

# [Malaysian treasury bills and malaysian islamic treasury bills](https://assignbuster.com/malaysian-treasury-bills-and-malaysian-islamic-treasury-bills/)

Malaysian Treasury Bills (MTB) MTB are short-term securities issued by the Government of Malaysia to raise short-term funds for Government's working capital. Bills are sold at discount through competitive auction, facilitated by Bank Negara Malaysia, with original maturities of 3-month, 6-month, and 1-year. The redemption will be made at par. MTB are issued on weekly basis and the auction will be held one day before the issue date. The successful bidders will be determined according to the most competitive yield offered.

Normal auction day is Thursday and the result of successful bidders will be announced one day after. MTB are tradable on yield basis (discounted rate) based on bands of remaining tenure (e. g. , Band 4= 68 to 91 days to maturity). The standard trading amount is RM5 million, and it is actively traded in the secondary market. Malaysian Islamic Treasury Bills (MITB) MITB are short-term securities issued by the Government of Malaysia based on Islamic principles. MITB are usually issued on a weekly basis with original maturities of 1-year.

Normal auction day is Thursday and the results of successful bidders will be announced one day after, on Friday. Both conventional and Islamic institutions can buy and trade on MITB. The MITB are structured based on Bai' Al-Inah principle, part of sell and buy back concept. Bank Negara Malaysia on behalf of the Government will sell the identified Government's assets on competitive tender basis, to form the underlying transaction of the deal. Allotment is based on highest price tendered (or lowest yield).

Price is determined after profit element is imputed (discounting factor). The successful bidders will then pay cash to the Government. The bidders will subsequently sell back the assets to the Government at par based on credit term. The Government will issue MITB to bidders to represent the debt created. MITB are tradable on yield basis (discounted rate) based on bands of remaining tenure (e. g. , Band 4= 68 to 91 days to maturity). The standard trading amount is RM5 million, and it is actively traded based on Bai ad-Dayn (debt trading) principle in the secondary market.