



The world's first end-to-end
Shariah investing platform

BURSA MALAYSIA-*i* 101

Live Responsibly
Invest Responsibly
Invest Shariah

***i*-Stocks**

Shariah-compliant
Stocks

on Bursa Malaysia-*i*

***i*-Indices**

Shariah-compliant
Indices

on Bursa Malaysia-*i*

***i*-ETFs**

Shariah-compliant
Exchange Traded
Funds

on Bursa Malaysia-*i*

***i*-REITs**

Shariah-compliant
Real Estate
Investment Trusts

on Bursa Malaysia-*i*

Shariah investing on Bursa Malaysia-*i* is the world's first integrated end-to-end Islamic securities exchange platform and the Marketplace for trading of Shariah-compliant capital market instruments.

You can find the Best Practices for Shariah Investing on www.bursamalaysia.com

Bursa Malaysia-i offers a comprehensive range of exchange-related facilities including listing, trading, clearing, settlement and depository services, leveraging on the existing infrastructure with enhancements to incorporate Shariah-compliant features.

Bursa Malaysia-i provides investors seeking Shariah-compliant securities a new landscape that they may access the Exchange's services, either directly or online via Islamic brokers, where investors would be able to experience comprehensive end-to-end Shariah investing.

Through the Islamic brokers, investors will be able to access Shariah-compliant securities listed on Bursa Malaysia. The trade and post-trade services provided by Bursa Malaysia will be completely Shariah-compliant.

Bursa Malaysia has developed a comprehensive Best Practices for Shariah Investing for investors in ensuring overall investment and trading activities are in accordance with the established and parameterised Shariah principles without any doubt, and to encourage investors who trade and invest in Shariah-compliant securities on Bursa Malaysia to undertake their activity via a registered broker that conducts its stockbroking business in accordance with Shariah principles whether on a full-fledged or 'window' basis.

FAQ

Kindly refer to
www.bursamalaysia.com
for full FAQs

Q What are the main differences between trading with Islamic Brokers before and after the establishment of Bursa Malaysia-i?

A Instruments:

Investment instruments listed on the Main, ACE and LEAP Market of Bursa Malaysia Securities Berhad are screened by the Shariah Advisory Council (“SAC”) of Securities Commission Malaysia (“SC”) to determine their Shariah-compliant status.

Trade:

Islamic Brokers and conventional brokers have segregated trading channels.

Clearing:

Post-trade clearing of trades done via the Islamic Brokers are undertaken by Bursa Malaysia Securities Clearing Sdn Bhd and are guaranteed Shariah-compliant.

Settlement:

Settlement of trades between the Islamic Brokers and Bursa Malaysia are done through Islamic Financial Institutions.

Depository:

Shariah-compliant securities in an investor’s CDS account are tagged with “SP” coding which indicates “Shariah-compliant securities”.

Q Who can have access to Bursa Malaysia-i?

A All types of investors: retail, institutions and fund managers (local and foreign).

Q How do I start investing on Bursa Malaysia-i?

- A**
1. Approach an Islamic Broker
 2. Register and activate a CDS and Shariah trading account with the Islamic Broker
 3. Trade and invest on Bursa Malaysia-i via one of the Islamic Brokers

Q If an investor already has an existing trading account with an Islamic Broker, does he/ she need to open a new trading account to trade on Bursa Malaysia-i?

A Investors may check with their respective Islamic Brokers whether their existing trading account is Shariah-compliant or conventional trading account. Only Shariah trading account can trade Shariah-compliant securities on Bursa Malaysia-i.

Q Can an investor/ client of a Broker with an Islamic window use a conventional trading account to trade on Bursa Malaysia-i?

A An investor who wishes to trade on Bursa Malaysia-i must open a Shariah-compliant trading account. The Shariah-compliant trading account may prescribe terms and conditions in accordance to Shariah principles vis-à-vis trading activities on Bursa Malaysia-i. Kindly enquire with your appointed Islamic Broker.

Q Can I still invest in Shariah-compliant securities even though my broker is not an Islamic Broker?

A Yes. There is no restriction to invest in Shariah-compliant securities through conventional brokers.

Q Will I be able to buy Shariah non-compliant securities via Bursa Malaysia-i?

A The buying of Shariah non-compliant securities is prohibited on Bursa Malaysia-i. The buying activities of Islamic Brokers on Bursa Malaysia-i are limited to Shariah-compliant securities only.

Q If the Shariah-compliant securities which I am holding has been re-classified as Shariah non-compliant following the Shariah review by the SAC of SC, do I need to dispose of the securities immediately?

A Following the re-classification of the securities upon Shariah review by the SAC of the SC, investors are responsible to undertake an exercise to determine whether the market price of the affected securities exceeds, is equal to or is less than the investment cost.
Kindly refer to Best Practices for Shariah Investing for full guidance.
Reference: <http://www.bursamalaysia.com>

Q As a Shariah investor, where can I channel income that is considered tainted income?

A Shariah investors should bear the responsibility to identify tainted income and are encouraged to channel the tainted income to *Baitulmal* and/ or any approved charitable bodies.
Kindly refer to Best Practices for Shariah Investing for full guidance.
Reference: <http://www.bursamalaysia.com>

Q Do Muslim investors need to perform *zakat* distribution for any profits received from the Shariah-compliant trading activities?

A Muslim investors are obligated to perform *zakat* distribution to authorised or designated *zakat* collection centres from any profits derived from the Shariah-compliant trading activities.
Kindly refer to Best Practices for Shariah Investing for full guidance.
Reference: <http://www.bursamalaysia.com>

Invest Shariah via Islamic Brokers

Please refer to the full list of Islamic Brokers
at www.bursamalaysia.com

Shariah Investing

Islamic Finance broadly refers to financial market transactions, operations and services that comply with Islamic rules, principles, philosophy and code of practices. The law and rules of the religion requires certain types of activities, risks or rewards to either be prohibited or promoted. This includes the Shariah investing activities conducted by investors.

In general, Islamic Finance principled investments should not include:

- .01 RIBA (interest/ usury)**
Excess or surplus charged over and above a loan, a deferred price or debt. Conventional finance services are based on *riba* (interest).
- .02 GHARAR (contractual uncertainty)**
Uncertainties in contracts regarding contracting parties, subject matter, price, etc. For justice and fairness - to avoid future disputes among contracting parties.
- .03 MAYSIR (gambling)**
Element of exploitation.
Pure games of chance where one party gains at the expense of the loss to the other party e.g. gambling and gaming.
- .04 Other non-permissible activities**
Conventional insurance and banking.
Non-halal food or related products.
Tobacco-related products or activities.
Entertainment that contradicts Shariah.
Share trading in Shariah non-compliant securities.
Other non-permissible activities.

i-Stocks

Shariah-compliant
Stocks

on Bursa Malaysia-*i*

Over 70% of listed companies are Shariah- compliant

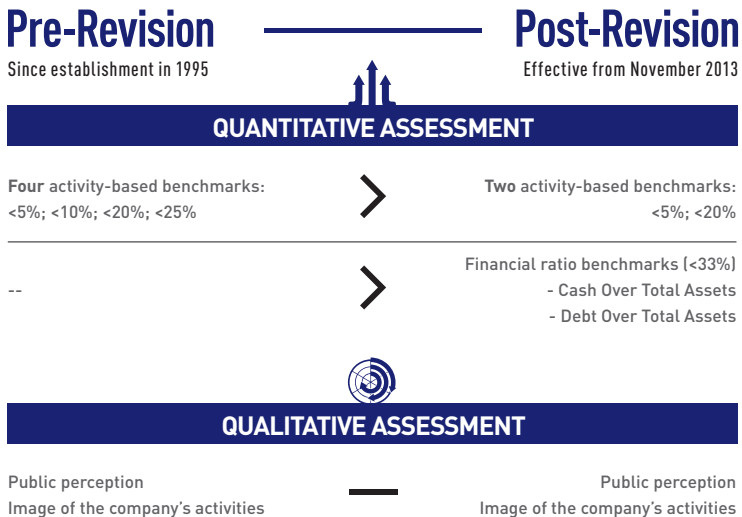
i-Stocks

Bursa Malaysia as an integrated exchange offers a good breadth of quality Shariah-compliant stocks. The development of the Shariah Screening Methodology by the SAC of SC determines the Shariah compliance of securities listed and traded on Bursa Malaysia.

The Shariah compliance review is undertaken for securities of companies listed on the Exchange and during pre-initial public offering (IPO) companies.

Each public listed company is reviewed based on the latest annual audited financial statements. The list of Shariah-compliant securities is updated and published every May and November.

The SAC adopts a two-tier quantitative and qualitative approach:



Source: Securities Commission (www.sc.com.my)

***i*-Indices**

Shariah-compliant Indices

on Bursa Malaysia-*i*

***i*-Indices**

Bursa Malaysia provides Shariah indices to track the performance of Shariah-compliant securities.

They are designed for the creation of structured products, index tracking funds and Exchange Traded Funds or as performance benchmarks. The constituents are screened and tested on market capitalisation, free-float and liquidity. The review is done semi-annually in June and December.

i-ETFs

Shariah-compliant Exchange Traded Funds

on Bursa Malaysia-*i*

i-ETFs

WHAT ARE SHARIAH-COMPLIANT EXCHANGE TRADED FUNDS (*i*-ETFs)?

i-ETFs is a basket of Shariah-compliant securities which track the performance of an underlying index. *i*-ETFs are listed and traded on a stock exchange.

WHY INVEST IN *i*-ETFs?

.01 **DIVERSIFICATION**

Gain exposure to a basket of securities in a single transaction. Also, it is an efficient way to gain regional and international diversification.

.02 **LOW COST**

i-ETFs do not impose sales charge and have lower management fees (indicatively <1% compared to managed funds).

.03 **TRADE LIKE STOCKS**

Just like stocks, you can easily buy and sell during the trading period.

.04 **FULLY TRANSPARENT**

Prices are available in real-time during the trading period. What's more - the investment portfolio is fully transparent as it tracks an underlying index.

- **What do I have to pay when buying and selling *i*-ETFs?**
Similar to buying and selling stocks, investors need to pay brokerage commission, stamp duty, clearing fees and SST, where applicable.

- **What determines the price of *i*-ETFs?**
The market price of *i*-ETFs are usually very close to the Net Asset Value (NAV) of the fund i.e. market value of the underlying stocks and any net income not distributed. However, *i*-ETF prices can be affected by supply and demand in the market.

- **What are the expected returns?**
Investment returns generally correspond to the price and yield performance of their underlying indices.

- **What are the minimum investment units?**
i-ETFs are traded in minimum traded lots (board lots) of 100 units.
- **Do *i*-ETFs pay dividends?**
Most *i*-ETFs pay dividends to their holders either half yearly or yearly. You are advised to refer to the distribution policy in the prospectus or offering documents of the *i*-ETFs.
- **How are transactions in *i*-ETFs settled?**
In the same manner as shared transactions i.e. not later than 2 market days after the trading date (T+2).
- **Is there any risk exposure?**
Yes, investing in *i*-ETFs, similar to stocks, is subject to the ups and downs of the market. The performance of the *i*-ETFs may be directly affected by the market and its underlying Shariah-compliant stocks.
- **What should I do before investing in *i*-ETFs?**
You are advised to know the following before investing:
 - Investment objectives and strategies of the *i*-ETFs
 - Underlying indices tracked by *i*-ETFs
 - Dividend policy
 - Fees and charges that will be borne by you as an investor
 - Trading information of *i*-ETFs
 - Information about the management company

PRODUCT COMPARISON



	ETFs	Stocks	Unit Trust
Diversification with One Security	✓	✗	✓
Real-time Price Dissemination	✓	✓	✗
Buy and Sell via	Broker	Broker	Agent
Purchase of ETFs / Stocks / Unit Trust	T+2	T+2*	Upfront

*T+2 means the 2nd market / business day after trade date.

COST OF TRADING



	ETFs	Stocks	Unit Trust
Sales Charge	✗	✗	✓
Indicative Brokerage Commission / Clearing Fee / Stamp Duty	<1%	<1%	-

MANAGEMENT FEE



	ETFs	Stocks	Unit Trust
Indicative Management Fee	<1%	-	1-2%

*The management fee is a standard feature of ETFs and unit trust. The management fee is reflected in the Net Asset Value (NAV) and unit price of the ETF or unit trust

i-REITs

Shariah-compliant
Real Estate
Investment Trusts

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i-REITs

THE EASIEST WAY TO INVEST IN LARGE-SCALE REAL ESTATE

Real estate or property is a key asset class in an investment portfolio. Typically, before *i*-REITs were introduced, an investor may invest in property stocks and/ or physical (landed) property to get exposure in the real estate sector. You now have another option i.e. to invest in *i*-REITs by paying only a fraction of the real estate prices. In other words, *i*-REITs provide a way to invest in quality large-scale commercial real estate without having to buy the properties directly. *i*-REITs typically offer you a stable income stream and attractive distribution yields.

➤ Understanding *i*-REIT: What are *i*-REITs?

Islamic Real Estate Investment Trusts (*i*-REITs) are funds or trusts that own and manage income-producing Shariah-compliant commercial real estate (i.e. shopping complexes, hospitals, plantations, industrial properties and office blocks). A management company for *i*-REITs are permitted to deduct distribution paid to its shareholders from its corporate taxable income. However, to enjoy this tax-free status, the *i*-REIT must have most of its assets and income tied to the real estate and distribute at least 90% of its total income to investors/ unit holders annually. *i*-REITs are listed and traded on a stock exchange just like *i*-stocks.

WHY INVEST IN *i*-REITS?

.01 **AFFORDABILITY**

Investments in *i*-REITs cost a fraction of the cost of direct investment in real estate. You can start off with minimal investment outlay.

.02 **LIQUIDITY**

i-REITs are more liquid compared to physical properties. Units of listed *i*-REITs are readily converted to cash as they are traded on the stock exchange.

.03 **STABLE INCOME STREAM**

i-REITs tend to pay out steady incomes (similar to dividends), which are derived from existing rents paid by tenants who occupy the *i*-REITs' properties.

.04 **EXPOSURE TO LARGE-SCALE REAL ESTATE**

You can derive the benefits of the real estate on a pro-rated basis through *i*-REITs, a quality investment which is affordable.

.05 **PROFESSIONAL MANAGEMENT**

You benefit from having *i*-REITs and its underlying assets managed by professionals who will add value for a higher yield.

➤ **What are the investment considerations?**

Apart from the general market risks of economy, politics, capital market and dividends, you should be aware of the following:

- Management quality and corporate structure of *i*-REITs, in particular the *i*-REIT manager (good track record and reputation)
- Investment objectives and strategies of *i*-REITs
- Quality of the real estate, including factors such as mortgages, occupancy rates and geographical locations
- Distribution policy and tax rules

➤ **What kind of returns can be expected from *i*-REITs?**

Typically, the returns to unit holders of *i*-REITs can be in the form of:

- Income distribution based on the distribution policy stated in the *i*-REITs's deed; and/ or
- Capital gains which may arise from appreciation of the *i*-REITs price.

➤ **Performance indicators of *i*-REITs**

Distribution Yield: The yield is normally published in the business section of major daily newspapers. It is derived from the following formula:

$$\text{Distribution Yield} = \frac{\text{Income distribution paid to an } i\text{-REIT unit holder}}{\text{\textit{i}-REIT's price paid by the unit holder}} \\ \text{(or the prevailing market price of the } i\text{-REIT)}$$

Other indicators include the following which are available in annual reports:

- Net Asset Value (NAV):
The value of an *i*-REIT is based on its tangible real estate holdings. This is calculated by the total assets of a company after subtracting all its liabilities.
- Management expense ratio:
The percentage of operating expenses (management fees, etc.) incurred to the NAV.
- Total return:
The change in an *i*-REIT's price for the period under review plus any income distribution received during the period.

Shariah-compliant products trade just like conventional products, subject to the same trading, payment and settlement rules (T+2).

START NOW.

.01

CALL Bursa Malaysia-i Islamic BROKER

Contact an Islamic Broker to open a CDS and a Shariah-compliant trading account.

.02

REGISTER AND ACTIVATE Bursa Malaysia-i ACCOUNT

Your Islamic Broker will guide you on how to conduct the trading activities through Bursa Malaysia-i.

.03

TRADE ON Bursa Malaysia-i

Start investing and trading with your Shariah-compliant trading account.

Get the Best Practices for Shariah Investing for further guidance on investment and trading activities that are in accordance with Shariah principles.

You can find the Best Practices for Shariah Investing on www.bursamalaysia.com

#InvestBMi

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