illegal in our opinion, because the contract as a mudarabah similar with the wakalah and can set the time period and may be contrary”.

Meanwhile, according to Maliki and Shafie schools do not have to specify the time period mudharabah investment. The reason is called under Ibn Rushd: “Set the time period of investment is difficult mudarib increase uncertainty as well as determining the probability that there are still unsold goods mudarib forced to sell it when it is up to the time of the investment period mudarib will get hurt”. Similarly, in the book al-Mughni al-Muhtaj (Al-Sharbayni, 1994): “No determination of the time required for contract mudarabah because this goals contract is making a profit on the time period specified, if the referred period of time and are prohibited from doing business after that, then the contract is not valid”.

From the above explanations, the opinion of the Hanafi and Hanbali schools are more in line with the current situation as if the prescribed time period of investment, mudarib to choose the appropriate investment related to the time and type of business. Mudarib can plan when to buy and when to change items into cash gradually if the investment period is almost over, the contract is not mentioned mudharabah investment period, then the sudden sahibulmal want to terminate the contract, so mudarib will have a difficult time. Thus, as we can see that the set period of investment is more in line with current business needs and maslahat.

iii) Capital Current Account Provider has accrued from a different time period

As an illustration of this issue is the money deposited by the public depositor or sahibulmal to the bank not have the same time, between the depositor there is an account mudharabah scheme on January 1, 2011, for example, there is a January 10, 2011, another January 16, 2011 and beyond. Any money received by the bank to be invested in an effort to generate profit. If the investment has reached maturity and the bank a profit, it will distribute profits to its
depositors at the same time regardless of the date of depositors to open accounts mudharabah. This policy is taken to simplify the calculations made by the bank.

The issue here is, money received by the bank from the depositor has a different time, but all the depositors will receive distribution of profits at the same time. Then the issues rose here also, if all monies received by January 1, 2011 the bank invested and the profits of banks. Then the result of money received by January 10, 2011 incurred losses, investment gains from currency January 1, 2011 will cover the loss of money January 10, 2011.

To discuss this issue, we will mention as sahibulmal and bank depositors as mudarib, as well as to simplify the problem, to be easily understood, accepted the case here is sahibulmal raise capital on existing mudharabah capital.

The jurists of the opinion, does not matter to increase its capital for the capital owners of existing capital mudharabah if only they would add to the conditions sahibulmal must see first whether the capital was transacted by the mudarib by buying or selling goods from the capital. If the profits derived from this, it can not cover losses in other businesses using foreign capital. On the contrary, in the event of loss of business use of the capital, other capital gains from trade may not cover business losses of the capital.

When sahibulmal raise capital on the first capital before dealing with the first capital's manager, then the law is may be because it is like to submit a one-off capital. If sahibulmal raise capital on the first capital, while the first capital was transacted, and it requires that both the capital on the first capital’s mixed, the rule is invalid because this action will bring to both the capital to cover capital losses each other.

For example, sahibulmal submit to mudarib RM1000. Then he added RM1000 for the first capital. Next let mudarib combine RM 1000 RM 1000 is the first of the two capital before the first run, then the law of this case is possible. Both calculated a capital mudharabah capital. In contrast, if the capital was transacted such as buying goods, capital of the legal merger of both the first is invalid, when are made such that there will be two capital cases cover each other in case of loss, but each is a separate capital with each other (Ibn Qudamah, 1996).

From the above, it is clear that exposure to raise capital on capital mudarabah is an Islamic law that is required for any of the capital has not been dealt with, others as if the capital was transacted, the legal merger of two of the first equity capital is not valid.

Related to the above issues, many depositors to submit mudharabah capital to banks in different times. This means that additional equity capital and the first capital’s mudharabah was traded because every time the bank received the money from depositors, it will be transacted by the bank. The policy taken by the bank is not separate from mudharabah account as of the date. This policy will lead to a case in which a group of capital will support the other in the event of loss of capital in a business carried on by the bank.

iv) Capital Guarantee

Capital guarantee in Arabic is called daman or kafalah, which is compensation. There are issues raised that the daman can be provided for mudarib in the contract mudarabah. Associated with the current Islamic banking, sahibulmal will not experience loss of capital as guaranteed depositors’ savings in conventional banking. Is the practice of Islamic banking during the guarantee fund mudarabah, sahibulmal not to lose in the mudharabah contract which is
the stamp with the Islamic banking, because Islamic banking put the *daman* in a savings account mudharabah. This policy is taken to allow Islamic banking to compete with conventional banks for conventional banking institutions to ensure the safety of their customers' savings, as well as guaranteed fixed return to depositors in the form of interest.

In the study of jurisprudence in the context of Islamic banking relationship with *sahibulmal*, depositors as *sahibulmal* not ask or require that the *daman* mudharabah funds because Islamic law does not allow any collateral damages in the contract subject to *mudarib* in mudharabah contract except for negligence or misconduct in breach of its own contract. *Daman* on the *mudarib* in mudharabah contract, will bring *sahibulmal* an action to take advantage of a transaction without incurring losses is charged to prepare for him. In book of al-Ahkam al-‘Adliyah stated that: However, injury and loss suffered by *sahibulmal*, had required that the losses are paid by both *sahibulmal* and *mudarib*, then this condition is not considered permissible.

*Mudarib* position is the same as the other trustees. Any loss or damage to property occurring mudharabah not for negligence or misconduct *mudarib* is the responsibility *sahibulmal* without any encumbrance imposed on *mudarib*. The same *mudarib* can not offer *daman* voluntarily on the mudarabah capital property for *sahibulmal*. Grant *daman* by *mudarib* to *mudarabah* capital like to give gifts to *sahibulmal*. *Sahibulmal* should not accept gifts from *mudarib*.

From the above disclosure can be understood that *sahibulmal* cannot requires *daman* to the *mudarib* and *mudarib* also cannot offer damage to *sahibulmal* in mudharabah capital property. Means that the banking or finance is not a valid guarantee mudharabah good savings comes from *daman* himself or request by *sahibulmal*.

v) **Reserve leveling**

Reserve leveling means the distribution part of the gain in reserves leveling profit (profit equalization reserve) for the purpose of covering the potential loss or the face of fluctuations in returns from the transactions conducted. Profits derived from transactions in the period and with a certain capital is allocated in full to the depositors (*sahibulmal*). Establishing Profit Equal Reserves to ensure that Islamic banking has a fixed and competitive returns. When trading profits in the near future have a low return or a loss, the Islamic banks to take Profits Equal Reserve policy to improve and stabilize the rate of return to depositors.

Basically, all profits must be distributed to *sahibulmal*, but there is no prohibition to do so if the relevant parties agreed. That is to take some profits as a Profit Equal Reserves will be missed leveling the profit distribution, both to stabilize the rate of return, or anything else.

From the above disclosure issues that arise here are:

a) Business profits in the mudharabah at a certain period is not allocated in full to *sahibulmal*.

b) The next issue is the profitability of the mudharabah business in a given period will cover mudharabah business losses at other times in the event of loss.

c) Also, the issues raised; Profits Equal Reserves seemed guaranteed or *daman* on mudharabah capital taken from the *sahibulmal* right.

d) Taking some profits as a Profits Equal Reserve must be based on an agreement between the parties.

Related to the first issue, namely mudharabah business profits at a particular
period are not allocated in full to the purpose sahibulmal cover potential loss or the face of fluctuations in returns from the business of the future is a policy that conflicts with Islamic law because it takes the right sahibulmal in vain. At the moment, the profits are not only derived from the investment mudharabah.

Then the second issue, if it is a loss in one period mudharabah business is not to be covered by profits from other mudharabah business.

Allowance portion of the profit was as if the fee money contributions to the deposit guarantee is equally shared by the banks and depositors, the banks and depositors alike mudharabah guarantee fund, the legal side of things forbidden in Islam as the depositor (sahibulmal) and the bank as mudarib not must ensure that mudarabah funds.

On the fourth issue, there is no agreement between the parties related to the intake portion of the Profits Equal Reserve. Sahibulmal do not know that because since the contract exist which is not explained the details, here would arise gharar.

What we have seen that the fatwa is based on the mudharabah contracts that have investment period can be avoided because of the emergence of the above issues. Investment period of three months, for example, in the first gain in profits while the losses it suffered in the first part of the profits that are not allocated to cover investment losses in the second. This is in accordance with the general rules of contract mudharabah:

الربح وقافة رأس المال

Meaning: "Profit is a coating of capital".

If there is a pull out before the end of investment period, the bank can return the rights to the method of calculating the percentage taken from the depositors who withdraw it.

From the description above, we believe that making a profit equal reserve should be taken from one time period to stabilize investment returns or to cover losses that occur during the investment period. While taking some profits to profits equal reserve derived from the time the investment or deposit mudharabah who do not have the time investment can be secured within the depositors at any time, the above issues can not be avoided.

6. Conclusion

Generally speaking still argued that Islamic banking system was similar to that of conventional banking. To this end, there was an urgent need for creating capable professionals to improve the quality of the Islamic banking systems. Among others, uniformity of fatwa standards was in supreme priority, both in operation and in transaction. The management of Islamic banking had to socialize and promote the Islamic banking products to the people as their potential customers.

In conclusion, lack of people enthusiasm to the Islamic banking products and systems was caused by their limited understanding and trust to the system. There had to be a clear explanation about the difference in operation and transaction between the Islamic and the conventional systems. In addition, socialization and promotion seemed to be important for the future progress of the Islamic banking. These efforts were necessary to get the system closer to the people as their potential customers.

Islamic banking had to expand its competitiveness so that it could have a strong bargaining power in the market compared with the conventional banking. Once it was attained, the Islamic banking
could play more significant role in supporting the nation’s economic development.

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APPENDIX

Table: Bank A products using Mudharabah contract

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimum Initial Deposit</td>
<td>RM100</td>
<td>RM1,000 - 1 month tenure</td>
<td>RM100</td>
<td>RM 1.00</td>
<td>RM 1.00</td>
<td>RM100</td>
<td>RM500 for 3 months and above tenure</td>
</tr>
<tr>
<td>Minimum Balance</td>
<td>RM100</td>
<td>-</td>
<td>RM 25</td>
<td>-</td>
<td>-</td>
<td>RM 25</td>
<td>-</td>
</tr>
<tr>
<td>Profit-Sharing Ratio</td>
<td>98 : 2 (Bank : Customer)</td>
<td>70 : 30 (Bank : Customer)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Subject to change from time to time)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Tier
PSR Customer Bank
RM0.0000 - RM5,000.00 10 : 90
RM5,000.01 - RM10,000.00 12 : 88
RM10,000.01 - RM30,000.00 14 : 86
RM30,000.01 - RM50,000.00 16 : 84
RM50,000.01 - RM100,000.00 20 : 80
<table>
<thead>
<tr>
<th>Who can open an account</th>
<th>RM100,000.01 - RM200,000.00</th>
<th>RM200,000.01 - RM500,000.00</th>
<th>RM500,000.01 &amp; above</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individuals</td>
<td>25 : 75</td>
<td>30 : 70</td>
<td>35 : 65</td>
</tr>
<tr>
<td>Associations</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Schools/Universities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Clubs/Societies</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Religious Groups</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Eligibility to Enter Prize Draw</th>
<th>Open to all, 12 years and above</th>
<th>13 to 18 years old</th>
<th>Open to women aged 18 years old and above</th>
<th>Open to all aged 18 years and above</th>
</tr>
</thead>
<tbody>
<tr>
<td>Every RM100 = 1 unit of entry</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Frequency of Prize Draw</th>
<th>Monthly</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frequency of the prize draw and the date of the prize-giving ceremony are subject to change at the Bank's discretion</td>
<td>-</td>
</tr>
<tr>
<td>Frequency of the prize draw and the date of the prize-giving ceremony are subject to change at the Bank's discretion</td>
<td>-</td>
</tr>
<tr>
<td>Frequency of the prize draw and the date of the prize-giving ceremony are subject to change at the Bank's discretion</td>
<td>-</td>
</tr>
<tr>
<td>Types of Account</td>
<td>Withdrawal</td>
</tr>
<tr>
<td>------------------</td>
<td>------------</td>
</tr>
</tbody>
</table>
| Individual Account - For those who are 12 years old and above  
- Entrust Account - For children under 12 years old, opened with an individual adult  
- Joint Account - For you to open the account jointly with another person  
Joint Account  
- Individual Account - for those who are 18 years old and above  
- Joint Account - for you to open the account jointly with another person  
- Non resident individual  
- Trust Account  
- Partnership Account  
- Private Company Account | Only once a month withdrawal is allowed  
Only once a month withdrawal is allowed  
Only once a month withdrawal is allowed | Zakat on the savings paid by the Bank  
Attractive profit sharing  
Monthly profit crediting  
Zakat on the savings paid by the Bank  
Attractive profit sharing  
Monthly profit crediting  
Zakat on the savings paid by the Bank  
Attractive two-tier profit sharing  
The bank has the discretion to review the profit sharing ratio (PSR)  
Zakat (tithes) on the savings paid by the Bank  
Profit is distributed based on profit-sharing ratio as |
<table>
<thead>
<tr>
<th>from time to time</th>
<th>determined by the Bank. The Bank has the discretion to review the Profit Sharing Ratio (PSR) from time to time for new deposits. The reviewed PSR will not affect the existing deposits.</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Monthly profit crediting</td>
<td>• Monthly profit crediting</td>
</tr>
</tbody>
</table>
Table: Bank B products using Mudharabah contract

<table>
<thead>
<tr>
<th>Features</th>
<th>Nuri Savings Account-i</th>
<th>Tawfir Savings Account-i</th>
<th>Qiradh Investment Account-i</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimum Initial Deposit</td>
<td>• Minimum amount required for account opening is RM10.00</td>
<td>• Minimum deposit to open an account - RM10.00</td>
<td>• Minimum RM500 for 2 months and above</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Minimum RM5,000 for 1 month</td>
</tr>
<tr>
<td>Who can open an account</td>
<td></td>
<td>• Individuals aged 13 years and above</td>
<td>• Individuals aged 18 years and above</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Associations, Clubs and Co-operatives</td>
<td>• Associations, Clubs, Co-operatives, Corporations</td>
</tr>
<tr>
<td>Benefits</td>
<td>• Chance to be a Nuri's Club member</td>
<td>• Complimentary Kad Rakyat (ATM card)</td>
<td>• Collection of monthly profit on 6 months investment period for RM 20,000.00 and above.</td>
</tr>
<tr>
<td></td>
<td>• Offering numerous different items such as Nuri's money box, school bag, Nuri’s cap and many more every three months</td>
<td></td>
<td>• Auto Renewal - certificate renewed automatically.</td>
</tr>
<tr>
<td></td>
<td>• Chance to join in fun activities such as ‘Kem Cuti Sekolah’, ‘Kembara Alam Laut’ and field trip</td>
<td></td>
<td>• Investment Certificates can be used as collateral for financing of Al-Mudharabah Investment Certificate-i, Al-Falah Education Financing-i and Tijari Contract Financing-i.</td>
</tr>
<tr>
<td>Types of Account</td>
<td>-</td>
<td>• Individual Account</td>
<td>• Individual Account</td>
</tr>
</tbody>
</table>
- Joint Account
- Associations, Clubs and Co-operatives Account
- Joint Account
- Trustee Account
- Individuals aged 18 years and above
- Associations, Clubs, Corporations and Co-operatives Account

Withdrawal

- Cash withdrawals facility at Bank Rakyat ATM or ATM with MEPS/BANKCARD logo throughout the country

Profit-Sharing Ratio

<table>
<thead>
<tr>
<th>Savings Amount</th>
<th>Rate % p.a.</th>
<th>Period of Investment (month)</th>
<th>Returns (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>RM5,000 and below</td>
<td>0.75</td>
<td>Individual</td>
<td>2.81</td>
</tr>
<tr>
<td>RM5,001 – 10,000</td>
<td>1.00</td>
<td>Individual</td>
<td>2.96</td>
</tr>
<tr>
<td>RM10,001 – 30,000</td>
<td>1.50</td>
<td>Corporate</td>
<td>3.01</td>
</tr>
<tr>
<td>RM30,001 – 50,000</td>
<td>2.00</td>
<td>Individual</td>
<td>3.09</td>
</tr>
<tr>
<td>RM50,001 – 100,00</td>
<td>2.00</td>
<td>Individual</td>
<td>3.14</td>
</tr>
<tr>
<td>RM100,001 and above</td>
<td>2.00</td>
<td>Individual</td>
<td>3.16</td>
</tr>
<tr>
<td>Features</td>
<td>Al-Mudharabah Account</td>
<td>Saving</td>
<td>Al-Mudharabah Current Account</td>
</tr>
<tr>
<td>------------------------</td>
<td>-----------------------</td>
<td>--------</td>
<td>------------------------------</td>
</tr>
<tr>
<td>Minimum Initial Deposit</td>
<td>• Minimum initial deposit is RM 10.00;</td>
<td>• RM1,000 - 1 month tenure</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• RM500 - 3 to 60 months tenure</td>
<td>-</td>
</tr>
<tr>
<td>Minimum Balance</td>
<td>• Minimum account balance to be maintained is RM 10.00;</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Profit-Sharing Ratio</td>
<td>Tier</td>
<td>PSR Cust : Bank</td>
<td>Indicative Rates$^7$</td>
</tr>
<tr>
<td>----------------------</td>
<td>------</td>
<td>----------------</td>
<td>---------------------</td>
</tr>
<tr>
<td>RM 1,999.00 and below</td>
<td>48.77: 51.23</td>
<td>1.50</td>
<td>RM 24,999.00 and below</td>
</tr>
<tr>
<td>RM 2,000.00 and above</td>
<td>64.87: 35.13</td>
<td>2.00</td>
<td>RM 25,000.00 - RM 49,999.00</td>
</tr>
<tr>
<td>RM 50,000.00 - RM 99,999.00</td>
<td>20: 80</td>
<td>0.62</td>
<td></td>
</tr>
<tr>
<td>RM 100,000.00 and above</td>
<td>25: 75</td>
<td>0.77</td>
<td></td>
</tr>
</tbody>
</table>

$^7$ This rate is only indicative/expected rate and the actual rate will depend on the profit loss of the venture/business based on Mudharabah.
Dividend Rates (Consumer)

<table>
<thead>
<tr>
<th>Tier</th>
<th>PSR Cust : Bank</th>
<th>Indicative Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>RM 1,999.00 and below</td>
<td>10 : 90</td>
<td>0.31</td>
</tr>
<tr>
<td>RM 2,000.00 and above</td>
<td>48.65 : 51.35</td>
<td>1.50</td>
</tr>
</tbody>
</table>

Who can open an account

- Malaysians and permanent residents;
- All individuals 18 years old and above.
- Malaysians and non-Malaysian residents, and permanent residents;
- All individuals above 18 years old and have capacity to contract are eligible to apply;
- Applies to all individuals (Single or Joint), non-individuals (companies/ clubs/ associations etc.) whose activities are not prohibited by Shariah and Malaysia Law.
- Eligibility Below 18 years old
- Min Initial Deposit RM25.00
- Min Balance RM10.00
- Individual who attains 18 years old and has the capacity to contract
- Government departments, companies, associations and co-operatives
- Customers who are looking for higher returns
### Benefits

- **Tiered Profit Sharing Ratio (PSR)**
  - The higher the account balance,
  - The higher customer’s profit ratio.

- Enjoy smart saving with smart profit sharing
- FREE goodies upon opening of BeeSTAR-i Savings Account within a specified deposit amount range (while stocks last).
- A depositor is entitled for 1-year FREE coverage of Takaful PA and Khairat upon opening of account.
- Convenience of e-Muamalat Cash Deposit Machine / Cheque Deposit Machine at the Bank’s major branch network and easy access to ATM services nationwide.

- Earn dividend on maturity
- May apply for other banking facilities
- Choice of renewing the principle plus dividend
- Can be pledged as security for other facilities

### Withdrawal

- MEPS inter-bank ATM withdrawals - FREE 5 (five) withdrawals per month for account balance RM 5,000 and above which is maintained throughout the entire month;
Table: Bank D products using Mudharabah contract

<table>
<thead>
<tr>
<th>Features</th>
<th>Mudharabah Current Account-i</th>
<th>Mudharabah Saving Account-i</th>
<th>Junior Savers Account-i</th>
<th>EcoSave Account-i</th>
<th>Saving</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimum Initial Deposit</td>
<td>• Individuals - RM500</td>
<td>• RM300</td>
<td>• RM300</td>
<td></td>
<td>RM50</td>
</tr>
<tr>
<td></td>
<td>• Firms, companies, associations, societies or clubs - RM1,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Minimum Balance</td>
<td>RM10</td>
<td>RM10</td>
<td>RM25</td>
<td>RM10</td>
<td></td>
</tr>
<tr>
<td>Profit-Sharing Ratio</td>
<td>10 : 90 (Bank : Customer)</td>
<td>12 : 88</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Tier</td>
<td>Profit Sharing Ratio</td>
<td>Indicative Profit Rate (p.a.)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Up to 1K</td>
<td>1:99</td>
<td>0.50%</td>
<td>10 : 90</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Up to RM5K</td>
<td>1:99</td>
<td>0.60%</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Up to RM25K</td>
<td>3:97</td>
<td>0.65%</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Up to RM50K</td>
<td>3:97</td>
<td>0.65%</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Up to RM100K</td>
<td>6:94</td>
<td>0.80%</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Above RM100K</td>
<td>12:88</td>
<td>1.30%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Who can open an account

- Individuals aged 18 years and above - for personal or joint account.
- Firms, companies, associations, societies and clubs.
- Individuals aged 18 years and above - for personal or joint account.
- Associations, societies and clubs.
- Children below 12 years old who are either residents or non-residents.
- Must be the parent or trustee of a child.
- Individuals aged 18 up to 50 years old - for personal or joint account
- Associations, societies and clubs whose activities are not prohibited by Shariah and Malaysian Law.

### Hibah/ Net Profit Rate (% p.a)

<table>
<thead>
<tr>
<th>Rate</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.25</td>
<td>Save money with bank for trustee profit sharing (Mudharabah)</td>
</tr>
<tr>
<td>1.30</td>
<td>Quarterly merchandise redemption</td>
</tr>
<tr>
<td>0.84</td>
<td>ATM card - with up to RM5,000 ATM withdrawals (on application).</td>
</tr>
</tbody>
</table>

### Benefits

**Earn returns and enjoy the convenience of checking facility through our hassle-free Current Account-i.**

- **Cheque book facility**
- **ATM card (on application) - for individuals only.**
- **Card-with up to RM5,000 ATM withdrawals (on application).**
- **Free monthly statement of account.**
- **Internet banking facilities for fund transfer, bill payment and account enquiry.**

**Save money with bank for trustee profit sharing (Mudharabah)**

- **Passbook based savings account.**
- **ATM card (on application) - for individuals only.**
- **Card-with up to RM5,000 ATM withdrawals (on application).**
- **Internet banking facilities for fund transfer, bill payment and account enquiry.**
- **Deposits invested**

**Quarterly merchandise redemption**

Redeem attractive children merchandise with Junior Points via www.cimbelclicks.com.my. Parents/Guardian can join in the fun and redeem the preferred merchandise on behalf of the child. All that is needed is for Parents/Guardian to have a CIMB Clicks account. It’s that easy and simple.

**Attractive bonus incentive**

Enjoy up to 100% bonus incentive on total profit earned per annum when we save regularly.

**Rewards, discounts and privileges**

Present our CIMB Junior

**Present our CIMB Junior**

- **ATM card - with up to RM5,000 ATM withdrawals (on application).**
- **Profit distributed accordingly based on a mutually agreed profit sharing ratio.**
- **Cash incentive of RM5 (if there are no over-the-counter transactions for the month) and an average monthly balance of RM5,000 a month is maintained.**
- **On-line mode of operation via Bank D Clicks (no passbook**
• Deposits invested in Shariah-compliant activities.
• Return or profit distributed accordingly based on a mutually agreed profit sharing ratio.
• Return or profit credited monthly.

- Recognition card to enjoy great discounts and privileges at participating merchant outlets.
- and no physical statement.)