

# AGRO BANK FREQUENTLY ASKED QUESTION (FAQ) SAVINGS ACCOUNT (TAWARRUQ)

A. General	
1.	<p>What is <i>Tawarruq</i> concept?</p> <p>A <b><i>Tawarruq</i></b> consists of two sale and purchase contracts. The first involves the sale of an asset by a seller to a purchaser on a deferred basis. Subsequently, the purchaser of the first sale will sell the same asset to a third party on a cash and spot basis.</p>
2.	<p>What are the Shariah features under <i>Tawarruq</i>-based Savings Account?</p> <p>Amongst the Shariah features under <i>Tawarruq</i>-based Savings Account are as follows:-</p> <ol style="list-style-type: none"> <li><b><i>Tawarruq</i></b> – Refers to an arrangement to buy and sell commodities</li> <li><b><i>Wakalah</i></b> – The Customer will appoint the bank as an agent (<i>Wakil</i>) to buy and sell commodities on behalf of the Customer.</li> <li><b>Bank's Purchase Price (Sale Price)</b> – Refers to sum amount payable by the Bank to take ownership of the Commodity from the Customer on <i>Murabahah</i> basis (Cost Price + Profit) as part of the implementation of <i>Tawarruq</i> transaction.</li> <li><b>Ceiling Profit Rate</b> – Refers to rate used for <i>Tawarruq</i>-based products to compute the Bank's Purchase Price.</li> <li><b>Effective Profit Rate</b> – Refers to the actual profit rate as determined by the Bank from time to time for the calculation of accrued profits to be credited into the Customer's GIRO/Savings Account that adopts Shariah contract of <i>Tawarruq</i>.</li> <li><b><i>Ibra'</i> (Rebate)</b> – Refers to 'waiver on rights of claim' accorded by a person to another person that has an obligation which is due to him/her.</li> <li><b><i>Hamish Jiddiyah</i></b> – Refers to the amount that would be obtained by the Customer, derived from an undertaking (<i>wa'd</i>) by the Bank to purchase the Commodity from the Customer. The value will be considered as a security deposit until the commodities sale and purchase transaction is completed.</li> </ol>
3.	<p>What are the Shariah structure and <b>transactions process</b> of <i>Tawarruq</i>-based Savings Account?</p> <p><i>Tawarruq</i>-based Savings Account involves the following <b>transaction process</b>:</p> <ol style="list-style-type: none"> <li>The Customer places the deposit amount and appoints the bank as a <i>Wakil</i> (agent) to purchase Shariah compliant commodities on their behalf in cash at the Cost Price (principal amount of the Customer's deposit).</li> <li>Subsequently, the Bank is to purchase the Commodity from the Customer (the Bank acting on behalf of the Customer to sell the Commodity) based on the Shariah concept of <i>Murabahah</i> (Cost Price plus profit) based on deferred payment.</li> <li>Once the bank completes the purchase of the commodities from Customer, the Bank will sell the Commodity to Commodity Supplier for cash.</li> </ol>
4.	<p>In Agrobank, which Savings Accounts are under <i>Tawarruq</i> concept?</p> <ol style="list-style-type: none"> <li>AgroTani-<i>i</i> PLUS</li> <li>AgroMuda-<i>i</i> PLUS</li> <li>AgroPerdana-<i>i</i> PLUS</li> <li>Agro Farah-<i>i</i></li> </ol>
5.	<p>What is the <i>Aqad</i> Period Expiration Date?</p> <ol style="list-style-type: none"> <li><b><i>Aqad</i> Period Expiration Date</b> refers to <b>Maturity Date or period of the <i>Murabahah</i> contract.</b></li> <li>The <b><i>Aqad</i> Period Expiration Date is set by 31<sup>st</sup> December of the respective year</b> to enable the computation of Bank's Purchase Price.</li> <li>To compute the Bank's Purchase Price, the remaining number of days from the deposit placement date until the <i>Aqad</i> Period Expiration Date i.e 31<sup>st</sup> December, will be identified as the duration of tenor.</li> </ol>
6.	<p>Are the deposit amounts locked up until <i>Aqad</i> Period Expiration Date? Can Customer withdraw the funds earlier than the <i>Aqad</i> Period Expiration Date?</p> <ol style="list-style-type: none"> <li>The deposit amounts are <b>NOT locked up</b>. The Customer can withdraw the balance at any point in time without restrictions, subject to the minimum balance applicable to the relevant account type.</li> <li>The withdrawal of funds prior to the <i>Aqad</i> Period Expiration Date will be considered as an advancement of the Bank's Purchase Price. The terms related to <i>Ibra'</i> (rebate) may apply.</li> </ol>

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## B. Effective Profit Rate (EPR) and Effective Profit

1. What is the Effective Profit Rate (EPR)?

Effective Profit Rate (EPR) is an actual profit rate as determined by the Bank from time to time for the calculation of profits to be credited into the Customer's Savings Account that adopts Shariah contract of *Tawarruq*.

2. What is the formula to compute the calculation of Effective Profit?

Effective Profit is calculated on a daily basis according to EPR, with the following formula:

$$\text{Daily Profit} = \text{DEB} \times \text{EPR} / 365 \text{ or } 366^*$$

Where;

DEB = Daily End Balances in Ringgit Malaysia (RM)

EPR = Effective Profit Rate (%)

\*Note: 366 to be used during leap year

The illustration of Daily Profit computation:

Date	Daily End Balances (DEB)	Effective Profit Rate (EPR) (p.a)	Number of Day	Daily Accrued Profit
27 <sup>th</sup> Aug 2024	RM5,000	1.3%	1	RM0.18
28 <sup>th</sup> Aug 2024	RM6,500	1.3%	1	RM0.23
29 <sup>th</sup> Aug 2024	RM5,500	1.3%	1	RM0.20
30 <sup>th</sup> Aug 2024	RM5,000	1.3%	1	RM0.18
31 <sup>st</sup> Aug 2024	RM4,800	1.3%	1	RM0.17
<b>Total Accrued Profit</b>			<b>5</b>	<b>RM0.95</b>

\*Note: EPR in this illustration does not indicate the actual EPR applicable to the Savings Account offered by Agrobank.

3. Where can Customer find the actual profit rate for Savings Account (*Tawarruq*)?

Customer can refer the profit rate at [www.agrobank.com.my](http://www.agrobank.com.my).

## C. Ceiling Profit Rate (CPR), Ceiling Profit and Bank's Purchase Price

1. What is the Ceiling Profit Rate (CPR)?

Ceiling Profit Rate is the rate that adopted by the Bank to compute the Bank's Purchase Price.

2. What is the Bank's Purchase Price?

Bank's Purchase Price is the **sum of amount payable by the Bank to take ownership of the Commodity** from the Customer on ***Murabahah* basis (Cost Price + Profit)** as part of the implementation of *Tawarruq* transaction.

3. When will *Tawarruq* transactions take place?

*Tawarruq* transactions will take place during:

i. **New Deposit Placement**, subject to a positive Daily Net Deposit (DND) for the day. This can happen on any given day during the year.

Example as below:

- **Scenario 1:** A Customer places a deposit on 19<sup>th</sup> July 2024 through the CDM machine for an amount of RM2,500. Later in the same day, the Customer withdraws RM500 from the ATM machine. The Daily Net Deposit for that day is RM2,000. Therefore, the *Tawarruq* transaction will be executed for the deposit amount of RM2,000.
- **Scenario 2:** A Customer receives his salary on 20<sup>th</sup> August 2024 for an amount of RM1,800. Later in the same day, the Customer withdraws RM2,000 (assuming his account balance is sufficient). The Daily Net Deposit for that day is nil. Therefore, *Tawarruq* transaction will NOT be executed for that day.

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	ii. <b>Renewal of Aqad</b> , on the next Business Day after the <i>Aqad</i> Period Expiration Date for each year using Prior Year-End Total Outstanding Balance. For such balances, the bank will compute the Bank's Purchase Price (Sale Price) for the year. This explains why the <i>Aqad</i> Period Expiration Date is set as 31 <sup>st</sup> December, renewed on yearly basis.								
4.	What is the difference between Ceiling Profit Rate (CPR) and Effective Profit Rate (EPR)?								
	<p>i. The bank shall use the <b>CPR to compute the Bank's Purchase Price</b>, which represents the contractual Purchase Price under the <i>aqad</i> of Commodity <i>Murabahah</i> between the contracting parties i.e. the bank and the Customer. <b>(Note: For Agrobank, CPR is the highest EPR for each Savings Account).</b></p> <p>ii. The <b>EPR is the rate applied in accruing profits</b> based on the outstanding balance in the deposit account.</p> <p>iii. Customer <b>shall grant the <i>Ibra'</i> (rebate)</b> to the bank for <b>any positive difference between the CPR and EPR.</b></p>								
5.	What is the formula to compute Ceiling Profit and Bank's Purchase Price?								
	<p>Ceiling Profit and Bank's Purchase Price will be computed based on the following formula:</p> <p><b>a. <u>New Deposit Placement</u></b></p> <p>i. <b>Ceiling Profit = DND x CPR x T/365 or 366*</b></p> <p>ii. <b>Bank's Purchase Price = DND + Ceiling Profit</b></p> <p>Where;</p> <p>DND = Daily Net Deposit in Ringgit Malaysia (RM)</p> <p>CPR = Ceiling Profit Rate</p> <p>T = Number days from the Effective Date of Deposit until <i>Aqad</i> Period Expiration Date (31<sup>st</sup> December on every year)</p> <p>*Note: 366 to be used during the leap year</p> <p><b>Illustration:</b></p> <table border="1"> <tr> <td>Deposit Placement Date</td> <td>4<sup>th</sup> July 2024</td> </tr> <tr> <td>Deposit Amount / Daily Net Deposit (DND)<sup>1</sup></td> <td>RM3,000</td> </tr> <tr> <td>Ceiling Profit Rate (CPR)<sup>2</sup></td> <td>3.0% p.a</td> </tr> <tr> <td>Number of days from 4<sup>th</sup> July 2024 until <i>Aqad</i> Period Expiration Date</td> <td>181 Days</td> </tr> </table> <p><sup>1</sup> Assuming no withdrawal on 4<sup>th</sup> July 2024, thus DND = RM3,000.</p> <p><sup>2</sup> CPR in this illustration does not indicate the actual EPR applicable to the Savings Account offered by Agrobank.</p> <p><b>i. Ceiling Profit: <math>RM3,000 \times 3.0\% \times 181 \text{ Days} / 366 = RM44.51</math></b></p> <p><b>ii. Bank's Purchase Price: <math>RM3,000 + RM44.51 = RM3,044.51</math></b></p> <p><b>b. <u>Renewal of Aqad</u></b></p> <p>i. <b>Ceiling Profit = Prior Year-End Total Outstanding Balance x CPR x T/365 or 366*</b></p> <p>ii. <b>Bank's Purchase Price = Prior Year-End Total Outstanding Balance + Ceiling Profit</b></p> <p>Where;</p> <p>CPR = Ceiling Profit Rate</p> <p>T = Number days from the Effective Date of Deposit until <i>Aqad</i> Period Expiration Date (31<sup>st</sup> December on every year)</p> <p>*Note: 366 to be used during the leap year</p>	Deposit Placement Date	4 <sup>th</sup> July 2024	Deposit Amount / Daily Net Deposit (DND) <sup>1</sup>	RM3,000	Ceiling Profit Rate (CPR) <sup>2</sup>	3.0% p.a	Number of days from 4 <sup>th</sup> July 2024 until <i>Aqad</i> Period Expiration Date	181 Days
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## Illustration:

Prior Year-End Total Outstanding Balance	RM12,500
Ceiling Profit Rate (CPR) <sup>1</sup>	3.0% p.a
Number of days from 1 <sup>st</sup> January 2024 until <i>Aqad</i> Period Expiration Date	366 Days

<sup>1</sup> CPR in this illustration does not indicate the actual EPR applicable to the Savings Account offered by Agrobank.

- i. **Ceiling Profit:  $RM12,500 \times 3.0\% \times 366/366 = RM375$**
- ii. **Bank's Purchase Price:  $RM12,500 + RM375 = RM12,875$**

## D. *Ibra'* (Rebate)

1. What is *Ibra'* (Rebate)?

*Ibra'* means 'waiver on rights of claim' accorded by a person to another person that has an obligation which is due to him/her. For Deposit Account that adopts Shariah contract of Tawarruq, Customer agrees to grant *Ibra'* (Rebate) to the Bank on the Bank's Purchase Price at the *Aqad* Period Expiration Date or Termination Date.

2. What are the events that Customer shall grant the *Ibra'* to the Bank?

There are six (6) events as below:

- i. Withdrawal or transfer of deposits prior to the *Aqad* Period Expiration Date for the current year (31<sup>st</sup> December of the current year);
- ii. Closure of accounts is made prior to the *Aqad* Period Expiration Date for the current year;
- iii. Current CPR for *Aqad* is higher than EPR;
- iv. Reduction of EPR due to decrement of Overnight Policy Rate or whatsoever reason;
- v. Freeze of Savings/GIRO Account by the Bank;
- vi. The Savings/GIRO Account balance is less than the required minimum balance.

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3. What is the formula to compute *Ibra'*?

**Assuming there is no new deposit, withdrawal and movement of EPR throughout the deposit tenure and the details as per below table:**

Account opening date	20 <sup>th</sup> July 2024
Aqad Period Expiration Date	31 <sup>st</sup> December 2024
Number of days	165
Deposit amount	RM6,000
CPR <sup>1</sup>	5.0% p.a
EPR <sup>1</sup>	1.5% p.a

<sup>1</sup>CPR & EPR in this illustration does not indicate the actual EPR applicable to the Savings Account offered by Agrobank.

**The formula and illustration are as follow:**

***Ibra'* = Aggregate Ceiling Profit – Aggregate Actual Profit**

Period	Number of Days	Ceiling Profit*	Actual Profit*	Daily End Balances (DEB) <sup>1</sup>	<i>Ibra'</i>
20 <sup>th</sup> – 31 <sup>st</sup> Jul	12		RM2.95	RM6,002.95	
1 <sup>st</sup> – 31 <sup>st</sup> Aug	31		RM7.63	RM6,010.58	
1 <sup>st</sup> – 30 <sup>th</sup> Sep	30		RM7.39	RM6,017.97	
1 <sup>st</sup> – 31 <sup>st</sup> Oct	31		RM7.65	RM6,025.61	
1 <sup>st</sup> – 30 <sup>th</sup> Nov	30		RM7.41	RM6,033.02	
1 <sup>st</sup> – 31 <sup>st</sup> Dec	31		RM7.66	RM6,040.69	
<b>Total</b>	<b>165</b>	<b>RM135.25</b>	<b>RM40.69</b>		<b>RM94.56</b>

<sup>1</sup>Daily End Balances is the amount remains in account on any single day, excluding the floats.

\*Note: Ceiling Profit and Actual Profit is computed based on 366 days in this illustration as the year of 2024 (a leap year) is used as reference.

For any queries regarding Savings Account (Tawarruq), customer may contact Agrobank through the following mediums:

- Contact the Agrobank Call Centre at 1-300-88-2476; or
- Email to [customer@agrobank.com.my](mailto:customer@agrobank.com.my); or
- Visit the Agrobank's official website at [www.agrobank.com.my](http://www.agrobank.com.my); or
- Visit the nearest Agrobank branch.