

Guidelines on the Offering of Private Debt Securities

Practice Note 3

Application of the Guidelines on the Offering of Private Debt Securities to the Offer, Issue, or Invitation of Negotiable Instruments of Deposit (NID) with Tenure of More than Five Years

Introduction

This Note seeks to waive the application of the Guidelines on the Offering of Private Debt Securities ("PDS Guidelines") in relation to the issuance of negotiable instruments of deposit (NIDs) with tenure of more than five years by a licensed institution or an Islamic bank.

For the purpose of this Note,

- (a) the term "licensed institution" has the meaning assigned to it under sub-section 2(1) of the Banking and Financial Institution Act 1989 ("BAFIA"); and
- (b) the term "Islamic bank" has the meaning assigned to it under sub-section 2(1) of the Islamic Banking Act 1983.

Waiver from various provisions of the Guidelines

The provisions under the PDS Guidelines are hereby waived for the issuance of NIDs, save for the declaration by the issuer (as in Appendix 2(a) of the PDS Guidelines) and the following information that must be submitted to the SC:

- Size of issue/programme;
- Validity period of issue/programme;
- Prevailing credit rating of the licensed institution and Islamic bank.

Provided that paragraph 9 of the PDS Guidelines relating to mode of issue shall apply in the event that the instruments are required by the SC to be issued in a scripless form.

Clarification of various requirements in the PDS Guidelines

The following information relating to each issuance must be submitted on a monthly basis to the SC within seven business days from the end of each calendar month:

- Description of instrument (e.g. floating rate NID, zero-coupon NID and etc.)
- Nominal value
- Issue date
- Tenure
- Maturity date
- Coupon rate/yield (%)
- Type of investors on issue/placement date by category (e.g. banks, insurance companies, non-FI corporates and individuals)
- Terms of the issue, where applicable
- Prevailing credit rating of the bank
- Outstanding amount of NIDs issued as at month-end (on aggregate basis)

The licensed institution and Islamic bank must undertake to disclose to the investors of the inherent risks, including credit risks and price risks, in investing in the NIDs and state clearly the settlement procedures for any early redemption or termination of the issue.