

BANKERS ACCEPTANCE (“BA”) TERMS AND CONDITIONS:

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PART I: PRELIMINARY

1. Effective Date

These Bankers Acceptance Terms and Conditions ("Terms and Conditions") shall be effective from **27 October 2024**.

2. Purpose

The purpose of these Terms and Conditions is to provide a uniform set of procedures, practices, conditions and limitations to govern the creation of Bankers Acceptance.

3. Coverage

These Terms and Conditions are applicable to Bankers Acceptances **denominated in Ringgit (RM)** drawn on and accepted by the Bank.

4. Interpretation

In these Terms and Conditions, unless the context otherwise provides:

"accepting bank" means the bank which is the drawee and acceptor of a bankers acceptance;

"bank" means a commercial bank or merchant bank licensed by Bank Negara Malaysia under the relevant acts ;

"BA" means a bankers acceptance, which is a bill of exchange drawn on and accepted by a bank in Malaysia in accordance with these Terms and Conditions;

"banking hours" means business hours of the bank;

"commercial documents" means invoices, transport documents (including shipping documents), documents of title or other similar documents, or any other documents whatsoever (not being financial documents);

"financial documents" means bill of exchange, promissory notes, cheques, payment receipts or other similar instruments used for obtaining or evidencing the payment of money;

"fixed assets" in relation to the purchaser, include land, buildings, installations, fixtures, fittings, equipment, machinery and any other property (whether movable or immovable) which are not intrinsic components of the final product being produced for sale by the purchaser, but shall exclude movable properties (including equipment and machinery) which are carried by the purchaser as stock-in-trade;

"goods" means tangible products or merchandise (including raw materials, semi-finished products and finished products);

"non-resident" means any person other than a resident;

- an overseas branch/ overseas subsidiary/ regional office/ sales office/ representative office of a resident company;
- Embassies, Consulates, High Commissions, supranational or international organisation; or
- A Malaysian citizen who has obtained permanent resident status of a territory outside Malaysia and is residing outside Malaysia;

"other BA" means, to a bank holding it, a BA drawn on and accepted by another bank;

"own BA" means, to an accepting bank, a BA drawn on and accepted by itself;

"person" means a person, whether body corporate or unincorporate, whether head office or branch, incorporated or registered with, or approved by any authority in Malaysia;

"related corporations" means related within the meaning of Section 7 of the Companies Act 2016

“resident” means:

- a citizen of Malaysia, excluding a person who has obtained permanent resident status in a territory outside Malaysia and is residing outside Malaysia;
- a non-citizen of Malaysia who has obtained permanent resident status in Malaysia and is residing permanently in Malaysia; or
- a person, whether body corporate or unincorporate, whether head office or branch, incorporated or registered with, or approved by any authority in Malaysia.

“supporting documents” means financial documents and/or commercial documents.

PART II: GENERAL TERMS AND CONDITIONS

5. Procedure for Creation of a BA

The general procedure for the creation of a BA is as follows:

- (i) A Bankers Acceptance credit facility (“BA Facility”) is arranged with OCBC Bank (M) Berhad (the “Bank”);
- (ii) The required documentary evidence of trade is presented to the Bank for the purpose of drawing a BA on the Bank; and
- (iii) When the Bank is satisfied that the documents are in order and the BA complies with the terms of the BA Facility and all the applicable conditions for the creation of BAs specified in these Terms and Conditions, the Bank accepts the BA.

6. General Conditions for Creating a BA

(1) Subject to these Terms and Conditions, a BA may only be drawn on and accepted by the Bank, pursuant to the BA Facility, to finance the drawer’s business-related purchases from or sales of goods to another person who may be a resident or non-resident, evidenced by proper and adequate documentation.

(2) Unless otherwise specifically provided for in these Terms and Conditions or approved by the Bank, the “sale” or “purchase” of services **shall not** be eligible for BA financing. The following are additional activities which may be considered for BA financing:

- (i) Purchase of computer software licences.
- (ii) Companies involved in trade-related logistic services such as warehousing, forwarding and shipping.
- (iii) Purchase of electricity from independent power producer.

Exemption will be granted on case by case basis.

(3) The Bank shall not accept a BA that is drawn to finance a sale or purchase of goods, where:

- (i) The two parties to the trade transaction are part of a single legal entity (e.g. production department and marketing department of one company or one branch and another branch);
- (ii) The two transacting parties are sole proprietorships operated or owned by the same individual or where the proprietors are different individuals related to each other (parent/child or spouse); or
- (iii) The two transacting parties are partnerships in which the partners are the same individuals or the majority of the partners are common, or one or more common partners own the majority share in the partnerships.

(4) Where the two transacting parties are related corporations, a BA may still be drawn provided that the Bank shall take reasonable measures to verify that:

- (i) The related corporations are indeed separate legal entities; and
- (ii) The trade transaction between the two related corporations was undertaken at arm's length and there was a genuine transfer of title to the goods concerned, evidenced by proper and adequate documentation.

(5) Extension of BA tenure or creation of new BA to repay the financing created by existing BA using the same commercial and/or financial documents is not allowed.

7. Documentary Requirements

(1) In general, a BA may only be drawn on the presentation of a complete set of documents, as follows:

- (i) The drawer's declaration that no other source of finance (including under a lease, hire purchase, or factoring agreement) has been or would be obtained for the trade transaction concerned;
- (ii) The full set of commercial and/or financial documents, evidencing or acknowledging the trade transaction concerned, unless sub-Section 7(2) applies;
- (iii) A receipt or other documentary evidence of payment, in the case where the purchaser who is drawing the BA has already made payment to the supplier prior to the creation of the BA; and
- (iv) The letter from the Controller of Foreign Exchange at Bank Negara Malaysia authorizing the seller to extend credit terms beyond six months to non-resident purchasers, in the case where the seller intends to draw a BA with a tenor of more than six months to finance the sale of goods to a non-resident.

(2) Where the full set of commercial and/or financial documents may not yet be available on the drawing date or where the transaction is only evidenced by a single document, a BA may still be drawn subject to the following conditions:

- (i) At least one supporting document or the single document is presented;
- (ii) The document(s) presented contain at least the following information:
 - (a) Names and addresses of the parties to the trade transaction;
 - (b) Specific description of the goods which is the subject of the trade transaction;
 - (c) Financial value of the trade transaction; and
 - (d) Terms and conditions for the settlement of the trade transaction; and
- (iii) Where applicable, the remaining documents should be presented for the Bank's record once they become available.

(3) Financing against Summary of Invoices are allowed at the discretion of the Bank, subject to the following conditions :

- (i) The summary of invoices must contain the relevant information as mentioned in Part II, Item 7(2)(ii) above;
- (ii) Customers provide an undertaking to the Bank that they will not seek BA financing for the same invoices with other banks;
- (iii) Customers are to make available the relevant invoices, other related commercial and/or financial documents to the Bank as and when requested by the Bank to do so; and
- (iv) The Bank shall conduct regular checks on those customers granted BA financing against summary of invoices and the results of the checks should be documented for reference and follow-up.

(4) The commercial and/or financial documents presented to the Bank should be original copies.

(5) In the event that the original copies of the commercial and/or financial documents are not available or may not yet be available on the acceptance date, the Bank may accept copies of such documents which are produced or appear to be produced:

- (i) by reprographic systems;
- (ii) by, or as a result of, automated or computerised systems; or
- (iii) as second or carbon copies;

Provided that such documents :

- (i) have a serial number; and
- (ii) are authenticated by authorised signatories.

(6) Unless it is not possible nor practicable, the original copies of the commercial and/or financial documents should be presented for the Bank's record once they are available, even though the BA has already been drawn and accepted.

(7) The Bank shall clearly indicate it is the drawee of the BA on the first page of each and every commercial and/or financial document presented.

8. Amount Eligible for BA Financing

(1) Subject to the invoice having a minimum denomination of RM50,000 and in multiples of RM1,000, the face value of a BA may be equal to but shall not exceed the financial value of the trade transaction stipulated in the supporting document (s).

(2) The financial value of a trade transaction shall be :

(i) In the case of purchases, equal to the amount of money payable by the drawer (of the BA) to the supplier for the settlement of the trade, plus other separate payments to relevant parties (e.g. import duties to the Government, insurance premiums to insurance companies, transportation charges to transport companies etc.), if applicable, which are necessary to enable the drawer to accept delivery of the goods; or

(ii) In the case of sales, the amount of money receivable by the drawer (of the BA) from the buyer for the settlement of the trade.

(3) Any fees, charges, costs, or payments whatsoever payable or receivable as consideration for after-sales services shall not be eligible for financing under the BA Facility.

(4) Where it is the normal commercial practice in particular types of trade to stipulate in the supporting documents that the financial value is only provisional, the face value of the BA drawn to finance such types of trade may not exceed the provisional financial value.

9. Drawing a BA on Multiple Transactions

(1) A single BA may be drawn to finance multiple trade transactions, subject to the following conditions:

(i) All the trade transactions are of the same class of transaction i.e. purchase from non-resident, sale to non-resident, purchase from resident or sale to resident;

(ii) The aggregate financial value of the trade transactions is at least RM50,000; and

(iii) The tenor of the BA drawn shall not exceed :

(a) In the case of financing purchases, 365 days less the period between the date of the earliest supporting document and the date of acceptance, provided that the Bank declines to accept a transaction documented more than 180 days before the acceptance date; or

(b) In the case of financing sales, the shortest remaining credit period extended by the drawer (seller) to the purchaser(s) of the goods.

(2) Several trade transactions with a minimum RM1,000 per invoice may be bunched even if:

- (i) the trade transactions were undertaken with different persons;
- (ii) the trade transactions were of different financial values;
- (iii) the goods purchased or sold were of different classes or description.

10. Drawing Multiple BAs on a Single Transaction

Two or more BAs with the same or different maturity dates may be drawn to finance one trade transaction, subject to the following conditions:

- (i) The aggregate face value of the BAs drawn does not exceed the financial value of the transaction;
- (ii) The records of the Bank identify the BAs as relating to one transaction; and
- (iii) The multiple BAs must be accepted on the same day, even though they need not be discounted on the same day.

11. Acceptance Commission

- (1) The drawer of a BA may pay to the Bank a commission for the acceptance service.
- (2) Where an acceptance commission is payable, the rate of commission shall be determined by the Bank on the basis of an agreed proportion of the face value of the BA, expressed in per cent per annum.
- (3) Any minimum rate of commission imposed formally or informally by any bankers' association shall not be valid.

PART III: SPECIFICATIONS OF A BANKERS ACCEPTANCE

12. Compliance with Specifications

In addition to the requirements set out elsewhere in these Terms and Conditions, the Bank shall also be required to comply with the specifications and conditions for the drawing of a BA, specified in this Part.

13. Specifications of a BA Drawn to Finance Purchases / Sales

A BA drawn to finance purchases / sales shall have the following specifications:

- (i) It is payable in Ringgit to the order of the drawer :
 - (a) On a specified future date, without days of grace, such date being not earlier than twenty-one days from the date of acceptance;
 - (b) In an amount of not less than RM50,000 and in multiples of RM1,000; and
 - (c) At the Head Office the Bank in Kuala Lumpur;
- (ii) It contains a statement that it was drawn to finance the purchase of goods from / sale of goods to:
 - (a) a resident (s); or
 - (b) a non-resident (s)of which details are in the records of the Bank; and
- (iii) It is drawn on a standard format as approved by the Bank.

14. Additional Conditions for Financing Purchases

(1) Only goods which are purchased for the purpose of trading (i.e. the goods after being purchased would be sold in original form) or for the purpose of further processing or transformation or assembly into a different product sold by the purchaser, would be eligible for purchase-financing under a BA.

(2) A BA drawn to finance purchases from a resident or a non-resident (including importation, whether or not under a letter of credit), shall be subject to the following additional conditions:

(i) The goods are not :

(a) purchased on hire-purchase terms from the supplier;

(b) intended to be used as the fixed assets of the buyer; or

(c) intended to be leased to another person by the buyer;

and

(ii) (a) The maturity date of the BA is determined to be not later than the end of the turnover period deemed reasonable by the Bank for the type of goods involved. The maturity date shall be determined as 365 days less the period between the date of the earliest supporting document and date of acceptance; and

(b) The Bank shall not accept a purchase transaction where the earliest supporting document is presented after 180 days from its date of origination.

(3) The drawer of the BA may discount the BA with the Bank, or with another person if the purchase has been paid for, in which case the drawer is entitled to receive the discounted proceeds.

(4) The drawer of the BA shall be required to discount the BA with the Bank if the purchase has yet to be paid, in which case, the Bank is required to pay the discounted proceeds to the supplier of the goods.

15. Additional Conditions for Financing Sales

(1) A BA drawn to finance sales to a resident or a non-resident shall be subject to the following additional conditions:

(i) The usance period of the BA shall not exceed the remaining credit period extended by the drawer (supplier) to the purchaser of the goods;

(ii) The original credit period extended by the supplier to the purchaser shall not exceed 365 days, provided that where the purchaser is a non-resident, the prior approval of the Controller of Foreign Exchange, Bank Negara Malaysia has been obtained by the supplier to provide original usance terms of more than six months to non-resident purchasers.

(iii) The goods were not sold under a hire-purchase or sale and lease-back agreement; and

(iv) The supplier does not intend to sell, or has not pledged to sell, or has not "sold" the receivable under a factoring agreement.

(2) The drawer of the BA may discount the BA with the Bank or with another person.

(3) The Bank shall collect from the purchaser (of the goods) the sales proceeds on behalf of the supplier, if so requested by the supplier.

(4) Where the Bank is entrusted to collect the sales proceeds on behalf of the supplier and such proceeds are received by the Bank before the maturity of the BA, the Bank shall invest such proceeds on behalf of the supplier in such manner as is agreed with the supplier, or the BA may be redeemed in accordance with Section 18 of these Terms and Conditions.

16. Discounting a BA

(1) The drawer of a BA may discount the BA with any person (including the Bank) except that, in the case of a BA drawn to finance purchases which has yet to be paid, the first person to discount the BA must be the Bank.

(2) The bearer of a BA may rediscount the BA with any person.

(3) The proceeds from the discounting or rediscounting of a BA shall be determined by the following formula:

$$P = FV [1 - \{r * t/36500\}]$$

where,

P = Discounted proceeds

FV = Face value of the BA

r = Rate of discount (in per cent per annum)

t = Number of days remaining to maturity

17. Liquidation on Maturity Date

(1) Upon maturity of the BA, the bearer presents the BA through his banker to the paying bank for payment after the BA is cleared through the Sistem Penjelasan Imej Cek Kebangsaan (SPICK).

(2) Any liquidation of BA on maturity date via SPICK and RENTAS system has to conform to the Cheque Truncation and Cheque Conversion System (CTCS) and RENTAS Members RULES.

(3) Where it is not possible for a BA to be presented for payment on the maturity date of the BA because it is a public holiday (whether known or unexpected) in Kuala Lumpur, the BA may be presented for payment on the next working day in Kuala Lumpur. However, the Bank would have to pay compensatory interest for the unexpected holiday to the BA holder.

(4) The "compensatory interest" for the unexpected holiday, is to be paid based on the number of days between the maturity date and the actual payment date. The rate shall be based on the overnight rate computed by BNM for the compensation charges arising from the cheque clearing differences between banks participating in SPICK.

Use of funds compensation claim formula:

$$\text{Amt} \times [(\text{O/N or IRR} + \text{R}\%) \times \text{No. of Days}] / 36500$$

O/N refers to the overnight rate

IRR refers to "Islamic Reference Rate"

R% refers to reserve cost

18. Redemption before Maturity Date

(1) A BA may be liquidated before its maturity date **only if the Bank is the bearer** of the BA and upon payment by the drawer of the redemption amount computed as follows:

$$RA = FV [1 - \{r * t/36500\}]$$

where,

RA = Redemption amount

FV = Face value

r = Mutually agreed redemption rate (in per cent per annum)

t = Number of days remaining to maturity

(2) Once redeemed, the BA **shall be liquidated**, and the obligation of the Bank, the endorsers (if any) and the drawer shall be discharged.

19. Authentication

The Bank must be prepared to authenticate its own BA upon the request of the bearer during **banking hours**.