

Shariah Issues and Legal Framework of Commodity Murabahah Practices in Malaysia

Rusni Hassan¹, Fatimah Mohamad Noor² & Romzie Rosman³

IIUM Institute of Islamic Banking and Finance International Islamic University Malaysia

hrusni@iium.edu.my¹, fmnzahraa88@gmail.com² & romzie@iium.edu.my³

ABSTRACT

Prior to the introduction of Commodity Murabahah in Islamic banking products and services in Malaysia, the concept of Bay' Inah had become the main underlying contract for most deposit and financing products. However, its application has led to disagreement among Shariah scholars regarding its permissibility. To resolve this, the Commodity Murabahah was introduced as an alternative. Therefore, the main purpose of this study is to discuss and analyse the Shariah issues and legal framework governing the Commodity Murabahah practices in the Islamic banking system in Malaysia. This concept paper reviewed relevant literature and documents to comprehend the Shariah issues and legal framework of Commodity Murabahah in Malaysia. The discussion is confined to only the Commodity Murabahah practices in Islamic Banking products in Malaysia and does not cover the Interbank Money Market and Islamic Capital Market. This study found that the practice of Commodity Murabahah is well-supported by a robust legal framework to overcome any disputes related to Commodity Murabahah practices. Moreover, the establishment of Bursa Suq Al-Sila (BSAS) is aimed at facilitating the liquidity management of the Islamic as well as enhancing the transparency and efficiency of the Commodity Murabahah transactions. The finding also highlights the importance of a sound governance framework to support the growth and diversification of Islamic finance products and to provide better Shariah scrutiny.

Keyword (s): Commodity Murabahah, Shariah Issues, Legal Framework, Islamic Financing, Islamic Deposit

INTRODUCTION

Malaysia has attempted to diversify a range of Islamic banking products that are intended to improve the efficiency of Islamic financial institutions and thereby boost Malaysia's economy which is in line with the vision of becoming a global hub for Islamic finance. In the past, employing bay' inah in financial market transactions was common in Malaysia. Conflict arose, though, because the majority of Shariah scholars had different opinions on its permissibility. To resolve this dispute, the Commodity Murabahah also known as tawarruq, was presented as bay' inah's substitute. As a result, the Commodity Murabahah concept has become the foundation for several Islamic financial products, including financing, deposit products, asset

and liability management, and risk management products (Ahmad et al., 2017).

Introducing the Commodity Murabahah is motivated by the desire to solve the complexity of the application of bay' inah in tackling the compliance issue with Bank Negara Malaysia policy and adhere to the majority opinion of Shariah scholars who prohibit bay' inah. Shariah scholars who permit Commodity Murabahah are of the view the creation of financial products based on Commodity Murabahah is consistent with Shariah principles as well as the objective of Shariah (Ghazali, 2014). However, Shaharuddin (2019) in his study found that the Commodity Murabahah by most Islamic banks is insignificantly different

from the bay' 'inah contract. Both products create debt instruments. This leads to criticism, especially among Muslim economists who view that the adoption of the Commodity Murabahah does not support the achievement of the objectives of Shariah.

Despite the criticism, the Commodity Murabahah is considered the most practical option for Islamic bankers to develop alternatives for interest-free financial products. In other words, given the prevailing banking regulatory requirements and settings, the Commodity Murabahah contract is the best available solution for fulfilling the financial needs of Muslim customers, especially in Malaysia. However, there is a need for a special marketplace to overcome the limitations and constraints of the sheer size of Islamic finance transactions in executing the Commodity Murabahah transaction. During the early stage of the development of Islamic financial institutions, the London Metal Exchange (LME) was the only platform available for commodity traders to conduct sales and purchase of commodities. Considering the importance of this special marketplace in facilitating the liquidity management of the IFI, the Malaysian government has taken the initiative to establish Bursa Suq As-Sila (BSAS) as a new Shariah-compliant platform for commodity trading. This platform seeks to enhance the best practice of the Commodity Murabahah in IFI by ensuring appropriate contract sequencing, sufficient delivery procedures, and transparent Shariah review and audit processes (Micheal, 2021).

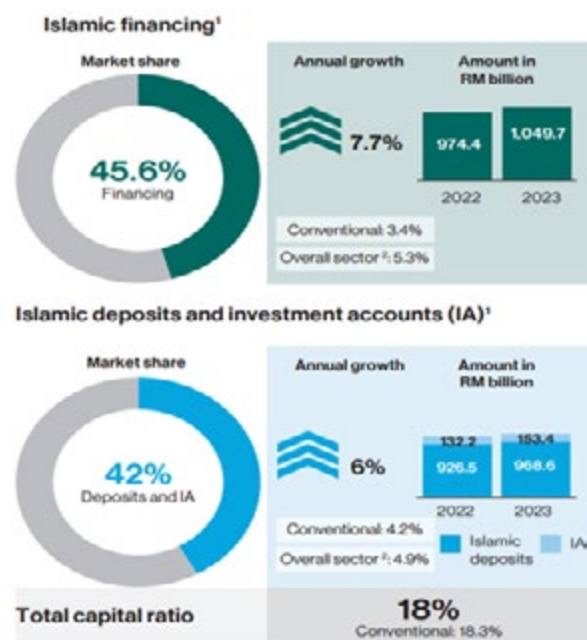
Therefore, this study attempts to discuss the Shariah issues and legal framework of Commodity Murabaha practices in Malaysia. It is hoped that this discussion could provide a better understanding of the reason Commodity Murabahah has become a major preference for the Islamic banking industry in Malaysia and how Malaysia deals with the Shariah dispute in its practice.

REVIEW OF LITERATURE

The Role of Commodity Murabahah in the Development of Islamic Banking Industry in Malaysia

The Islamic banking industry in Malaysia has experienced remarkable growth in recent years, emerging as a viable alternative to conventional banking systems. Figure 1 below exhibits the Islamic banking industry's share of total financing in the financial system increased from 44.5% in 2022 to 45.6% in 2023 (Bank Negara Malaysia, 2023).

Figure 1: Islamic Banking Industry Growth in 2023



Source: Bank Negara Malaysia (2023)

It is believed that central to this growth is the adoption of innovative financial instruments, with Commodity Murabahah standing out as a key driver of market share development. Commodity Murabahah, a Shariah-compliant financing structure, has played a pivotal role in expanding the market reach and competitiveness of Islamic banks.

The expanding use of Commodity Murabahah as the underlying contract for Islamic banking activity has pushed forward efforts to develop Islamic

banking institutions' ability to properly manage credit and market risks arising from Commodity Murabahah -based trade transactions. This will pave the way for new innovative applications of Commodity Murabahah in conjunction with other Shariah contracts, as outlined in the Shariah standards and operational requirements for Commodity Murabahah. Moreover, the rising use of commodities murabahah during the past three years is a noteworthy development in the Islamic banking industry's implementation of Shariah contracts for financing. Commodity Murabahah finance increased by more than 34% in 2016, making up 22.4% of all outstanding financing that complies with the Shariah standards. The broad application of Commodity Murabahah in financing during the past three years has shown noteworthy development in the Islamic banking industry. Commodity Murabahah financing increased by more than 34% in 2016, making up 22.4% of all total Sharia-compliant financing (Bank Negara Malaysia, 2016).

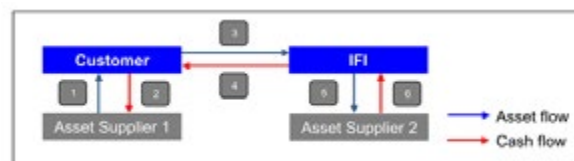
On the other hand, the development of the Islamic banking sector has also been greatly supported by Bursa Suq Al-Sila's commodities trading, which has lowered the costs and risks involved with commodity-based murabahah transactions. In the year 2016, there was a 7.5% growth in Islamic deposits based on Commodities Murabahah, which might be attributed to the increasing demand for fixed rates of return on deposits made through Commodity Murabahah contracts (Bank Negara Malaysia, 2016). It is critical to highlight that one of the key features of Commodities Murabahah is its capacity to offer a fixed profit rate, which is accomplished by a predetermined profit margin agreed upon at the beginning of the transaction. This fixed profit rate provides several benefits, including predictability, which allows customers to know their repayment obligations ahead of time to assist in financial planning and budgeting; stability, as the fixed rate remains constant throughout the financing period regardless of market fluctuations; and transparency, as the clear and agreed-upon profit margin encourages trust between the

customer and the financial institution.

THE APPLICATION OF COMMODITY MURABAHAH IN ISLAMIC BANKING PRODUCTS IN MALAYSIA

In Malaysia, the practice of Commodity Murabahah involves three main Islamic finance segmentations such as the Islamic banks, the Interbank Money Market (IIMM) and Bursa Suq Al-Sila (BSAS) (Ahmad et al., 2017). In Islamic banking operations, the Commodity Murabahah contract was used as an underlying contract for both deposit and financing products. Meanwhile, within the application of the Islamic Interbank Money Market (IIMM), Islamic banks serve as brokers based on Commodity Murabahah standards to manage liquidity (Hasmad & Alosman, 2022). Recent data shows that the Commodity Murabahah is the most widely used contract in key product segments which include financing, deposits and interbank money market. This is largely due to its ability to facilitate the placement of funds and provide cash for different finance purposes such as working capital, trade financing and the purchase of properties (Bank Negara Malaysia, 2022). The following figures illustrate the general structure of Commodity Murabahah for financing and deposit products according to Bank Negara Malaysia. Figure 2 and Figure 3 illustrate the commodity Murabahah structure, with Figure 2 detailing the structure for financing products and Figure 3 depicting the structure for deposit products.

Figure 2: Commodity Murabahah Structure for Financing Products

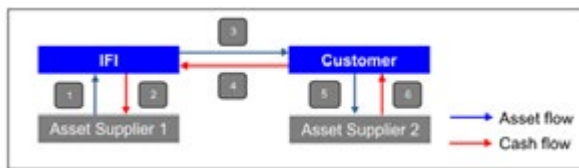


Source: Bank Negara Malaysia (2018)

The above figure shows that a customer requires financing of RM100,000 from the IFI. Upon this request, the IFI executes the tawarruq arrangement.

- i. The IFI purchases the asset with a selling price of RM100,000 from the Asset Supplier
- ii. The IFI pays cash to Asset Supplier 1. Subsequently, the IFI sells the asset to the customer at an agreed selling price of RM120,000 (RM100,000 + profit RM20,000).
- iii. The customer makes deferred payments through monthly instalments for a period of 5 years.
- iv. Subsequently, the customer appoints the IFI as its agent to sell the asset to Asset Supplier 2 on the spot at the selling price of RM100,000.
- v. The customer obtains a cash of RM100,000 required for the financing.

Figure 2: Commodity Murabahah Structure for Financing Products



Source: Bank Negara Malaysia (2018)

Based on the figure above, a customer makes a fixed deposit placement of RM100,000 with the IFI for a 90-day period. Upon this request, the IFI executes the tawarruq arrangement.

- i. The customer appoints the IFI as its agent to purchase the asset from Asset Supplier 1 with a selling price of RM100,000.
- ii. The IFI uses the cash deposit placed by the customer to pay for the purchase.
- iii. Subsequently, the customer appoints the IFI as its agent to sell the asset to the IFI itself at an agreed selling price of RM100,863 (RM100,000 + profit RM863 i.e. 3.5% per annum)
- iv. The IFI makes a deferred lump sum payment to the customer upon maturity of the deposit placement.

v. Subsequently, the IFI sells the asset-to-Asset Supplier 2 on the spot at the selling price of RM100,000.

vi. The IFI obtains cash of RM100,000 as per the deposit placement.

Islamic Deposit Products Based on Commodity Murabahah

In Malaysian Islamic banking practices, the Islamic deposit account has been divided into two types of accounts which are the current account saving account (CASA) and the Islamic term deposit account. The Islamic deposit CASA is structured based on either a qard or Commodity Murabahah arrangement. Meanwhile, for Islamic term deposit accounts, almost all Islamic banks nowadays use the Commodity Murabahah contract as their underlying contract which gives fixed returns and requires specific terms and maturity dates for the placement of deposits. Table 1 shows the list of Islamic banks utilizing Commodity Murabahah in Islamic deposit products in Malaysia.

Table 1: Commodity Murabahah in Islamic Deposit Products by Islamic Banks in Malaysia

No.	Islamic Banks	Islamic Deposit (CASA)	Term deposit
1.	Affin Islamic Berhad	√	√
2.	Al Rajhi Bank	√	√
3.	Alliance Islamic Berhad	√	√
4.	AmBank Islami	√	√
5.	Bank Islam Malaysia Berhad	×	√
6.	Bank Muamalat Malaysia Berhad	√	√
7.	CIMB Islamic	√	√
8.	Hong Leong Islamic	√	√
9.	HSBC Amanah	×	√
10.	Kuwait Finance House	×	√
11.	Maybank Islamic Berhad	√	√
12.	MBSB Bank	√	√
13.	OCBC Al Amin	√	√
14.	Public Islamic Berhad	×	√
15.	RHB Islamic Bank	√	√
16.	Standard Chartered Saadiq	√	√

Source: Product disclosure sheets of respective banks.

Islamic Financing Products Based on Commodity Murabahah

For financing activities, the bank provides liquidity according to the customer's needs. The bank provides financing through the mode of commodity trading and the customer pays in instalment or deferment upon the due date as the result of the credit sale by the bank (Ahmad et al., 2017).

Islamic Home Financing

Muneeza et al. (2020) stated that the Commodity Murabahah has now become a popular alternative to Bay' Bi thaman 'Ajil (BBA) when BIMB first introduced it to the market in 2013 as a substitute for the contentious BBA product. Commodity Murabahah has gained popularity due to its flexibility features such as simple, quick, trustworthy, and risk-free to make any transaction through the BSAS platform. Ibrahim and Sopian (2022) found that about 62.5% of Islamic banks provided Islamic house financing using the Commodities Murabahah in 2020. The quantity of financing for the banks that provided the Commodity Murabahah was rising yearly. Despite several operational, legal, and Shariah concerns, the preference for Commodities Murabahah was presumably due to its lower level of risk. Liquidity management is another reason why Commodities Murabahah is so popular. Customers in need of cash and liquidity have no other options for products. Another important factor is that it offers finance in the event of insecurity, especially working capital that complies with Shariah (Fa-Yusuf and Ndiaye, 2017).

Islamic Personal Financing

Islamic personal financing involves offering funds to people, companies, and the government by Malaysian Islamic banks which totalled RM 58 million until 2021. The elements of attitude and religious responsibilities, together with other considerations, have an important influence on people's desire to use Islamic financial products. In contrast, the pricing of Islamic personal financing has been determined to be minimal (Hasmad & Alosman, 2022). Muslims in Malaysia must have

an Islamic alternative for personal loans because it has become a need, and in some cases, it might even become compulsory. The implementation bay' 'inah has faced several criticisms, prompting the establishment of the Commodity Murabahah (Hasmad & Alosman, 2022).

Islamic Credit Cards

Islamic credit card refers to an Islamic payment instrument which indicates a line of credit or financing based on Shariah principles granted by the issuer to the user and where any amount of the credit or financing utilised by the user has not been settled in full on or before a specified date, the unsettled amount may be subjected to a lesser rebate (ibra') by the issuer (Bank Negara Malaysia, 2016). Being the most widely used payment card in Malaysia, an average of 349 million credit card transactions were made annually over the past decade (Bank Negara Malaysia, 2019). Bank Negara Malaysia has specified in its credit card-i policy document that credit cards issued under the concept of Commodity Murabahah must conform with the Commodity Murabahah policy document released by Bank Negara Malaysia (Bank Negara Malaysia, 2019).

Islamic Cashline Facility

Islamic banks provide cash line facilities to allow clients to take out more money than they have in their accounts (current accounts). Referring to the facility limit that the bank has set for the customer makes this feasible. This type of product is also known as an overdraft facility. Cash line-i facilities are often given to finance working capital, the purchase of goods or assets, or personal use. A cash line's unique characteristic is that the user can withdraw any amount as long as it stays within the facility limit that has been assigned to them (Mahmud et al., 2018). Table 2 presents a summary of the use of commodity Murabahah in financing products by Islamic banks in Malaysia.

TABLE 2: SUMMARY OF THE USE OF COMMODITY MURABAHAH IN FINANCING

PRODUCTS BY ISLAMIC BANKS IN MALAYSIA

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No.	Islamic Banks	Personal	Home	Credit Cards	Cashline Facility
1.	Affin Islamic Berhad	√	×	√	√
2.	Al Rajhi Bank	√	√	N/A	√
3.	Alliance Islamic Berhad	√	×	N/A	√
4.	AmBank Islamic	×	√	×	√
5.	Bank Islam Malaysia Berhad	√	√	√	√
6.	Bank Muamalat Malaysia Berhad	√	√	N/A	√
7.	CIMB Islamic	√	√	×	N/A
8.	Hong Leong Islamic	√	√	N/A	√
9.	HSBC Amanah	√	×	×	√
10.	Kuwait Finance House	√	×	N/A	√
11.	Maybank Islamic Berhad	√	√	×	√
12.	MBSB Bank	√	√	N/A	√
13.	OCBC Al Amin	N/A	×	N/A	√
14.	Public Islamic Berhad	×	×	×	N/A
15.	RHB Islamic Bank	√	√	×	N/A
16.	Standard Chartered Saadiq	√	×	N/A	N/A

Source: Product disclosure sheets of respective banks.

MATERIALS AND METHODS

This concept paper examines relevant literature and documents to understand the Shariah issues and legal framework surrounding Commodity Murabahah in Malaysia. The discussion is limited to the Commodity Murabahah practices in Islamic banking products in Malaysia, excluding the Interbank Money Market and Islamic Capital Market, to maintain a focused and detailed analysis of its application within the banking sector.

DISCUSSIONS

Concerning the permissibility of Commodity Murabahah, the Shariah Advisory Council, in its 51st meeting dated 28 July 2005, has resolved that deposit and financing products based on Commodity Murabahah are permissible. The resolution is based on the following textual provisions and views relating to the permissibility

of Commodity Murabahah based on the Quran, legal maxim and contemporary views of Shariah scholars on the permissibility of Commodity Murabahah based on views of Hanafi, Hanbali and Syafii school of thoughts. From the Quran, Allah SWT says: "...Whereas Allah has permitted trading and forbidden riba usury...". Based on the general meaning of the above verse, scholars are of the view that the Commodity Murabahah is allowed since it is a kind of trading activity. It may be conducted to obtain cash, with the purpose known by all related parties or not. It may also be conducted due to a pressing need or as a common practice of certain parties or institutions. In the aspect of legal maxim, it is based on the maxim "According to the original method of ruling, mu'amalah is permissible, except when there is a provision prohibiting it." SACBNM also highlights that as a result of the transaction above; the Islamic financial institution will assume liability (the cost price of the commodity plus profit margin) to be paid to the customer on maturity. The purchase price of the commodity from metal trader A and the sale price of the commodity to metal trader B are of the same amount (Bank Negara Malaysia, 2010).

Shariah Resolution of Bank Negara Malaysia thereby defines Commodity Murabahah as a mu'amalah with two stages of transactions. In the first stage, the buyer will purchase an asset on credit from the original seller, and in the second stage, the buyer will then sell the asset on a cash basis to a third party. It is named Commodity Murabahah because the buyer purchased the asset on credit with no intention of utilising or benefiting from it, but rather to sell it to obtain cash. It is widely used in deposit products, financing, asset and liability management as well as risk management (Bank Negara Malaysia, 2010).

Shariah Issues in the Application of Commodity Murabahah

Commodity Murabahah is pivotal in fulfilling liquidity needs and offering financing solutions in Malaysia's Islamic financial landscape. However, its widespread adoption has brought several issues

and controversies in Malaysia such as the issue of organised Commodity Murabahah , dual agency, commodity ownership, and commodity delivery.

a) Organised Commodity Murabahah

It is argued that a designated third party in an organised Commodity Murabahah is just a ruse to prevent two parties from completing a commodities transaction, which leads to the things sold returning to the original seller. This method has elements of deception and ambiguity (syubhat) when IFIs declare that the proposed transaction is Shariah-compliant. The Organisation of the International Council of Islamic Fiqh Academy (OIC) has prohibited the practice of organised or pre-arranged commodities murabahah transactions (Shafie et al., 2020). The Islamic Fiqh Council claims that the structured Commodity Murabahah used in Islamic banks does not align with the traditional Commodity Murabahah, which is accepted by most jurists. The organised Commodity Murabahah seems to be the same as the bay' 'inah contract since the bank is designated as the client's representative, responsible for selling the underlying asset to the third party and distributing the proceeds to the customer (Shaharuddin, 2019)

b) Dual Agency

Some prominent scholars have criticised the usage of organised Commodity Murabahah due to dual agency arrangement in which the customer appoints the Bank to conduct all transactions on their behalf through multiple agency appointments, removing any customer interaction during the transaction is considered organised Commodity Murabahah rather than real Commodity Murabahah (Shafie et al., 2020).

c) Commodity Ownership and Sequencing transaction

Commodity Murabahah places such importance on the sequencing of commodity transfers that a single misstep can lead to a cascade of transactional defects. Many people were unaware of how crucial sequencing is as commodities typically need to change hands and owners quickly (Shafie et al., 2020).

d) Commodity Delivery

There is concern that the arrangement of the Commodity Murabahah would be flawed and not in accordance with the correct content of the contract if the customer requests delivery and the commodities are not delivered. It might be seen as a deception to make money. To guarantee deliverability, the Bank must appropriately handle the commodity's location, availability, and condition. To reassure Shariah experts, however, the brokers and different markets have also constructed systems to demonstrate the deliverability and existence of such commodities. The majority have consistently given the scholars assurances (Shaharuddin, 2019).

Legal framework of Commodity Murabahah

As far as the issues related to Commodity Murabahah are concerned, Bank Negara Malaysia as the main regulator has provided stringent policy documents and guidelines to govern and manage Islamic finance in Malaysia. The issuance of these specific policy documents on Commodity Murabahah often addresses various issues with Commodity Murabahah transactions, including their structure, execution, and oversight (Bank Negara Malaysia, 2018). These policy guidelines aim at achieving Shariah compliance with regard to Commodity Murabahah transactions. In the policy document, the Commodity Murabahah is defined through the principles and criteria that must be followed by Islamic banks to be deemed Shariah-compliant. For example, in addressing the issue of dual agency, Bank Negara Malaysia has therefore put in strict requirements to comply with the adherence to rules of the dual agency practice. BNM is to conduct detailed checks at banks to ensure compliance (Bank Negara Malaysia, 2018). Table 3 below highlights specific Shariah standards and requirements related to the ongoing Shariah-related issues as discussed in the preceding section.

No.	Issues	Shariah Standards and Requirements
1.	Dual Agency	<p>S 17.1 Dual-agency may be implemented in a Commodity Murabahah.</p> <p>G 17.2 A dual-agency in the Commodity Murabahah may involve the following:</p> <p>(a)an action of one of the contracting parties who acts as an agent to purchase an asset on behalf of the other contracting party, and subsequently acts as an agent to sell the asset on behalf of the same contracting party to himself, or</p> <p>(b)an action of one of the contracting parties who acts as an agent to purchase an asset from himself on behalf of the other contracting parties, and subsequently acts as an agent to sell the asset on behalf of the same contracting party to a third party</p>
2.	Commodity Ownership& Sequencing transaction	<p>S 17.3 Pursuant to paragraph 17.2, the execution of the sale and purchase contracts between the principal and the agent shall comply with the following requirements:</p> <p>(a) essential criteria or specification of the authorised task, such as price, tenure and asset specification, shall be mutually agreed by the contracting parties; and</p> <p>(b) the transaction shall be in a proper sequence as provided in paragraph 17.2 and supported by proper evidence.</p> <p>S 17.4 In the event where:</p> <p>(a)the sale and purchase contracts in the Commodity Murabahah are executed on a date later than the date on which the funds are received from the principal; and</p> <p>(b)the profit of the sale and purchase contract which is on a deferred basis is calculated from the day the funds are accepted, the selling price shall be disclosed by the agent to the principal.</p>
3.	Commodity Delivery	<p>S 15.1 Each sale and purchase contract in a Commodity Murabahah shall satisfy all the necessary conditions of a valid sale and purchase contract under Shariah.</p> <p>S 15.2 All sale and purchase contracts in the Commodity Murabahah shall be executed by entering into a separate and independent sale and purchase contract.</p> <p>S 15.3 Execution of each sale and purchase contract in the Commodity Murabahah must be respectively evidenced by appropriate documentation or record.</p> <p>S 15.4 The purchaser in each sale and purchase contract in the Commodity Murabahah shall have the right to take delivery of the asset.</p>

Source: Bank Negara Malaysia (2018)

The policy documents also provide operational standards and requirements to further strengthen risk management, governance, transparency and disclosure, market conduct and other operational aspects of applying Shariah standards. This policy guideline has been developed broadly aligned with global standards and best practices, including standards set by the Basel Committee on Banking Supervision (BCBS) and the Islamic Financial Services Board (IFSB). This is to ensure that the

Bank provide standards which adequately address the risks associated with the distinct underlying features of different Shariah contracts. This often entails expanded guidance and prescriptions within domestic standards. On the other hand, in the operational requirements, the role and responsibilities of the main organ of governance in Islamic financial institutions are highlighted to maintain a proper execution of Commodity Murabahah contract (Bank Negara Malaysia , 2018). Table 4 below shows the main role and responsibilities Board of Directors, Shariah Committee and Senior Management in providing oversight function of the whole operation of Commodity Murabahah in Islamic banks.

Table 4: Role and Responsibilities of BODs, Shariah Committee and Senior Management

No.	Main organ	Role and Responsibilities
1.	Boards of Directors	<p>S 24.4 The roles and responsibilities of the Board in respect of the Commodity Murabahah shall include the following:</p> <p>(a)setting the IFI's business strategy and risk appetite with regard to the application of the Commodity Murabahah ;</p> <p>(b)approving and overseeing policies and procedures governing the Commodity Murabahah and risk management to ensure compliance with relevant legal and regulatory requirements;</p> <p>(c)establishing appropriate systems to implement the Commodity Murabahah in compliance with Shariah;</p> <p>(d)ensuring that the IFI has adequate and qualified personnel with sufficient knowledge and competency on the concept, application and risks associated with the Commodity Murabahah; and</p> <p>(e)ensuring that independent reviews are conducted regularly to assess compliance with the policy documents issued by the Bank and internal policies established by the IFI.</p>
2.	Shariah Committee	<p>S 24.5 The Shariah Committee (SC) shall perform the following to ensure that all activities associated with a Commodity Murabahah undertaken by the IFI are conducted in line with Shariah:</p>

		(a) endorse the application of Shariah requirements in the relevant policies and procedures governing the Commodity Murabahah; (b) deliberate and endorse that the terms and conditions stipulated in the legal documentation and other documents such as information published on promotional materials, product manuals or other publications are in compliance with Shariah;
3.	Senior management	The roles and responsibilities of the senior management with regards to the Commodity Murabahah shall include: (a) developing and implementing business strategies, internal control and risk management requirements in line with the IFT's business objectives. (b) establishing policies and procedures and processes with regard to proper management of the Commodity Murabahah; (c) implementing relevant internal systems and infrastructure and adequate mechanisms to identify, measure, control and monitor risk inherent in the Commodity Murabahah; (d) identifying, assigning and training key personnel with the appropriate skills and ensuring that the roles and responsibilities are properly delegated to the relevant functions to undertake the different activities under the Commodity Murabahah e.g. asset purchase and asset sale. (e) undertaking regular reviews and monitoring of compliance with the approved policies; and
		(f) ensuring timely disclosure of relevant information to the Board and the SC.

Source: Bank Negara Malaysia (2018)

Apart from stringent procedures for the proper documentation of Commodity Murabahah provided by BNM in policy documents, Micheal (2021) emphasises that the introduction of BSAS has also facilitated better Shariah review to resolve any concerns with Commodity Murabahah contracts. These involve establishing proper contract sequencing, adequate delivery procedures, and explicit Shariah review and audit processes. BSAS was the first transparent and internet-based platform in the market that specialised only in Shariah-compliant transactions (Micheal, 2021).

CONCLUSIONS

In conclusion, it is important to note that Malaysia has developed a robust regulatory framework that supports the practice of Commodity Murabahah within the Islamic finance industry. Regulatory guidelines

provided by Bank Negara Malaysia (BNM) offer clear guidelines and standards for Islamic financial institutions, ensuring compliance with Shariah principles. The endorsement of Commodity Murabahah by Shariah scholars and the Shariah Advisory Council provide credibility and assurance to market participants. The Shariah-compliant nature of Commodity Murabahah transactions enhances confidence among investors and customers. Malaysian Islamic financial institutions have demonstrated innovation and adaptability in structuring Commodity Murabahah transactions to meet diverse financing needs. This flexibility has enabled the expansion of Commodity Murabahah across various product segments, including financing, deposits, and interbank money markets.

This study recommends that a clear regulatory framework is essential to provide guidelines and standards for the practice of Commodity Murabahah. It also seeks to ensure compliance with Shariah principles and regulatory requirements. Besides, it is important to develop a robust market infrastructure to support the execution and settlement of Commodity Murabahah transactions. This includes establishing commodity trading platforms which consist of a regulatory oversight mechanism to ensure transparency and efficiency in the market. In the case of Malaysia, the BSAS plays a significant role in facilitating Commodity Murabahah transactions within the Islamic finance industry. It also serves as a commodity trading platform specifically designed to address the Shariah operational issues concerning Commodity Murabahah..

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