WAQF DEVELOPMENT: ISLAMIC BANKS – MAINs’ EXPERIENCE

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Waqf was identified as important instrument in the social welfare sector (ijtimai') to provide economic sustainability to the ummah. Its contribution is evidenced in the waqf assets of Ottoman, bi’ru rumah (well of rumah in al-Madinah al-Munawwarah), Al-Azhar University of Egypt etc.

In Malaysia, according to the Federal Constitution (Schedule 9), waqf falls under States’ List and SIRCs are recognized as the “sole trustee” on waqf matters. Hence, any waqf development initiative in any state must be endorsed and approved by the respective state' SIRC.

Federal Government since 2004 has established Jabatan Wakaf, Zakat dan Haji (JAWHAR) to provide leadership on waqf development in Malaysia and more than RM500 million was allocated under the MP9 and MP10 to finance development of waqf lands.
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LAND DEVELOPMENT ON B.O.T. – MENARA BANK ISLAM

- The 1.2 acre land at Jalan Perak, Kuala Lumpur City Centre was endowed by Ahmad Dawjee Dadabhoy, a Gujerati trader to MAIWP.
- Synergy between the 4 (four) parties to develop a 34 stories Class A commercial building with GDV of RM151 mil.
- BOT structure.
- Becomes the most expensive waqf asset in Malaysia.
- A mosque on the Basement 1 and 2 – weekly Jumaat prayers and collecting RM100,000 donation monthly. Intention to build a tahfiz college using the Jumaat contribution.
Resolve the issue of waqf asset cannot be sold by applying Tawarruq structure to “pay the rental” of the house.

Already implemented – Taman Wakaf Seetee Aisyah, Penang.

MODUS OPERANDI
1. MAIN appoints the Developer (UDA Land)
2. Develop develops the Project
3. Upon completion, the Developer handover the Project to MAIN (as the Lessor).
4. MAIN leases out the assets to Lessee/ Customer. Lease Agreement is registered in the Land Office.
5. Lessee applies for Tawarruq end financing from the Bank in order to pay the rental to MAIN. The Lease is charged to the Bank.
6. Bank disburses the fund to the Developer based on the performance of the project.
7. Lessee/ Customer pays the Murabahah Sale Price to the Bank (installment)
8. If the Lessee/ Customer fails to pay installement, Bank will sell the Lease to a New Lessee (auction)
Endowment/donation via Islamic Credit Card, ATM, CDM, CQM, iTAP, e-Channel.

Bank Islam latest project to develop religious school in Perlis – Collected >RM0.5 mil within two months.

Projects:
1. Schools
2. Old folk care house
3. Commercial building
## COLLECTION CHANNELS

### MOBILE, INTERNET BANKING & ORDINARY SOLUTIONS
- TAP Mobile Banking
- Internet Banking (bankislam.biz)
- ATM
- Standing Instruction
- MEPS Direct Debit
- Over the Counter (OTC)

### CASH MANAGEMENT
- JomPAY
- FPX & FPX B2B
- Bill Payment
- E-Banker
- Salary Deduction (Salary Account)

### CARD SOLUTIONS
- Card Acceptance Devices -

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**SHARIAH CENTRE OF EXCELLENCE**
Bilateral → Syndication → Integration

COMMUNITY EMPOWERMENT WORKING GROUP

Association of Islamic Banking Institutions Malaysia
STRATEGIC INTENT

- BNM in its **Key Development Strategic Priorities 2017** identified “alternative finance through waqf and other donation-based arrangements deliver more direct benefits to society” as one of its priority. This is inline with the Financial Sector Master Plan 2011–2020 requirements on IFIs roles in fulfilling the financial inclusion.

- AIBIM was mandated to execute the initiatives.

- Waqf is an important element and in order to fully maximize its purpose it must be managed in a very professional manner.

  - **Create synergy between MAIN and Islamic banks** to establish a dynamic and progressive waqf project
  - **Enhance transparency, accountability and effective supervision and monitoring on financial aspect of the project**
  - **Maximise the banking channels and services** in generating the fund collection

**BNM Community Empowerment Focus Group Meeting**
07SEP16 @ BNM HQ

**Establishment of AIBIM Cash Waqf Working Group**
26SEP16 @ AIBIM.

**Cash Waqf Working Group Meetings**
(1st – 11th meetings)

**Briefing to JPIT (updated to Governor)**
03MAR16 @ BNM

**Briefing to JAWHAR**
09MAR16 @ BNM

**Focus Group Meeting (CEOs Meeting)**
15MAR16 @ AIBIM

**Briefing to SIRCs**
20MAR16 @ Lanai Kijang, BNM
Attended by 12 out of 14 SIRCs
STRATEGIC COLLABORATION MECHANISM

- A bank will be appointed as Lead Bank in Waqf project and sit in the Joint Management Committee (JMC)
- Other banks as Participating Bank
- Collaboration Agreement between consortium of bank and MAIN.

Return from investment is channeled towards waqf project and operational costs

Contributors – Individual/Institutions

Every Participating shall open Waqf Fund collection account and credit the Waqf Fund main account at Lead Bank at every month end
CRITERIA OF THE WAQF PROJECTS

CRITERIA

✓ Immediate economic impact towards society (outcome based).

✓ “Value proposition” something attractive in the eyes of contributor/donor.

✓ Decided by the JMC.

✓ Existing project which fulfilled the criteria or newly identified project.

✓ Create “success story” within 2 years from commencement day.

- Infrastructure/Equipment
- Research/Educational/Training
- Scholarship/Sponsorship

- Infrastructure/Equipment
- Service charge/Fee

- Fund Generating
- Property Investment

- Shopping Centre
- Initial Business Capital

Education

Health

Investment

Economic Empowerment
1. Launching and marketing under one brand name.
3. Contribution of operational and marketing fund by participating banks.
4. Projects to be listed in “micro web”/platform and banking channels.
5. Centralised and coordinated marketing under one brand.
6. Report and disclosure to gain donors’ confidence.
IAP is a multi-bank platform to facilitate channelling of funds from individual and institutional investors to finance viable ventures intermediated by participating Islamic banks via Restricted Investment Account as governed under IFSA and DFIA

- Initiated by IMAM – Bank Islam, Maybank Islamic, Affin Islamic & Bank Muamalat
- Objective - to attract participation from individual and institutional investors to boost development of SMEs through a funding system which is efficient, simple and transparent.
- Profit earned by individual investors from investments made through IAP be accorded an income tax exemption.
- Investors can channel their funds to finance targeted industries of his choice
- All investment requests made by investors will be subject to suitability assessment conducted by banks
- IAP will provide robust disclosure regime to facilitate informed decision making by investors as well as to support monitoring of their investment
- Operate on secured internet-based architecture to allow wide outreach, including cross-border investors.
INVESTMENT ACCOUNT PLATFORM: A NEW MARKETPLACE

...an investment Intermediary instead of Trading Exchange

...sound like a regulated crowd funding

...just imagine a “Covered Sukuk”

Provide funding through opening of RIA with participating banks using IAP

Funds from RIA is to finance venture

POTENTIAL INVESTORS / IA HOLDERS

1st leg

ISLAMIC BANK
Restricted Investment Account

2nd leg

VENTURES

...also similar concept to retail sukuk

...similar to initial public offering - over or under subscription

...gateway for financial inclusion
Thank You
والسلام