

New Islamic Financial Products Brought to you By CFC2005

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Executive Summary

Our objective is to deliver the definitive need for Islamic financial products to meet the demand by the New Zealand Community. An estimated over 30,000+ Muslims are in dire need of buying homes, vehicles, personal financing, etc and at present, there is no a single bank offers an Islamic financial products and services in the banking sector. Today's presentation identifies numerous ways for the Muslim communities to have access to a high quality of financial products and services in line with the Shariah-Law. It mirrors the moral values that stands to provide innovative financial products that is free from interest. We are indeed grateful to welcome this venture and of course for your full support to make it happen in order to reach our mutual financial objectives and goals.

ISLAMIC BANKING CONTRACTS:

In Islamic banking the following contracts may be applied in mobilization of deposits:

1. Musharakah for Shareholder funds
2. Mudharabah for Investors
3. Al-Wadiah for Depositors

ISLAMIC DEPOSIT PRODUCTS

Source of Funds

Understanding Islamic Deposit Product Concept "Al-Wadiah Deposit Product"

There are two forms of Wadiah:

- (i) Wadiah Yad Amanah (Trustee Safe Custody)
- (ii) Wadiah Yad Dhamanah (Guaranteed Safe Custody)

Originally Wadiah is of Yad Amanah where the custodian has the duty to protect the property by:

- (i) Not mixing or pooling the properties (money) under his custody.
- (ii) Not using the properties.
- (iii) Not charging any fees for safe custody.

If he/she failed in any of the above Wadiah changes to Yad Dhamanah where:

- he/she has to return (replace) the properties to the owners if they were lost or destroyed.

Understanding Islamic Deposit Product Concept "Al-Mudharabah Investment Product"

The essential elements and conditions of the Mudharabah Investment Product are:

1. Contract:
Absolute and in definite and decisive language.
2. Owner of capital:
Capable of appointing agents and being appointed as agent.
3. Entrepreneur (CFC2005):
Capable of appointing agents and being appointed as agent.

Understanding Islamic Deposit Product Concept "Al-Mudharabah Deposit Product"

4. Capital

- (i) In money only
- (ii) Not debt
- (iii) Specific amount
- (iv) Paid to entrepreneur (CFC2005)
- (v) From owner of capital only

5. Business

- (i) Halal
- (ii) Managed by entrepreneur (CFC2005) only.

6. Profit sharing

- (i) Profit shared according to agreement in fraction, ratio or percentage, not in absolute amount.
- (ii) Loss borne by owner of capital only.

ISLAMIC FINANCING PRODUCTS

Uses of Funds



ISLAMIC FINANCING PRODUCTS

REAL SALE & PURCHASE

Musharakah

- partners
- capital
- business
- profit sharing and
- contract

Mudharabah

- owners of capital
- entrepreneur
- capital
- business
- profit sharing

ISLAMIC FINANCING PRODUCTS

Definitions

Murabahah

Definition: A sale based on the cost price plus profit. The cost price or profit must be known to the buyer. Normal practice price paid in a lump sum.

Bai Bithaman Ajil

Definition: A sale with the payment of the selling price deferred to an agreed later date. The merchandise exists at the time contract. The Shariah does not require that the cost price be known to the buyer.

Ijarah

Definition: A sale of the use of another's property. The property rented belongs to the lessor. The lessor has the right to repossess the property on default of the lessee.



Introduction

Mode of financing

Terms And conditions

Financing documentation

INTRODUCTION

Bai bithaman ajil (BBA) means deferred installment sale. Through this contract, CFC2005 may finance customers who wish to acquire a given asset but to defer the payment for the asset for a specific period or to pay by installment.

BBA financing is basically a trading (buying and selling) transaction. In order for a trading transaction to be valid from the Islamic point of view, it must fulfill the following essentials and conditions (Rukun-rukun).



Buyer

able to carry out his/her responsibilities

📖 Of sound mind (AQIL)

📖 Attains the age of puberty OR matured (BALIGH).
Rasyeed - has attained majority-18 years old.

📖 Intelligent

Not restricted from dealing in Business Transaction

📖 Not a bankruptcy

📖 Not a safih (an extraordinarily extravagant person/
spendthrift)

📖 Not being forced to enter into a contract

● Seller

📁 Able to carry out his/her responsibilities

📁 Of sound mind(AQIL)

📁 Attains the age of puberty OR matured (BALIGH).
Rasyeed - has attained majority-18 years old.

📁 Intelligent

📁 Not restricted from dealing in Business Transaction

📁 Not a bankruptcy and NOT being forced or coercion exerted on him

📁 Not a safih (an extraordinarily extravagant person/spendthrift)



Merchandise

- 📁 In existence (except for order sale)
- 📁 In the form of Mal (valuable asset)
 - 📁 Halal/Lawful
 - 📁 Valuable (have value to trade)
- 📁 The seller must be the real owner of merchandise
- 📁 The seller is able to deliver the merchandise to the buyer
- 📁 Known to the seller and buyer - It is known by address, description or specifications
- 📁 Assets and materials that have no use i.e.: Buildings and items for worshipping other than Allah.



- Price
 - 📄 Determined in amount
 - 📄 The type of currency is specified
- Contract (Aqad) on offer (Ijab) and acceptance (Qabul)
 - 📄 Done in a contract meeting (same session)
 - 📄 In a definite and decisive language, don't use the word shall. The buyer hereby buys, the seller hereby sells. The contract also should be an absolute contract where there is no condition attached to the contract. E.g. : I hereby buy this piece of land for NZ 10,000 but subject to my fathers permission. The contract to be unconditional.
 - 📄 Acceptance must be consistence with offer

Agenda

- Introduction
- **Mode of Financing**
- Terms And Conditions
- Financing Documentation



MODES OF FINANCING

1. **CFC2005** determines the requirement of the customer in relation to his period and manner of payment
 2. **CFC2005** purchase the property concerned
 3. **CFC2005** subsequently sells the relevant property to the customer at an agreed marked - up price subjected to deferred installment.
-  Actual cost of the property purchase by CFC2005.
 -  CFC2005's margin of profit and allows the customer to settle by installments within the period agreed.

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Purchase Price

📄 What is **CFC2005** Purchase Price?

📄 It is the margin (amount) of financing granted by **CFC2005**.

Selling Price

📄 What is **CFC2005** Selling Price?

📄 it is the margin of financing plus the amount of profit margin plus Interim Profit for property under construction.

📄 Rules of Selling Price:

📄 Selling Price agreed by both parties must be maintained throughout the repayment period. - It cannot be changed according to the changes on the Base Lending Rate (BLR).

📄 No additional profit in the form of finance charge or penalty for late payment but the **CFC2005** is allowed to take any additional charges actually incurred for collection/recovery purposes.

Security Deposit (If any)

- 📁 In the form of Mudharabah Investment Account.
- 📁 Documentation used to be secured the Mudharabah Investment Account as security deposit is in the Memorandum of Deposit.

Margin of Financing (MOF)

- Maximum Up to 90% of the Sale & Purchase Agreement or Current/Open Market Value, whichever is lower.

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Takaful (Islamic Insurance)

📄 The property shall be insured against Fire and Strike, Riot and Civil Commotion (FSRCC) upon 95% completion of the property to the full insurable value with Takaful. The policy shall be assigned to us. **CFC2005** will offer mortgage and home insurance to our customers.









Processing Fee

<u>Facility Amount</u>	<u>Processing Fee (sample)</u>
Up to NZ 5,000.00	NZ 250.00
NZ 5,001 - 10,000	NZ 500.00
NZ 10,001 and above (FIXED)	NZ 750.00

Muqqasah/ Ibra (Rebate)

📄 Shall be given to customers who wish to make redemption or early settlement. It is at the sole and absolute discretion of the CFC2005.

Additional Charges (Sample)

-  NZ 5-00 (Up to the policy of the CFC2005) on Letter of Reminder sent to customer.
-  Legal fees on issuance of Notice of Demand or other matters.
-  Notice of demand derive some charges and this cost is borne by the customer.
-  On premium of fire takaful paid by **CFC2005** on customer's behalf.
-  Other additional charges in the event of late payment, course of recovering the installment (s) in arrears, inspection on property financed by **CFC2005** which includes transportation.
-  Additional Charges allowed by the Our Shariah Advisory Council (SAC) is 1% p.a that goes to the charity account.
-  Other charges related to financing granted incurred from time to time
-  **PAYMENT:** By equal monthly installment due on the 1st of every month. The first installment will commence on the first of the following month for disbursement made on the 1st of the month itself.

AGENDA

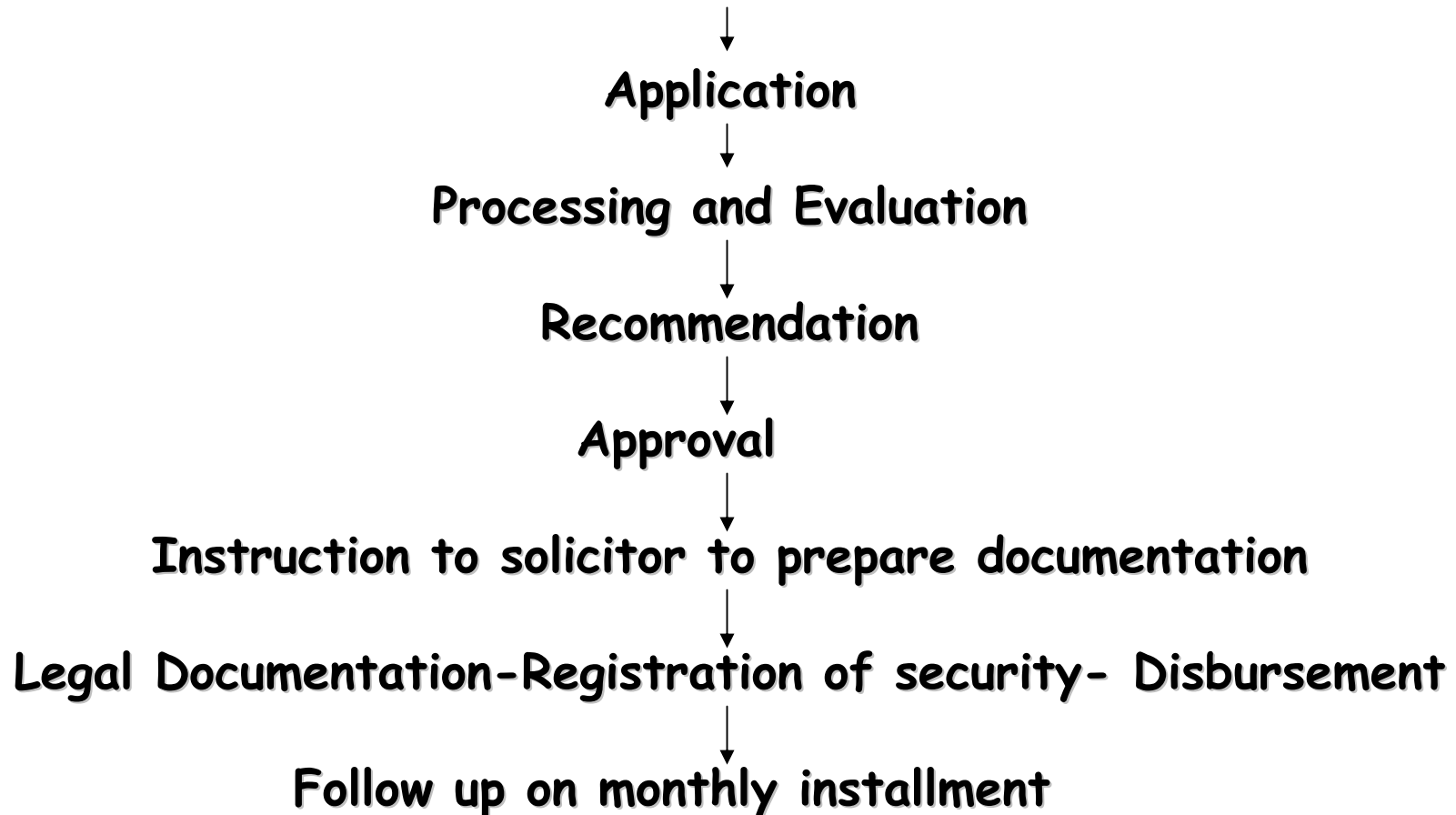
- Introduction
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SECONDARY/ADDITIONAL TYPES OF LEGAL DOCUMENTATION

- 📁 Private Caveat - is used for property without title
- 📁 Lien Holder Caveat - if title pending adjudication of transfer
- 📁 Al-Kafalah Guarantee - if financing is guaranteed by guarantor
- 📁 Memorandum of Deposit/
- if Mudharabah Investment is used Letter of Set-Off as Security Deposit .
- 📁 Letter of Undertaking from all relevant parties such as developer, vendor, main charge and solicitors handling the conveyancing, and etc.

The General Flow from an application to disbursement of BBA chart are as follows:



Among the Syariah contracts considered to be used by CFC2005 are the followings:

- Al-Wadiah Yad Dhamanah (Guaranteed Safe Custody)
- Al-Bai Bithaman Ajil (Deferred Payment Sales)
- Al-Ijarah (Leasing/Hire-Purchase)
- Al-Mudharabah (Trustee Profit Sharing)
- Al-Musharakah (Joint-venture Profit Sharing)
- Al-Murabahah (Cost Plus Sales)
- Al-Bai Al-Dayn (Debt Trading)
- Al-Qardrul Hassan (Benevolent Loan)
- Al-Wakalah (Agency)
- Al-Kafalah (Guarantee)
- Ar-Rahnu (Pledge)
- AL-Naqad (Cash Line Facility)

What Products CFC2005 is available now?

- Al-Mudarabah Investment Account (Trustee Profit Sharing)
 - Type of Al-Mudarabah (Non-restricted)
 - Type of profit sharing% (60:40),(70:30),(80:20),(90:10)
 - Tenure: (3 months), (6 months), (9 months), (12 months)
 - Who manages: CFC2005 and Bank Islam Malaysia are jointly managed your investment portfolio.
 - How types of investment portfolio?
 - Mudharabah term investment (no risk, low return)

Min Investment	NZ 100 per month or 600
Average return	5% per year
 - Mudharabah Islamic Stocks (high risk, high return)

Min Investment	NZ 1000
Average return	10 - 15% per year

Upcoming Products are:

- ❑ Home Financing (based on Bai Bithaman Ajil)
- ❑ Al-Ijarah (Leasing/Hire-Purchase) for Vehicles
- ❑ Al-Murabahah Working Capital
- ❑ Al-Qardrul Hassan (Benevolent Loan)
- ❑ Al-Wakalah Letter of Credit
- ❑ Al-Kafalah (Guarantee)
- ❑ Ar-Rahnu (Pledge)
- ❑ AL-Naqad (Cash Line Facility)
- ❑ Family-Takaful (Islamic Life Insurance)

CFC2005 Basic Requirements

- ❑ Registration Fee of NZD 100 (Non-refundable)
- ❑ Deadline for Registration fee:
 - ❑ 100 Up to May 31st, 2006
 - ❑ 150 from June 1st, 2006
- ❑ Minimum Investment Al-Mudarabah Investment Account:
 - ❑ 100 per month or 600 dollar per year for term investment of 3m, 6m, 9m, and 12 months
 - ❑ 1000 lump sum for Islamic Stock

Project Team Combined Experience

Our combined experience in the financial services industry both in conventional and Islamic finance are over 35 years. We provided in-house consulting in the areas of wealth and risk management to the Islamic bankers in Saudi Arabia, Bahrain, Malaysia and Brunei. We also provide research services in the areas of structured products and portfolio management for our clients. Our team is our strength, backed by experienced professionals in Islamic Finance. We are ready to **empower** our Muslim brothers and sisters of New Zealand with the necessary knowledge and skills in our core competency areas.