

## **CHAPTER 2**

### **ISLAMIC BANKING PRODUCTS AND SERVICES**

#### **2.1 INTRODUCTION**

This chapter will discuss about Islamic banking system conceptually and practically. The discussion starts off with the theory of awareness and acceptance on Islamic banking products and services followed by an overview of the banking and financial system in Singapore. It then resumes to a brief but comprised discussion on Islamic banking theory: the concept and basic contracts used in Islamic banking services. The final part of this chapter consists of the discussion on banks which are currently offering Islamic banking services.

#### **2.2 AWARENESS AND ACCEPTANCE ON ISLAMIC BANKING PRODUCTS AND SERVICES: THE CONCEPT**

Awareness is defined as knowledge or perception of a situation or a fact.<sup>1</sup> It is also viewed as a passive involvement of a person towards a particular matter. This means, to be aware of a situation is to have knowledge on that particular situation or to perceive about that matter.

If a customer of Islamic banking service is aware of the Islamic banking products, this tells that he or she knows the product offered. For example, if a customer

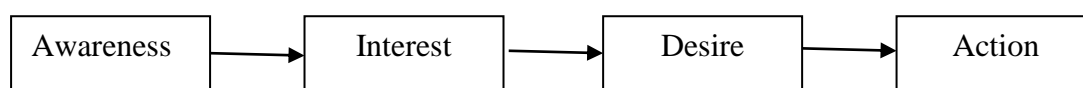
---

<sup>1</sup> *Oxford Dictionary of English*, ed. 3 (United Kingdom: Oxford University Press, 2010), 90, entry “awareness”

is aware of Islamic savings account which uses al-Wadiah contract, it means that he or she is knows what al-Wadiah is, knows how the account works and knows all the related terms used in the account.

Exploring and establishing public awareness on Islamic banking services is crucial as it may influence the public to accept the services. This is certainly because decision of a person to purchase or subscribe to a service starts from being aware towards that particular products or services. This possibility is explained in the AIDA model (see figure 2.1).

Figure 2.1. AIDA Model



Source: Tyagi and Kumar<sup>2</sup>

Figure 2.1 depicts AIDA Model which describes the chain of consumer behaviour. A consumer with awareness will be be triggered to have interest in knowing more about Islamic banking services. After being equipped with a more sound knowledge on the particular service, the consumer will then have the desire to subscribe to the service. In other words, the chance of a person making use of Islamic banking products and services increases when the person aware and understood the product or service features.

---

<sup>2</sup> Tyagi, C.L. and Kumar, A. *Advertising Management* (New Delhi: Atlantic Publisher and Distributor, 2004), 251.

When a person begins to have desire or plan to subscribe to the Islamic banking service, that person is said to be at the initial stage of accepting the service. It is possible to conclude that acceptance can happen when there is an inclination to subscribe to Islamic banking service. In summary:

- 1) A person accepts the existence of Islamic banking in Singapore
- 2) A person supports the growth of Islamic banking in Singapore
- 3) A person is willing to open an Islamic banking account in near future
- 4) A person already has Islamic banking account.

### **2.3 THE BANKING AND FINANCIAL SYSTEM IN SINGAPORE: AN OVERVIEW**

The establishment of financial centre in Singapore dated way back to Stamford Raffles era, approximately after 30 years Singapore was 'governed' by Raffles. Being in a geographically strategic location, Singapore has always been an important centre for trading and a busy port for harbour. It is no surprise that large financial companies were attracted to establish in Singapore's financial market.<sup>3</sup> Only in the late 1960s, Singapore's government decided to develop Singapore into an official financial centre. Singapore government has resorted to providing various kinds of incentives to encourage development. The development went by stages but was impactful. The gradual development turned Singapore into an important financial centre in 1980s and

---

<sup>3</sup> Fernandes B.J., *Banks and Financial Institution in Singapore* (Singapore, Consolton Private Limited, 1976), 19.

many of international financial institutions settled in. By, 1994, Singapore has become the world's fourth largest foreign exchange trading centre.<sup>4</sup>

Singapore's financial development was driven by carefully planned and liberal monetary policies. Coupled with stable political ambience and efficient administration, this makes Singapore's financial system different from other countries like New York and Tokyo. In these countries, financial centres only cater mainly for a large market but Singapore has only a relatively small market. However, Singapore managed to earn a place on the financial map of the world.

The government of Singapore also implemented the fiscal policy and at the same time removed exchange controls and encouraged competition among banks for a healthy development of the financial sectors. These were done during the establishment of the Monetary Authority of Singapore (MAS) in 1970. The government has also loosened up some laws to promote competitive environment for financial sectors; the migration requirements for expatriate executives were made easy in order to increase the size of banking talent. Moreover, a large number of foreign banks were also granted easy access to Singapore. These are the signs of banking sector liberalization. However during the financial crisis in the year 1997 and the years that followed, the banking sector is more protected.<sup>5</sup>

The year 1998 saw changes in banking regulation. The Committee on Banking Disclosure recommended standard of financial disclosure similar to that standards of

---

<sup>4</sup> Tan Chwee Huat, *Financial Markets and Institutions in Singapore* (Singapore:Singapore University Press, 1999), 1.

<sup>5</sup> Wai Ho Leong and Dollery B., "The Productive Efficiency of Singapore Banks: An Application and Extension of the Barr Et Al," *The Singapore Economic Review* 49 (2004), 273–290.

European's and US's. The disclosure stretched from the loan provisions to details of off-balance sheet transactions. Since the amendments took place, the progress has been better for capital and money market in Singapore.

At present, there are 164 banks operating in Singapore. 122 of them are commercial banks. There are three types of commercial banks in operation: Full licence banks, restricted licence and offshore licence. Meanwhile, there are 42 merchant banks which provide services not covered by commercial banks, including asset management, equipment leasing and factor underwriting.<sup>6</sup>

### **2.3.1 Monetary Authority of Singapore (MAS)**

Monetary Authority of Singapore is a financial regulatory body which acts as a central bank or known as Singapore's de facto central bank. It was formed by an act known as Monetary Authority of Singapore Act in 1970. MAS then started functioning on 1 January 1971.

MAS's role is to ensure Singapore as a progressive financial centre and to nurture a sustained economic growth with a low inflation. MAS is also responsible in conducting monetary policy, the oversight of payment systems, issuing currency and being the Government's financial agent. Moreover, MAS has the authority to ensure monetary and credit stability, also to manage official foreign reserves of Singapore.

The MAS now administers the various statutes pertaining to money, banking, insurance, securities and the financial sector in general. Following its merger with the

---

<sup>6</sup> MAS, "Monetary Authority of Singapore", website *Monetary Authority of Singapore*, retrieved 10 June 2013, <https://secure.mas.gov.sg/fid/>.

Board of Commissioners of Currency on 1 October 2002, the MAS has also assumed the function of currency issuance.<sup>7</sup>

MAS is a member of several major regional groupings such as the Executives' Meeting of East Asia-Pacific Central Banks (EMEAP) and ASEAN Central Bank Governors Meetings. Apart from that, MAS is also a member of global bodies such as the International Monetary Fund (IMF), the World Bank (WB), the Financial Stability Board (FSB), the Bank for International Settlements (BIS), and international standard setting bodies such as the Basel Committee of Banking Supervision (BCBS), the International Association of Insurance Supervisors (IAIS) and the International Organisation of Securities Commissions (IOSCO). The participation in and contribution into these important bodies is crucial in realizing Singapore as a key financial centre in the Asia. Being a significant port for financial activities regionally and internationally, MAS has a greater role in contributing to discussion on maintaining global financial stability and shaping international financial regulatory reforms.<sup>8</sup>

### **2.3.2 Operating Banks in Singapore**

Singapore's financial sector is regulated highly and supervised strictly by the MAS. The high standard of regulations moulded a consistent successful development of the financial sector. Singapore's strong supervisory framework and pro-business environment are attraction factors for leading financial and global investors to operate in Singapore.

---

<sup>7</sup> *Ibid.*

<sup>8</sup> *Ibid.*

Today, Singapore is home to over 600 financial institutions offering a wide range of products and services across various asset classifications. As mentioned, there are 122 commercial banks in Singapore. These banks are divided into following:

Table 2.2 Division of Commercial Banks

Commercial Banks	Number of Institutions
Local Banks	5
Foreign Banks	117
Foreign Full Banks	27
Wholesale Banks	53
Offshore Banks	37

Source: Monetary Authority of Singapore, 10 April 2013<sup>9</sup>

## 2.4 ISLAMIC BANKING SYSTEM

### 2.4.1 The Concept of Islamic Banking System

Islamic banking is a faith-based banking.<sup>10</sup> This is due to the fact that the contracts used, the norm and ethical value of the banking community are based on Islamic values. As it is derived from the religion of Islam itself, Islamic banking carries the teaching of Islam. This includes the assurance of equitability and justice to the society

<sup>9</sup> *Ibid.*

<sup>10</sup> Yahia Abdul-Rahman, *The Art of Islamic Banking and Finance* (Canada: John Wiley & Sons Inc., 2010),196.

that are taught in the Islamic economics. To simplify, Islamic banking system is defined as a banking system of which the contracts and activities are founded on Islamic rules or Shariah.<sup>11</sup> It is a system where institutions operate their business with the objective to uphold principle of Islamic economics and finance.<sup>12</sup>

Islamic banking is also known as *ribā*-free banking or interest-free banking. As Islamic banking is governed by the Islamic rules (Shariah), it is forbidden for the banks to generate *ribā* or interest from the business. The forbidden of *ribā* was connoted in the main source of the Shariah, al-Quran, in the surah *al-Baqarah* which is translated as:

الَّذِينَ يَأْكُلُونَ الرِّبَا لَا يَقُومُونَ إِلَّا كَمَا يَقُومُ الَّذِي  
يَتَخَبَّطُهُ الشَّيْطَانُ مِنَ الْمَسِّ ذَٰلِكَ بِأَنَّهُمْ قَالُوا إِنَّمَا الْبَيْعُ مِثْلُ  
الرِّبَا ۗ وَأَحَلَّ اللَّهُ الْبَيْعَ وَحَرَّمَ الرِّبَا ۗ فَمَنْ جَاءَهُ مَوْعِظَةٌ مِّنْ  
رَّبِّهِ فَانْتَهَىٰ فَلَهُ مَا سَلَفَ وَأَمْرُهُ إِلَى اللَّهِ ۗ وَمَنْ عَادَ فَأُولَٰئِكَ  
أَصْحَابُ النَّارِ هُمْ فِيهَا خَالِدُونَ

Al-Baqarah 2:275

Translation: Those who devour usury will not stand except As stand one whom the evil one by His touch hath driven to madness. That is because They say: "Trade is like usury," but Allah hath Permitted trade and forbidden usury. Those who after receiving direction from their Lord, desist, shall be pardoned for the past; their case is for Allah

<sup>11</sup> Sudin Haron and Wan Nursofiza Wan Azmi, *Islamic Finance and Banking System: Philosophies, Principles & Practices* (Malaysia: McGraw Hill Publication, 2009),44.

<sup>12</sup> Shahid Hasan Siddiqui, *Islamic Banking* (Karachi: Royal Book Company, 1994),49.



(to judge); but those who repeat (the offence) are companions of the Fire: They will abide therein (for ever).<sup>13</sup>

The verse mentioned clearly depicts the disallowance of generating interest from the banks' activities. Apart from the interest element, there are two other elements which are prohibited; uncertainties (*gharar*) and gambling (*maysir*).

*Gharar* in general means danger or risk. In Shariah's term, *gharar* is defined by al-Sarakhsī as anything that end result is hidden or the risk is equally uncommon, whether it exists or not. This indicates that anything that is uncertain of the risk or the end product is known as *gharar*. However, *gharar* is divided into two categories, *gharar fāhiṣh* (excessive *gharar*) and *gharar yasīr* (light *gharar*). *Gharar* is forbidden as it can invalidate a contract from the Shariah's perspective.

Gambling is technically defined in Shariah as referring to a risky or hazardous sale, where details concerning the sale item are unknown or uncertain. This may be because the transaction involves pure speculation, thus is a form of gambling and the outcome and future benefits are uncertain and unknown. These three elements are strictly prohibited from the system in order to uphold the objectives of the Islamic economics and to avoid injustice and moral misconduct in the society as a whole.

The objective of Islamic banking system, as mentioned, is to develop banking products based on Islamic principles which are to totally eliminate the element of *ribā*. This means that any interest-based lending or financing is not allowed. Therefore,

---

<sup>13</sup> The Meaning of the Holy Quran, 2:275 (‘Abdullah Yusuf ‘Ali trans., new revised ed. 1991)

Islamic banking extended an alternative contract to substitute the interest-based contracts.

#### **2.4.2 Contracts Used in Islamic Banking System**

There are myriads of contracts that are being used in the Islamic banking products and services. As years grow, many Islamic scholars have come up with more polished contracts that suit the banking purpose. These contracts can be divided into two groups: equity-financing and debt-financing contracts.

- **Equity-Financing Contracts**

Equity-financing contract is known as *'uqūd al-Išhtirāk* in Arabic. It literally means profit-sharing contracts.<sup>14</sup> In these contracts, profits are divided according to the obligation made in the contract beforehand. Not only profit is shared, any loss occurred from the shared contract will be bear together. This is called Profit and Loss Sharing (PLS) contracts. Contracts which are categorised under PLS are *Muḍhārabah* and *Mušyārahah*.<sup>15</sup>

*Muḍhārabah* is a contract of agreement of participation between two parties namely the capital provider and an entrepreneur. The capital provider will invest in a sum of money to the entrepreneur who has a handful of experience. In this contract, the profit will be divided among them according to the ratio agreed upon earlier while

---

<sup>14</sup> Bank Islam Malaysia Behad, *Islamic Banking Practice: From the Practitioner's Perspective* (Malaysia: Bank Islam Malaysia Berhad, 1994),20.

<sup>15</sup> *Ibid.*

the loss will be bear by the capital provider only. However the entrepreneur will suffer the loss of time and effort.<sup>16</sup>

*Muṣyārakah* generally means partnership. From the perspective of Shariah, *Muṣyārakah* is defined as a joint-venture agreement between two parties to engage in a specific business activity or project with the aim of making profits. The allocation of profits or loss is predetermined and is not necessarily based on the total capital contributed by the partners involved.

- **Debt-Financing Contracts**

Debt-financing contracts are contracts which involve with deferred payment i.e. debt. There are various forms of contracts used in debt-financing. Among them are *Murābahah*, *bai' al-ṭinah* and *bai' bithaman al'ajil*.

*Murābahah* is defined as a contract of selling a product in its original price plus the marked up cost. For example, buying a car for fifty thousand dollars and selling it at sixty thousand dollars.<sup>17</sup> The purchase and the selling price, other costs and the profit margin must be clearly stated at the time of the sale agreement. The bank is compensated for the time value of its money in the form of the profit margin. This is a fixed-income loan for the purchase of a real asset (such as real estate or a vehicle), with a fixed rate of interest determined by the profit margin. The bank is not compensated for the time value of money outside of the contracted term (i.e. the bank cannot charge additional interest on late payments), however the asset remains in the ownership of the bank until the loan is paid in full.

---

<sup>16</sup> Wahbah Zuhaily, *al-Mu'āmalāt al-Mālīyah al-Ma'āsīrah* (Damsyik: Darul Fikr, 2002),438.

<sup>17</sup> *Ibid.*,67

Another contract used in debt-financing is *bai' al-ṭinah*. The scholars defined *bai' al-ṭinah* as a selling of commodity to someone with deferred payment and purchase it back at a lower price. For example, selling a car for a price of fifty thousand dollars in instalments and buying it back in a lump sum but at only forty thousands.<sup>18</sup> The financier sells an asset to the customer on a deferred payment basis and then the asset is immediately repurchased by the financier for cash at a discount. The buying back agreement allows the bank to assume ownership over the asset in order to protect against default without explicitly charging interest in the event of late payments or insolvency.

## **2.5 Islamic Banking in Singapore**

Islamic banking has long set its foot in the Southeast Asia region. Even though Islamic banks in Singapore are still at an early stage when compared to other Islamic banks established regionally, the potential for these industries is seen but remain untapped.<sup>19</sup> Currently, there are three conventional banks which offer Islamic banking service via personal banking.

### **2.5.1 Overseas Chinese Banking Corporation (OCBC)<sup>20</sup>**

- **Brief Profile**

OCBC was founded in the year 1932, initially formed by three local banks merged together. OCBC is the longest established bank in Singapore. OCBC is a high profiled

---

<sup>18</sup> Şoleḥ Fauzān, *al-Mulakkhoş al-Fiqḥi* (Cairo: Dar at-Taḳwa, 2012),266.

<sup>19</sup> Venardos A.M., *Islamic Banking & Finance in South- East Asia: Its Development & Future* (Singapore: World Scientific, 2012),186.

<sup>20</sup> OCBC, “about US”, website *OCBC*, retrieved 12 June 2013, <http://www.ocbc.com.sg/group/who-we-are/group-business.html>.

local bank which successfully structured financial solutions to cater to financial needs of the customers.

This long established local bank has diversified its services: from commercial banking to business banking. With continuous success in providing efficient services and excellent financial products, it is no surprise that OCBC is ranked by Bloomberg Markets magazine as the World's Strongest Bank for two years, 2011 and 2012.

Currently, OCBC is the second-largest banking group in Singapore by total assets. OCBC group operate its business as OCBC bank, Bank OCBC NISP, and Bank of Singapore in over 15 countries. OCBC continues to grow internationally in order to meet the needs of customers in different demographic regions. OCBC has crossed borders from Malaysia to China to set up its banks' operations.

Being a global bank, OCBC extends its services ranging from specialist financial, wealth management service, personal lending, corporate and enterprise banking treasury to stockbroking, insurance and asset management. These varieties of services drive OCBC as one of the largest listed companies in Singapore and also one of the largest banks in Southeast Asia by market capitalization.

- **OCBC Al-Amin<sup>21</sup>**

OCBC Al-Amin Bank Berhad is a subsidiary of OCBC Bank Malaysia Berhad. It is established in the year 2008 in Malaysia. This Malaysia-based Islamic Bank has evolved convincingly throughout the years. OCBC Al-Amin has operated in 5

---

<sup>21</sup> OCBC, "About Us", website *OCBC*, retrieved 12 June 2013 <http://www.ocbc.com.sg/group/who-we-are/heritage-malaysia.html>.

branches by 2011 in Malaysia. Currently, OCBC Al-Amin is set up only in Malaysia as there is a greater market demand and larger industries for Islamic banking.

In Singapore however, Islamic window was initially introduced in the year 2006 when OCBC first launched the OCBC Treasury *Muḍhārabah* Account (OTMA), a Shariah compliant product based on the concept of *Muḍhārabah* or profit sharing. OCBC then continued offering other personal banking services ranging from *al-Wadī'ah* savings to current account. However, only recently OCBC has discontinued all the Islamic personal banking services. This may be due to changing needs of the customers.

Currently in Singapore, Islamic products and services which OCBC offers are:

**a. Business Banking**

- *Al-Wadī'ah* Account:

This account is specially designed for the convenience of Muslim corporate customers, Islamic financial institutions, non-Profit Organisations, mosques and other Islamic bodies in Singapore. This account is made in lieu with the Islamic principles. It is strictly monitored and managed by OCBC's Shariah Advisory Council.

## 2.5.2 Maybank Singapore Berhad<sup>22</sup>

- **Brief Profile**

Malayan Bank was founded in the year 1960 in Malaysia. It is one of the most established banks in the region. In the same year, Maybank started operating in Singapore as a fully-licensed commercial bank.

Maybank is currently is the biggest company rated by market capitalization on the Malaysian Bourse and is placed in the top five banks in South East Asia with the total assets of more than 150 billion. Maybank also topped the ranking of the listed Malaysian companies and among the top 500 companies in the Forbes Global 2000 leading companies of the world.

The Maybank Group offers a comprehensive range of products and services that includes commercial banking, investment banking, Islamic banking, offshore banking, leasing and hire purchase, insurance, factoring, trustee services, asset management, stock broking, nominee services, venture capital and Internet banking.

Maybank became the first and only Bank to receive triple certification for Singapore Quality Class, Singapore Service Class and People Developer from SPRING Singapore in 2009. With years passed, Maybank's excellent service has continuously awarded itself numerous prestigious awards varying from business excellence awards to work-life excellence awards.

---

<sup>22</sup> Maybank, "About Us", website *Maybank*, retrieved 12 June 2013, <http://www.maybank.com/en/about-us/who-we-are/overview.page>.

As at December 2012, Maybank's total assets in Singapore were S\$36.4 billion, one of the foreign banks in Singapore with a large amount of total assets.

- **Maybank Islamic Berhad**<sup>23</sup>

Maybank Islamic Berhad is the Islamic finance division of Maybank Group. It is Malaysia's premier Islamic bank with the largest total assets and dominating market share in almost all key segments. As an entity operating on a dual-banking platform, Maybank Islamic is regarded as the most successful Islamic subsidiary bank leveraging on its parent bank's infrastructure and resources. An acknowledged industry icon, Maybank Islamic continues to lead the industry through development of new, innovative and internationally accepted propositions with its diversified product and service ranges.

Its strong financial standings, large contributions to the public and industry have been acknowledged with various internationally recognized awards and accolades such as The Asset Triple A Award for Islamic Retail Bank of the Year, KLIFF Islamic Finance Awards 2010 for Most Outstanding Retail Banking, Reader's Digest Trusted Brands Awards for Islamic Financial Services – Gold Awards and KLIFF Islamic Finance Awards 2009 for Best Outstanding Islamic Bank.

Today, Maybank Islamic is the biggest Islamic bank in Malaysia and the largest in the Asia-Pacific region.

---

<sup>23</sup> Maybank, "About Us", website *Maybank*, retrieved 12 June 2013, <http://maybankislamic.com.my/info.html>.



## **a. Islamic Deposits**

- ***Ar-Rihla* Regular Savings Account-i**

*Ar-Rihla* Regular Savings Account-i is an account designed for savings to the Holy land. With this account, customers are able to save up for the journey to perform pilgrimage.

- **Singapore Dollar Islamic Term Deposit-i**

Singapore Dollar Islamic Term Deposit-I is the first Singapore Dollar Islamic Term Deposit-I offered in any Islamic banks locally. It is an account designed for personal investment. This particular account provides protection and growth of the customers' assets. The profits will be earned or credited on the next day.

- **iSavvy Savings Account-i**

This account is specially designed for customers who are IT savvy. The account can be easily accessed through online banking and ATMS. Dividends will be rewarded with special features. These dividends are called *hiba* or simply means token and are being given at the bank's discretion.

- **Savings Account-i**

This account is similar to the iSavvy account-I accept this account comes with a passbook; a more convenient for customers who prefer traditional banking. Dividends will be awarded based on special features too in a form of *hibah* or 'token' at the kind consideration of the bank.

- **PremierOne Account-i:**

This account combines the features of a savings and current account. It comes with a cheque book. This account is open to non-profit organisations.

**b. Islamic Property Financing<sup>24</sup>**

This financial scheme is catered for customers who are planning to buy a residential property in Malaysia. This is the first Shariah-compliant home financing that has ever been offered in Singapore. As one of the special features, this home financing offers a protection from exchange rate fluctuation.

Maybank's Islamic Home Financing is based on the Commodity *Murābahah* structure. *Murābahah* is a sales contract with a disclosure of the asset cost price and profit margin to the buyer. The Bank (at the request of the customer) buys a commodity and sells it to the customer at a cost plus mark-up. As such, the maximum profit amount is determined upfront.

**c. Islamic Auto Finance<sup>25</sup>**

Maybank has introduced a new financing contract for vehicle in the late 2012. Maybank's Islamic Auto Finance is based on the Shariah compliant contract of *Al-Ijārah Thumma Al-Bai'* (AITAB). AITAB is a leasing contract (*Ijārah*) followed by sale contract (*Bai'*). Under the leasing contract, the customer leases the vehicle from the Bank at an agreed rental payment over a specific period. Upon expiry of the

---

<sup>24</sup> *Ibid.*

<sup>25</sup> <http://info.maybank2u.com.sg/personal/deposits-banking/islamic-financing/islamic-auto-financing.aspx>

leasing period, the customer enters into a sale contract to purchase the vehicle from the Bank at an agreed price.

**d. Islamic Term Financing<sup>26</sup>**

Islamic Term Financing is catered to assist small and medium enterprises (SME) financially. It is for completed Commercial Industrial Properties with a choice of fixed rate or floating rate packages. The available tenures are 3 years, 5 years, 7 years and 10 years. This scheme is offered to finance a wide range of commercial and industrial properties including offices, light industrial factories, shop houses, retail space and warehouses.

SMEs and corporate customers where incomes are not solely (100%) derived from:

- i. Interest
- ii. Gambling/ gaming
- iii. Manufacture or trade of non-halal products
- iv. Conventional insurance
- v. Entertainment activities not permitted by Shariah
- vi. Stock-broking or share trading in securities not permitted by Shariah

---

<sup>26</sup> *Ibid.*

- **Business Banking**

- a. Singapore Dollar Islamic Term Deposit-i**

Maybank Singapore Dollar Term Deposit-i protects and grows your asset. It is a deposit product based on Shariah principles. Based on Islamic financial principle of *Murābahah*, the contract involves the sale of commodities at marked-up price between Maybank and a customer. Profits are not only determined upfront but will also be paid one calendar day after cash placement or cheque clearance instead of upon maturity and the placement periods of 3, 6, 12 and 24 months.

- b. Current Account-i**

Current account is a convenience checking account that is operated within the guidelines set out under Shariah.

### **2.5.3 CIMB Islamic Berhad (Singapore)<sup>27</sup>**

CIMB Islamic is the global Islamic banking and finance franchise of CIMB Group, ASEAN's leading universal banking franchise. It was established in the year 2003 in Malaysia. Headquartered in Kuala Lumpur, CIMB Islamic's main markets are Malaysia, Indonesia, Thailand and Singapore. CIMB Islamic covers Southeast Asia and global financial centres, as well as countries where our Southeast Asian customers have significant business and investment dealings.

CIMB Islamic offers an extensive range of innovative Shariah-compliant products and services that encompass consumer banking, investment banking, asset

---

<sup>27</sup> CIMB Islamic Berhad, "About Us", website *CIMB*, retrieved 12 June 2013 [http://www.cimbislamic.com/index.php?ch=is\\_au&pg=is\\_au\\_profile&ac=1](http://www.cimbislamic.com/index.php?ch=is_au&pg=is_au_profile&ac=1)

management, takaful, private banking and wealth management solutions in Southeast Asia and other major world cities.

Singapore's position as the region most developed economy and financial gateway are essential component of CIMB Group's regional franchise. In 2009, the Group officially re-branded its Singapore banking franchise and started offering financial products and services including Islamic investment banking. Singapore Islamic banking unit is active in securing corporate clients and deposits from clients in Singapore and from offshore.<sup>28</sup>

The presence of CIMB Islamic in Singapore plays a big role in supporting Singapore's government effort in promoting Islamic finance in the country by participating and contributing in road shows, seminars and thought-leadership.<sup>29</sup>

- **CIMB Star Saver-i Account and CIMB StarSaver-i**

CIMB StarSaver-i is a smart and disciplined way to save for future purposes from performing pilgrimage to financing the children's education. Set some money aside each month and you'll be surprised just how quickly you can reach your goals. The dividends will be credited as *hibah* or tokens upon the bank's discretion. *Hibah* will be accrued daily and compounded monthly.

- **Deposit Insurance Scheme**

Singapore dollar deposits of non-bank depositors and monies and deposits denominated in Singapore dollars under the Supplementary Retirement Scheme are

---

<sup>28</sup> CIMB Islamic Berhad, "About Us", website CIMB, retrieved 12 June 2013, [http://www.cimbislamic.com/index.php?ch=is\\_au&pg=is\\_au\\_ourpresence&ac=9](http://www.cimbislamic.com/index.php?ch=is_au&pg=is_au_ourpresence&ac=9).

<sup>29</sup> *Ibid.*

insured by the Singapore Deposit Insurance Corporation, for up to S\$50,000 in aggregate per depositor per Scheme member by law. Foreign currency deposits, dual currency investments, structured deposits and other investment products are not insured.

Daily indicative returns may be paid, at the Bank's discretion, on the entire daily balance, provided that the balance is at least S\$5,000 in your CIMB StarSaver-i account on any given day. *Hibah* rates are based on historical rates.

## **2.6 CONCLUSION**

All in all, this chapter explains the theory of awareness and acceptance of Islamic banking services. It also gives an overview of the banking and financial system in Singapore. This chapter also includes an explanation on the Islamic banking system: it touches on the concepts of Islamic banking system in theory comprehensively. Also, it describes the Islamic banking services catered by conventional banks in Singapore.