



## Pronouncement of the Shariah Committee of Bursa Malaysia Islamic Services Sdn Bhd

*In the Name of Allah, the Most Gracious the Most Merciful*

3 Rejab 1436H – 22<sup>nd</sup> April 2015

### **Subject: Placement of Securities in Individual CDS Account**

*All praise is due to Allah, prayers and peace be upon the last Prophet Mohammad, and be upon his relatives and all his companions,*

The Shari'ah Committee of Bursa Malaysia Islamic Services Sdn. Bhd. ("BMIS") in its meeting held on 18 March 2015 at its Main Office in Kuala Lumpur affirmed Bursa Malaysia's current practice of placing Shari'ah non-compliant securities with Shari'ah compliant securities in the same individual Central Depository System ("CDS") account.

Upon due deliberation of SC Memo No. 9 of 2015, the Shari'ah Committee resolved that there is no Shari'ah issue foreseen for an individual CDS account to hold in the custody Shari'ah compliant and Shari'ah non-compliant securities. The view is based on the following arguments:

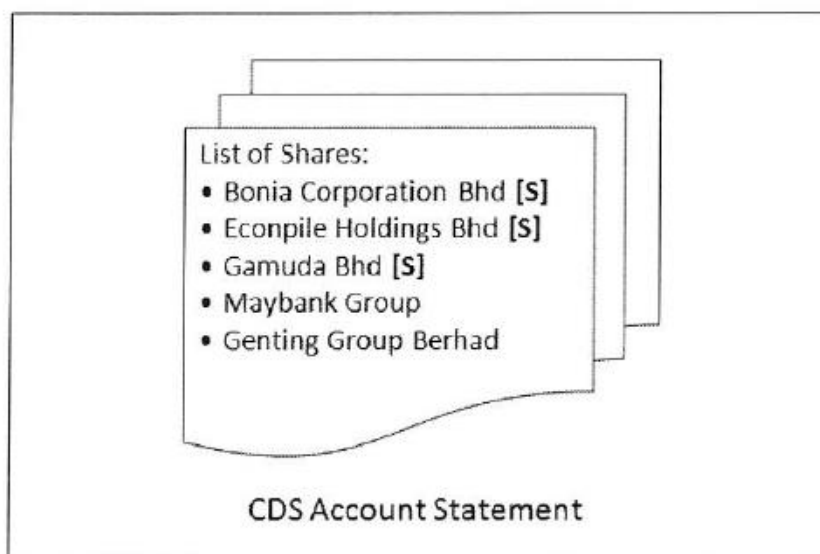
(i) Nature of Individual CDS Account

CDS account is an account structured for safekeeping of securities in which it acts as a means of representing ownership and movement of securities. Due to neutrality nature, CDS account does not discriminate securities based on Shari'ah compliance status. Such and pursuant to the restriction prescribed in Rule 26.02 of Rules of Bursa Malaysia Depository Sdn. Bhd., control for segregation between Shari'ah compliant securities and Shari'ah non-compliant securities can only be done at the trading account level i.e., based on the type of stockbroking services (Islamic or conventional) subscribed by an individual investor with a Participating Organisation ("PO"). Investor who opens trading account with a PO that offers full-fledged Islamic stockbroking services is only allowed to deal in Shari'ah compliant securities whilst the investor who opens trading account with PO that does not offers full-fledged Islamic stockbroking services has the liberty to deal in both Shari'ah compliant and Shari'ah non-compliant securities.

(ii) Securities are Identifiable Assets

Given the heterogenous nature of securities, the placement of Shari'ah compliant and Shari'ah non-compliant securities in a single CDS account is not seen to pose serious Shari'ah issues because the change of Shari'ah compliance status in one counter would neither affect nor taint the status of the order. Furthermore, each and every share is easily distinguishable as reflected in the CDS account statement.

As part of efforts to increase awareness among investors on Shari'ah compliant investment, the Shari'ah Committee also endorsed the recommendation to tag Shari'ah compliant securities in CDS account as illustrated below:



Note:

“[S]” refers to securities classified as Shari'ah compliant by the Shari'ah Advisory Council (“SAC”) of Securities Commission Malaysia.

Should there be any changes in or additions to the process, structure, or mechanism hereunto what has been presented, it must be submitted to the Shari'ah Committee for review and approval.

*And prayers and peace be upon the last Prophet Mohammad, and be upon his relatives and all his companions.*