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Minimum profit rate of 3.7pc

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MALAYSIA'S FIRST RETAIL SUKUK: Return will be better than that for fixed deposit accounts and govt bonds

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MALAYSIA'S first Islamic bond (sukuk) for retail investors, launched yesterday and expected to be listed on February 8, will have a minimum profit rate of 3.7 per cent a year.

The RM300 million sukuk with a 10-year tenure was issued by DanaInfra Nasional Bhd, a unit under the Ministry of Finance, to fund the Mass Rapid Transit (MRT) project that will run between Kajang

and Sungai Buloh in the Klang Valley. It was launched by Prime Minister Datuk Seri Najib Razak.

The issue is part of a larger RM1.5 billion sukuk that's being sold by DanaInfra, of which RM1.2 billion is for institutional investors.

"It will be better than the fixed deposit (FD) return and better than the MGS (Malaysian Government Securities, or government bonds)," Treasury secretary-general Datuk Seri Mohd Irwan Serigar Abdullah told reporters after the launch yesterday.

The average fixed deposit rate of-

ferred by commercial banks as at November last year was 3.15 per cent, according to Bank Negara Malaysia data, while the current yield for three-year government bonds is 3.04 per cent.

Bankers said the actual profit rate for the retail sukuk, which will depend on investor demand and the prevailing market interest rate, will be determined at the close of the book building exercise of the institutional offering.

Datuk Lee Kok Kwan of CIMB Investment Bank, one of four banks that are the joint lead arrangers for

the issue, said he was confident that there would be strong demand for the retail sukuk.

He pointed out that unlike fixed deposit, income that investors derive from sukuk is not subject to tax.

"And the main assurance is that, post-listing, the liquidity will be there as the four banks are obligated to market them," he remarked.

Bursa Malaysia chief executive officer Datuk Tajuddin Atan said the retail sukuk, which opens up a new asset class for people to invest in, cements Malaysia's role as a top

sukuk marketplace.

Previously, bonds or sukuk were accessible only to high-net worth and institutional investors.

"To make this sustainable, we need a pipeline, and this is being worked on. DanaInfra has a big pipeline of sukuk, but we're also looking at other issuers," he said.

The sukuk is meant for investors who want to diversify their portfolio. The minimum subscription amount for an ETBS is RM1,000, which will get an investor one board lot which comprises 10 units with a principal price of RM100 each.