

## **The 182nd Meeting of the Shariah Advisory Council (SAC) of Bank Negara Malaysia**

The SAC of Bank Negara Malaysia at its 182nd meeting dated 28 November 2017 ruled on the following:

### **Collateralisation of Deposit or Investment Account in Islamic Financial Institutions.**

#### **SAC Ruling**

- i. The SAC ruled that the practice of collateralising deposits and investment accounts to secure a financing obligation is permissible. The account can be utilised by Islamic financial institutions (IFIs) (as pledgee) with the consent of customers (as pledgor), subject to the following conditions: Customers are allowed to choose any type of account, including deposit or investment account as collateral against the payment of financing obligation; and
- ii. The financial obligation or liability owed by the customer to the IFI does not arise from a loan (qard) contract.

#### **Basis of Ruling**

- The collateralisation of deposit accounts to secure financial obligations is allowed as the SAC views the collateralised asset (marhun) as the customer's debt (receivables).
- The purpose of allowing the customers to choose any deposit or investment account to be pledged as collateral is to ensure that the placement of qard deposit will not be made conditional to obtain financing.
- Even though the pledged asset is in the form of debt from the deposit account, the IFI would indirectly benefit from the pledged account. Therefore, the financial obligation borne by the customer should not arise from a loan contract. This is to ensure that the IFI will not gain any benefits from the qard contract, as mentioned in the hadith:

عن علي رضي الله عنه قال: قال رسول الله صلى الله عليه وسلم: كل قرض جر منفعة فهو ربا.

"From Ali r.a. who said, that Rasulullah SAW said: Any loan which brings benefits (to the creditor) amounts to riba".

Reference :

<https://www.bnm.gov.my/documents/20124/761682/SAC+182nd+Statement+%28BI%29+FINAL.pdf>