

To: The Manager
HSBC Amanah Bank Malaysia Berhad

APPLICATION OF MARGIN PAYMENTS

1. In consideration of HSBC Amanah Bank Malaysia Berhad (“**HSBC Amanah**”) agreeing to issue and/or arranging and/or having issued and/or arranged for the issuance of [Shariah-compliant documentary letters of credit / bank guarantees / standby letters of credit]¹ for the amount of _____² (the “**Instruments**”) at the Customer’s request as per the Customer’s application on _____³ (whether for itself or on behalf of a third party and/or whether or not it is for antecedent, current or future issuance/effective dates), the Customer hereby acknowledges, agrees and undertakes that for the purpose of providing HSBC Amanah with cash cover/cash margin (“**Margin Payments**”) (of such amount that is equivalent to the Instrument’s amount or such other amount as required by the HSBC Amanah) in respect of the liabilities of the Customer to HSBC Amanah under the Instrument, whether as principal, or surety or otherwise and whether such liabilities be present or future, actual or contingent, primary or collateral and several or joint (“**Liabilities**”):
- (a) all transfer of Margin Payments by the Customer shall be made upon demand by HSBC Amanah and in accordance with the instructions of HSBC Amanah; for avoidance of doubt, references to “transfer” in respect of the obligation of the Customer in this letter means lending through payment of cash as credit support for its Liabilities in a Shariah-compliant manner and such payment shall only be returned on the occurrence of event(s) as specified in this letter;
 - (b) agrees that in the event any transfer of Margin Payment out of, or into, the current account from which a Margin Payment is to be debited (the “**Account**”) requires the conversion of one currency into another, such conversion shall be calculated at HSBC Amanah’s then prevailing spot of exchange (as determined by HSBC Amanah) for such currencies at the time of transfer and HSBC Amanah shall be entitled to increase the amount of Margin Payments required to be held by HSBC Amanah as are necessary to take into account any currency exchange risk;
 - (c) upon transfer of the Margin Payments to HSBC Amanah, all rights, title and interest in and to any Margin Payments shall vest in HSBC Amanah free and clear of any liens, claims, charges or encumbrances or any other interest of the Customer or of any other third party. The Customer hereby agrees that HSBC Amanah shall be entitled to apply such Margin Payments towards the satisfaction of the Liabilities (and in doing so, the amount lent to HSBC Amanah as credit support pursuant to this letter will be set-off against the Liabilities and deemed repaid). Accordingly, all Margin Payments are advanced payments by the Customer to HSBC Amanah in respect of the Liabilities;
 - (d) HSBC Amanah is not required to first make payment from its own funds before it shall be entitled to apply the Margin Payments towards the satisfaction of the Liabilities;
 - (e) no profit or return of any form shall accrue on the Margin Payments;
 - (f) the sole purpose of structuring Margin Payments in the form of cash lending is to ensure that the Margin Payments can be transferred to HSBC Amanah as credit support in a

¹ Delete where inapplicable

² Insert instrument amount

³ Insert date of application of instrument

Shariah-compliant manner. Margin Payments transferred to HSBC Amanah, therefore, do not constitute a debt obligation owed by HSBC Amanah to the Customer in the ordinary course of business and shall not represent a full or complete discharge of the Customer's Liabilities. HSBC Amanah shall have no obligation to transfer all or any part of the Margin Payments to the Customer until such time HSBC Amanah determines that the Liabilities have been discharged and/or paid in full, provided always that HSBC Amanah shall not be precluded the right to seek full payment or reimbursement of any monies payable to it by the Customer should there be any such further amounts payable beyond the Margin Payments; and

- (g) any un-utilised amount of the Margin Payments shall be repaid and credited to the Account upon HSBC Amanah's determination that the Liabilities have been discharged and/or repaid in full.
2. It is agreed that nothing in this letter is intended to create or does create in favour of either party any mortgage, charge, lien, pledge, encumbrance or other security interest in any Margin Payment transferred to HSBC Amanah pursuant to this letter. Notwithstanding the foregoing, nothing herein shall restrict the operation of any general lien, set-off or other rights or remedies available to HSBC Amanah, whether by law or otherwise, and this letter is in addition and without prejudice to any lien, guarantee, mortgage or security now or hereafter held by HSBC Amanah.
 3. The Customer acknowledges that all Margin Payments are not deposits placed with HSBC Amanah and are not insured deposits for the purposes of the Malaysia Deposit Insurance Corporation Act 2011 (Act 720 of Malaysia).
 4. Where the Customer provides its personal data and/or personal data which relates to any relevant individual to HSBC Amanah, the Customer:
 - (a) understands that HSBC Amanah, its agents and authorised service providers as well as relevant third parties will collect, use and disclose such personal data in accordance with HSBC Amanah's prevailing policy on Collection, Processing and Sharing of Customer Information found in the HSBC Amanah Generic Terms & Conditions which is accessible at www.hsbc.com.my or www.hsbcamanah.com.my and available upon request;
 - (b) hereby consents to, confirms and warrants that the relevant individuals have consented to, the collection, use and disclosure of the personal data provided from time to time in connection with this letter, for the purposes (i) set out in HSBC Amanah's prevailing policy on Collection, Processing and Sharing of Customer Information and (ii) reasonably required by HSBC Amanah to provide the credit or banking facilities or other accommodation to it and/or, at the Customer's request (whether for itself or on behalf of a third party), to any other person, firm, corporation or customer of any kind, and any other purpose directly related to it;
 - (c) understands that the HSBC Amanah's policy on Collection, Processing and Sharing of Customer Information forms a part of the terms and conditions governing its relationship with HSBC Amanah and should be read in conjunction with this letter; and
 - (d) confirms that it has read, understood and consent to the relevant Notice Relating To The Personal Data Protection Act 2010 which is accessible at www.hsbc.com.my or www.hsbcamanah.com.my and available upon request.
 5. This letter shall be governed by and shall be construed in accordance with the laws of Malaysia and the Customer hereby irrevocably submits to the jurisdiction of the Malaysian Courts, but it shall be open to HSBC Amanah to enforce the terms hereof in the Courts of any other competent jurisdiction.
 6. The terms and conditions of this letter may be varied by HSBC Amanah with notice to the Customer.

7. *[The Customer shall, on HSBC Amanah’s request, nominate an agent with an address in Malaysia to accept service of any legal process in Malaysia on behalf of the Customer and such agent shall acknowledge in writing to HSBC Amanah its appointment as such agent and service of legal process on such agent shall be deemed to constitute service on the Customer.]

* Delete if inapplicable

8. If any one or more provisions of this letter, or any part thereof, shall be declared or adjudged to be illegal, invalid or unenforceable under any applicable law, such illegality, invalidity or unenforceability shall not vitiate any of the other provisions hereof, which shall remain in full force, validity and effect. To effect the intent of the Customer, the Customer agrees to adopt revised or new provisions which are designed to achieve the intended purpose of any such provisions which has been declared or adjudged to be illegal, invalid or unenforceable.

9. This letter will remain valid to your successor in title or assignee to the extent of any debt or liability outstanding now and in the future in respect of the Liabilities.

10. This letter shall be in addition and without prejudice to the terms contained in the HSBC Amanah’s Standard Trade Terms applicable to the Instrument issued and/or arranged at the Customer’s request.

11. The Customer confirms and understands that it has the rights to obtain and/or has obtained independent legal advice before entering into this letter.

12. The Customer confirms that the signatory(ies) below is/are authorised by the Customer to sign, execute and deliver this letter and such other documents, notices or statements required from the Customer by HSBC Amanah from time to time, and to communicate or deal with the HSBC Amanah on the Customer’s behalf generally.

13. The Customer acknowledges that the Instruments will be issued under the Shariah concept as per Schedule 1.

14. The Customer agrees to be bound by resolutions, rulings and pronouncements of the Shariah Advisory Council of Bank Negara Malaysia and policy documents on Shariah principles issued by Bank Negara Malaysia, which are relevant to this letter.

Dated this _____ day of _____, 20 _____.

Signed by
For and on behalf of
[Insert Full Legal Name of Customer] (the “Customer”)

Authorised Signatory
Name:
Designation: _____

SCHEDULE 1

APPLICABLE SHARIAH PRINCIPLES

(an integral part of the Application of Margin Payment)

Instruments	Product Concept
Documentary Credit-i	<p><u>Wakalah (agency)</u></p> <p>Under this arrangement, HSBC Amanah is appointed as the Customer's agent to settle the price for the required raw materials/trading goods from the Margin Payments on the Customer's behalf. HSBC Amanah issues the Documentary Credit-i for the amount equivalent to the purchase price and pays the proceeds of the same to the counterparty.</p> <p>HSBC Amanah's appointment as the Customer's agent to settle the purchase price from the Margin Payments is solely for the purpose of issuance of the Documentary Credit-i. HSBC Amanah shall not have any other obligations to the Customer arising from the relationship of agent and principal. HSBC Amanah may at its discretion decline this appointment.</p> <p>The agency arrangement will terminate when the Documentary Credit-i is cancelled or settled in full.</p>
Standby Letter of Credit-i	<p><u>Kafalah (guarantee)</u></p> <p>HSBC Amanah becomes the guarantor of the Customer's performance of its obligations by issuance of the Standby Letter of Credit-i in favour of the beneficiary. In the event of the Customer's non-performance, the Bank will pay the beneficiary upon presentation in accordance with the terms and conditions of the Standby Documentary Credit-i.</p>
Bank Guarantee-i	<p><u>Kafalah (guarantee)</u></p> <p>HSBC Amanah becomes the guarantor of the Customer's performance of its obligations by issuance of the Bank Guarantee-i in favour of the beneficiary. In the event of the Customer's non-performance, the Bank will pay the beneficiary upon a claim made in accordance with the terms and conditions of the Bank Guarantee-i.</p>