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**Bank Negara Malaysia's Policy Document on *Bai' al-Sarf* (Currency Exchange)**

| by Nurul Husna Binti Ahmad and Nur Atiqah Binti Ahmad Zairul |

Last Wednesday (11 April), Bank Negara Malaysia issued a policy document on [Bai' al-Sarf](#) (Currency Exchange) ("*Bai' al-Sarf* Policy Document").

The *Bai' al-Sarf* Policy Document aims to:

- (a) provide reference on the Shariah rulings applicable to *Bai' al-Sarf*,
- (b) set out key operational requirements for the implementation of *Bai' al-Sarf*, and
- (c) promote end-to-end compliance with Shariah requirements, which further promote sound banking practices and safeguard consumer interests.

The *Bai' al-Sarf* Policy Document specifies the Shariah and operational requirements in relation to the application of a *Bai' al-Sarf* contract in money services business operated by Islamic financial institutions.

The *Bai' al-Sarf* Policy Document will be effective from 1 April 2019, except for the requirements relating to the submission of implementation plan to comply with the *Bai' al-Sarf* Policy Document, which takes effect immediately.<sup>[1]</sup> In this regard, Islamic financial institutions are required to submit such implementation plan to the Islamic Banking & Takaful Department of Bank Negara Malaysia by 11 July 2018.<sup>[2]</sup>

It may be noted that prior to the issuance of the *Bai' al-Sarf* Policy Document, and in respect of the salient features of a *Bai' al-Sarf* contract, the Shariah Advisory Council of Bank Negara Malaysia had, on 22 August 2017, issued its rulings in respect of a *Bai' al-Sarf* contract, in particular in relation to the contract session and the delivery of money in a *Bai' al-Sarf* transaction ("SAC Rulings"). Such earlier SAC Rulings are now reflected under the requirements of the *Bai' al-Sarf* Policy Document in relation to:

- (a) the delivery of the currency by the contracting parties before

the end of the contract session;<sup>[3]</sup> and

(b) the commencement and the ending of a contract session for a *Bai' al-Sarf* transaction.<sup>[4]</sup>

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<sup>[1]</sup> *Bai' al-Sarf* Policy Document, para 4.1

<sup>[2]</sup> *Ibid*, para 25

<sup>[3]</sup> *Ibid*, para 14.1

<sup>[4]</sup> *Ibid*, para 14.2