



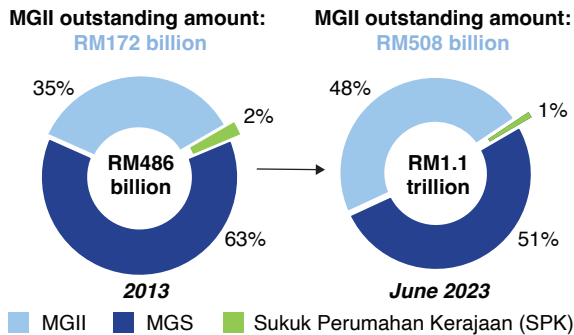
Factsheet on Malaysian Government Investment Issue (“MGII”)

The Government of Malaysia (GOM) raises financing via the issuance of Malaysian Government Securities (MGS, conventional bond) and MGII (sukuk). As Malaysia promotes a dual banking system, the development of the MGII market aims at deepening the domestic sukuk market as well as strengthening Malaysia’s position as a leader in global Islamic finance. MGII accounts for 40% of Malaysia’s sukuk market as at June 2023, contributing significantly to Malaysia’s position as the largest sukuk market in the world (43.3% of global sukuk market share as at end-2022).

MGII market at a glance



Size and market share



MGII outstanding amount and market share of government bonds



Liquid and vibrant secondary market



Supported by the market making of 12 principal dealers (PDs) and 7 Islamic PDs: [List of Principal Dealers and Islamic Principal Dealers - Bank Negara Malaysia \(bnm.gov.my\)](#)



Non-resident participation in MGII



Inclusion in major bond indices

- 1 Markit iBoxx ALBI Index (Since 2012)
- 2 Bloomberg Global Aggregate (Since 2015)
- 3 JPMorgan GBI-EM (Since 2016)



Instrument overview

	MGII	MGS
Principle	Shariah (Exhibit 1)	Conventional
Investor base	Conventional & Islamic	Conventional
Tenor	3 to 30 years	
Proceeds utilisation	Funding of development expenditure and debt refinancing	
Mode of issue	Competitive multiple-price auction and private placement	
Legal status	Ranked <i>pari passu</i> with other unsecured direct obligations (e.g. MGS) of the GOM	
Tax treatment¹	Capital Gains Tax: None Stamp Duty & Withholding Tax: Exempted	
Regulatory treatment	In Malaysia, 0% risk-weight and accorded Level 1 HQLA status (same as MGS)	
Listing	Listed on Bursa Malaysia’s Exempt Regime	

¹ Resident individuals, unit trust companies and listed closed-end fund companies are exempted from income tax on interest income earned from ringgit-denominated government/corporate bonds and sukuk in Malaysia. The above information is provided for investors’ general reference only and shall not be construed as professional tax advice.

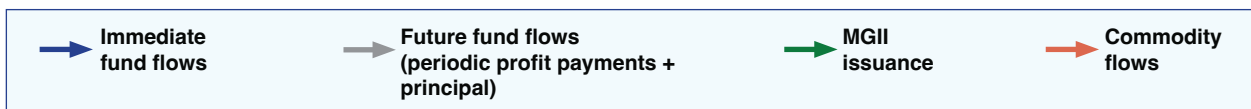


Relevant websites for more information:

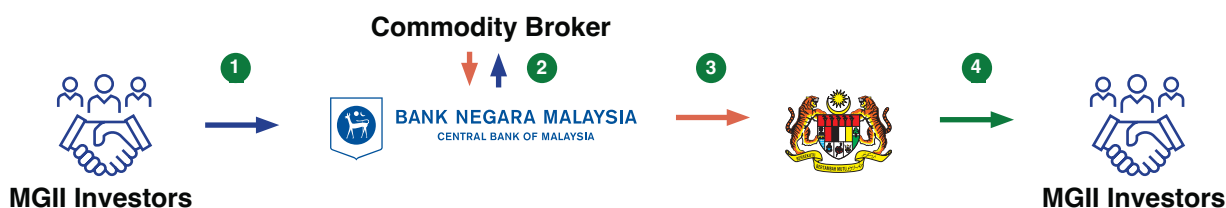
1. **FAST website**
(Auction calendar and results, outstanding amount, issuance documentation):
<https://fast.bnm.gov.my/>
2. **Financial Markets Investor Portal (FMIP)**
(Daily traded yields and volume):
<https://financialmarkets.bnm.gov.my/>
3. **BNM website**
(Benchmark securities daily closing yields):
<https://www.bnm.gov.my/government-securities-yield>

Exhibit 1: MGII Structure

- Issuance of a Shariah-compliant sukuk is based on underlying asset transactions.
- MGII is structured based on a *Murabahah* concept which is cost-plus financing based on the purchase and sale of Shariah-compliant assets.



1. Investors subscribe to MGII via respective banks.
2. BNM (on behalf of investors) purchases Shariah-compliant commodities from a commodity broker at *cost price*.
3. Commodities are immediately sold to the GOM at a *marked-up price* on a deferred payment basis (refer to 6).
4. The GOM issues MGII to investors as evidence of the indebtedness from the deferred payments.



5. BNM (on behalf of the GOM) immediately sells the commodities purchased by the GOM in (3) to a commodity broker for immediate payment of proceeds at cost price.
6. The GOM makes scheduled payments to investors:
 - (i) periodic profit payments throughout the tenor of the MGII; and
 - (ii) principal repayment and final profit payment at maturity of the sukuk.



Frequently Asked Questions

- 1. How does the settlement of MGII take place?**
Similar to MGS, MGII is able to be settled through RENTAS², Euroclear and Clearstream.
- 2. What is the trading size for MGII?**
A standard lot is RM10 million. However, odd lot trades can also be executed with a minimum denomination of RM1,000 (same as MGS).
- 3. How do I purchase MGII?**
Investors may approach Principal Dealers (PDs), Islamic PDs, other licensed onshore banks and appointed overseas offices (AOO) to obtain quotes for MGII.
- 4. How does MGII compare with MGS as an investment?**
 - i. Characteristics:** Similar effective cashflow and nature as fixed income instruments (yield-price).
 - ii. Liquidity:** Healthy secondary market liquidity with average daily trading volume of RM1.7 billion in 2022.
 - iii. Return:** MGII may offer higher risk-adjusted returns as it is often traded with a positive yield spread against MGS.

On MGII Structure

- 5. Do investors own the commodities?**
The commodities purchased by BNM on behalf of investors will immediately be sold to the GOM. There are no operational requirements or market risk for investors arising from these commodity transactions.
- 6. What are the GOM's payment obligations?**
The GOM is obligated to make periodic profit payments and repayment of principal upon maturity, arising from its debt to investors.
- 7. Are there any differences in the trading of MGS and MGII?**
No, operationally the trading of MGII is the same as MGS. MGII is also eligible for repurchase agreements (repo), Sell and Buy Back Agreements (SBBA) and Collateralised Commodity Murabahah (CCM).

² Real-time Electronic Transfer of Funds and Securities System