

SMART INCOME

APPLICABLE SHARIAH CONCEPTS

a) **Tabarru'**

This plan applies the Tabarru' (donation) concept, whereby the participant agrees to donate or contribute a specified portion from the contribution paid into the Participants' Risk Fund (PRF) for the purpose of mutual aid and assistance to the participants in case of need.

b) **Wakalah**

This plan also applies the Wakalah (agency) concept, whereby the participant appoints Us to act on behalf of the participant to invest and manage the Participants' Risk Fund (PRF). Wakalah fee is deducted from the contribution of each certificate. The participant also agrees to authorize Us to delegate Our rights, duties and obligations to any third party as We deem fit for the purpose of achieving the objective to invest and manage the PRF, provided that, in the event of any such delegation, We will remain liable and responsible for all such rights, duties and obligations towards the participant.

c) **Participants' Risk Fund (PRF)**

The contribution less the Wakalah fee will be paid into the Participants' Risk Fund (PRF) based on predefined ratios. Surplus arising within the PRF makes allowance for contingency provisions and will be distributed according to the surplus policy approved by Our Shariah committee. 50% of any distributed surplus will be shared amongst the participants with in force certificates and who have not made any claim within the financial year. The remaining 50% to be paid to Us for operating and managing the PRF, based on the contract of Ju'alah. Ju'alah is a reward contract that specifies the share of the distribution of surplus on this basis. The amount due to the participant will be reinvested and accumulated in the PIF.

d) **Participant's Investment Fund (PIF)**

The remaining portion of the contribution will be placed in the PIF.

At the end of each financial year, 85% of any investment profits will be reinvested into the PIF. The balance 15% of the investment profit will be accorded to the Takaful Operator for managing the PIF, based on the contract of Mudarabah. Mudarabah is a mutual contract between Us and the participant for the investment profit. The PIF will be accumulated and will be paid to the participant at the end of the certificate term or upon termination of the certificate.