



PLC PROFESSIONAL LIQUIDITY SCHEME FOR MIA PC HOLDERS

Frequently Asked Questions (FAQs) as of 25 August 2020

GENERAL

1. Who is this scheme for?

This scheme is for those small firms who as a result of the pandemic are experiencing a cash flow crunch due to the inability of their clients to settle their invoices. In addition, these firms have exhausted all means of raising cash and are now considering laying off their staff or worse still, closing down.

2. What is the objective of this scheme?

The scheme recognises the criticality of businesses having access to your firm's services in order for them to meet their business needs and other legal obligations such as filing their accounts and tax returns. At the same time, the scheme recognises the irony of the fact that while you too need their work, they may not be able to pay you for it immediately.

The objective is to help alleviate the cash flow crunch facing both your clients, which are likely to be small businesses, and your firm. You rely on a steady stream of payments from your clients to keep your firm going but due to the COVID-19 situation, your clients may not be able to pay you for your services. It is not that they do not want to pay you but they just cannot pay you as they have either no business or their customers are delaying in settling outstanding debts.

The scheme steps in to provide you some advances so you can keep paying your staff and continue doing work for your clients but giving them extended time to raise the money to settle your invoices. The goal of the scheme is that whatever money the scheme has advanced to you gets repaid as your customers settle your invoices such that you do not have to expend any cash when the scheme wraps up in August 2021.

3. What is required to make this scheme work?

5 things are required:

- i. The Digital Invoice Management System (DIMS) with an enhanced credit management and salary payment" system for you to create invoices in and for the system to do all the checking, tracking, reminding, managing, payment integration and reconciling. In addition, your credit management and ability to pay salaries are all integrated so you can focus on doing more business and have all your invoice, advance, salary payment details on your mobile or computer, anytime and at real time.
- ii. A spirit of honesty and mutual cooperation between you as the participant, your clients and the PLC. The scheme was conceptualised to help those who need the most help and not those who are thinking of how to profit from it. Therefore, the scheme relies on mutual trust and cooperation of all participants and therefore it will have zero tolerance for attempted or actual fraud.

- iii. Accuracy when you are inputting data. The scheme is completely digital end to end, so every piece of data that you enter, it takes it as accurate. There is no manual intervention other than you checking and double checking your data inputs.
- iv. Funds for the scheme. In this case, PLC is putting RM5 million to fund the scheme.
- v. Tolerance: more than 4,000 man-hours had gone in over the last 2.5 months to take this scheme from concept to reality and thus there may be imperfections. The scheme, especially the DIMS will be tweaked and improved as we go along.

4. Is this an Islamic or conventional product?

This is not a product but a scheme comprising a digital invoice management service, a loan facility and a mutuality. The scheme is neither Islamic nor conventional. However, in the terms and conditions, there is a list of businesses that if your client is engaged in, the invoices of that client would not be eligible for the scheme. Each Managing Partner should decide on their own if the scheme fits in with their own set of beliefs and principles.

5. Is this something like a Takaful - Tabarru' participation scheme?

In a way, the mutuality aspect of the scheme is similar to that. Participants own and contribute into the risk-pool and the risk pool is used to help contributing participants who may face difficulties at the end of the scheme.

6. When is the last day to apply for the Scheme?

30 November 2020.

7. What is going to happen if the RM5 million is fully disbursed before the 6 months period?

The scheme will end when the funds are fully disbursed or by 31 December 2020, whichever is earlier.

8. Is there any possibility of extension for this scheme in 2021?

If the participants of the scheme and their clients behave as expected in the next 6 months and there is a demand for the value that the scheme provides, namely, the digital invoice management system and the concept of mutuality and then the loan facility, we may consider extending and expanding it.

9. Will the contract be made between the PLC and the managing partner individually?

Yes, the contracting parties are the Managing Partner and PLC.

10. How do we use the system? Is there any guide?

The system has been designed to be easy to use and self-explanatory. There will also be a user guide to help you at each step of the way.

GOOD STANDING STATUS

11. To be qualified for the scheme, the managing partners of member firms will need to be in good standing. How do we know we are of good standing with MIA?

There are 3 criteria for good standing:

- No outstanding annual subscription and practising certificate fee due to the Institute;
- Compliance with the Institute's CPE requirements; and
- No disciplinary cases or pending investigation case with the Institute.

Upon receiving the reply slip from managing partners on their intention to participate, MIA will perform the checking of the above 3 criteria. Only managing partners that are in good standing will be pre-qualified and their names will be uploaded into the PLC system in order for managing partners to complete the remaining application process.

12. The good standing check is made only on the Managing Partner? What if the other partners do not comply with CPE requirements?

Yes, the good standing check is performed only on the Managing Partner. The non-compliance of good standing status by other partners will not affect the good standing status of the Managing Partner.

PURPOSE OF THE SCHEME AND ADVANCES

13. Can I change the purpose of the advance?

No. This is a very specific scheme to support employment.

A key goal of this scheme is to help keep employment going. Therefore, the cash advances will only be provided to pay your employees' salaries and the 40% "gross up" is to help you pay their statutory payments. If there is a balance after paying the statutory payment, you may use it for other expenditure.

14. Does this advance cover other statutory payment such as EPF, EIS?

In any month that you request for advances to be paid, a "gross up" of the advances will be calculated and debited into your firm's account. This gross up is to help you pay the statutory payments (EPF, EIS, SOCSO and PCB). The "gross up" is equivalent to 40% of the salaries paid.

15. Is the advance payment paid directly from the PLC to the staff's bank account by end of the month and are statutory payments made by the firm directly?

Yes, PLC will pay the advances to the respective bank accounts of your staff based on your instructions.

PLC will deposit into your firm's account a "gross up" amount to help your firm to cover for the statutory payments but you will be responsible for making the statutory payments.

SURPLUSES AND DEFICITS

16. Will the surpluses earn us interest income? If yes, how much is the interest income?

No, the surplus does not earn any interest.

The goal of the scheme is to help alleviate a cash flow crunch. In line with that objective, the system continuously checks your account balance and if there is any surplus in your account, PLC will transfer it back into your firm's account. This exercise will be done twice a month.

17. Will there be any penalty interest on the deficit?

None at all and you will have till August 2021 to make good any deficit that your account may have.

FAILURE TO SETTLE DEFICIT AT THE END OF THE SCHEME

18. Should we totally fail to honour our debts to PLC, will we be reprimanded by MIA and CTOS?

At the end of the scheme (i.e. August 2021), if you are in the unfortunate situation of having a deficit and you fail to make good of your deficit, PLC will inform both MIA and CTOS. MIA and CTOS will then do the necessary in accordance with their rules and regulations.

In addition, if PLC detected one of the following cases, the Managing Partner will be barred from the system immediately:

- (i) a firm colludes with its client to pay the firm directly, bypassing the settlement process;
- (ii) a firm creates fictitious employees (adding relatives, friends, etc) to increase their payout;
- (iii) a firm conspires with "clients" to participate and accept inflated invoices; or
- (iv) a firm has the means to settle its deficit at the end of the scheme but chooses not to, in order to benefit from the risk pool.

MIA, CTOS and all other participants will be informed and a letter of demand for the full settlement of any deficits will be issued immediately.

INVOICES

19. Can we submit old invoices in this scheme?

You can submit invoices that are not older than 2 months. The scheme assumes that your normal terms with your clients will be 30 days and ideally, they should pay within 30 days. If they do not pay within 30 days, and you think, for good reasons, that they will not be able to pay in the next 30 days, then you replace it with the virtual invoice (VI).

For example, you completed work for a client in August, sent invoice in September and if the client did not pay in October, you can then use the system and create a virtual invoice in November. This virtual invoice then replaces the original invoice/s while it is active in the system.



The last date to submit a virtual invoice is 31 December 2020 where the original invoice date is not earlier than 1 November 2020.

20. Why is there a coverage of up on 90% of the invoice only? There would be administrative work to track and take care of the remaining 10%.

A goal of the scheme is to not leave you further indebted at the end of the scheme. The advance limit (ranging between 70-90% depending on your clients' credit scoring), is to leave headroom to cater for the probability that a few of your clients may not be able to settle your invoices either at all or in full. By providing this headroom, even if this happens, you will exit the scheme without a deficit. If all your clients fully settle your invoices, you will have surpluses and the surpluses will be returned to you on a bi-monthly basis.

All of the tracking and reconciliation is being done in the DIMS system so there should be no other administrative work on your part to track. You will have the most up-to-date information on your mobile. The moment a client makes a payment, you will know exactly who paid, how much was paid and for which VI. This is a key component of the digital invoice management system.

21. In the original invoice, it is stated that the term is 30 days and once the 30 days lapsed, there will be interest charged. If the client could not make the payment after 180 days, does the 90% cover the interest charged?

No, the 90% is based on the value of the VI and the 90% enables you to build up credits in the system against which you can request for advances to pay salaries.

When you create the Virtual Invoice (VI) in the system, it carries no interest as the terms are 180 days and neither is there any option for discounting. Your client confirms that work was done and the amount payable is correct. The VI is only considered settled when the full amount is paid into the dedicated account. If your client does not settle within 180 days, you are free, on your own, to pursue payment from your client including imposing any late payment charges that you wish to impose starting from the original 30 days.

22. Instead of invoicing our client, can we pledge our assets for the advance?

In this scheme you are pledging an asset, which is your invoice.

23. "If a VI is accepted, a credit check will be run on the clients to determine the margin of financing." May I know how PLC will check on our clients' credit?

The system is electronically connected to CTOS and your client's CTOS score will determine how much advance PLC is prepared to offer. An algorithm determines the amount that PLC is prepared to offer as an advance based on the VI amount and the credit scoring of your client. The advance will be 0 (zero) if the credit scoring is below the threshold or between 70%-90% if the credit scoring is above the threshold.

24. What are the criteria for VI (minimum & maximum amount)?

The minimum amount for any VI is RM2,500 and there is no maximum amount.

However, there is a maximum advance per client of RM7,500. If you raised a VI of RM10,000 to a client, and the client's credit scoring is above the threshold, PLC will offer you an advance up to RM7,500 only, as that is the maximum limit per client.

If there are two firms servicing the same client, and one firm has already secured RM5,000 of advance from invoices to that client, the maximum advance the other firm will be able to obtain is RM2,500.

25. If RM132 is charged per VI, this is how many percent on the VI amount?

The RM132 fee is independent of the VI amount and you only incur it when you accept an advance offer from PLC. The RM132 fee is to cover all the associated costs with using the digital invoice management system. For this reason, the system was designed to enable a single virtual invoice to represent multiple original invoices to the same client.

For efficiency, we highly encourage you to combine all invoices to the same client into a single VI.

For example:

You have 2 invoices from the same client, invoice A of RM4,000 and Invoice B of RM3,000.

If you combined both invoices to submit as a single VI of RM 7,000 then the RM132 will amount to 1.89% of the invoice value.

If you do not combine the invoices and submit them separately as two VI of RM4,000 and RM3,000 respectively, the RM132 will be amounting to 3.30% (for invoice A) and 4.4% (for invoice B).

CHARGES

26. Why is there a need to have RM 200 registration fee? Can it be waived?

The RM200 registration fee is one of the security features of the system. If your registration fails, you will not be refunded the fee but if your registration succeeds, the RM200 will be credited to your account.

27. Can the registration be set off against the first invoice approved?

The RM200 registration fee is held as a credit in your account and will be used to offset any debits to your account when the scheme ends.

28. I did not understand the part on fee charges. Can you please share some examples?

There are 3 types of charges, of which two are fees and the third is a contribution:

- i) **Non-refundable RM200 registration fee** - You pay in order to register into the system. Upon admission into the scheme, the RM200 will be credited back into your account and used as a credit to offset your deficit at the end of the scheme. However, if you are unable to be registered into the scheme due to poor credit scoring, the RM200 will not be refunded.
- ii) **RM132 flat fee** - Every time you create a virtual invoice and your client agrees to accept the VI and your client meets the minimum credit scoring requirement, PLC will make an advance offer to you. If you accept the advance, you will incur the RM132 fee which you only settle at the end of the scheme.
- iii) **2.16% contribution to the risk pool** - This contribution is owned by all the participants in the scheme. The risk pool is for participants to help other participants who at the end of the scheme simply cannot make good their deficit, and hence the concept of mutuality. Any unutilised amount will be returned to the participants. The 2.16% contribution is levied based on actual salaries advance and gross up utilised.

Here is an example:

- When you registered for the scheme, you paid an RM200 registration fee. That fee is now a credit in your account.
- After that, you create a RM5,000 virtual invoice. Your client agrees to the VI amount and to participate.
- PLC makes an assessment and offers you 90% of the invoice value, which is RM4,500.
- You accept the "Advance Amount" offer of RM4,500.

Two things will happen:

- ✓ PLC grants you a credit limit of RM4,500, which means you now have RM4,500 to use for salaries and the statutory payments.
- ✓ PLC charges you a flat fee of RM132 (which you only need to settle at the end of the scheme)
- On the 25th of the month, you request for a salary advance of RM3,000 to pay your staff.

Three things will happen:

- ✓ PLC will pay directly to your staff's account for the amount of RM3,000.
- ✓ PLC will pay directly to your firm's account the "gross up" of RM1,200 calculated as 40% of RM3,000. The gross up is to help you cover for the staff's EPF, EIS, PCB and SOCSO.
- ✓ PLC will then levy a 2.16% on the RM4,200 amounting to RM90.72 and this is your contribution to the risk pool (which you only settle at the end of the scheme)

In the PLS system, this is what you will see:

At the point you successfully register:

- "Registration Fee" RM200 (as a credit in your account)

At the point you accept the offer:

- "Virtual Invoices Accepted" will increase by 1
- "Advance Amount" will increase to RM4,500 (this is your credit limit)
- "Service Fee" will increase by RM132

Upon PLC paying the salaries:

- "Advance Amount" will reduce from RM4,500 to RM300
- "Disbursed Amount" will increase by RM4,200
- "Risk Pool Contribution" will increase by RM90.72

Assuming, at some point in time, this is the only invoice you have submitted and your client made a partial payment of RM2,300:

- "Client Payment" will be RM2,300
- "Settled invoices" will be 0 (because it was a partial payment not full payment)
- "Unsettled Invoices" will be 1 (because it was a partial payment not full payment)

"Balance Outstanding" will be RM1,922.72 (RM2,300 + RM200 - RM132 - RM4,200 - RM90.72)

29. When do we need to put in 2.16%? Is there any deadline?

You do not have to put in the 2.16% and there is no deadline. Every time a salary advance is made, the scheme will automatically add 2.16% into the risk pool based on the advance amount.

30. So, if I issue two invoices to the same client, there will be charges of RM264?

Each advance offer that you accept will be charged RM132. So, if you accept two offers then it will be RM264. As for invoices, we highly encourage you to combine all your invoices to the same client into a single virtual invoice. (see Q24: The minimum required to create a VI is RM2,500 while the maximum advance that can be given for any one client is RM7,500).

31. If I use this scheme many times, can the RM132 fee be capped at a certain amount per month?

The RM132 is charged per acceptance. Therefore, we really encourage you to plan your usage.

32. Is PLC charging fee on the credit review done on the client?

No. There are no other charges aside from the RM132.

33. As compared to PENJANA SRP 3.5% offered by the Government, can we say the PLC package is better off for MIA PC holders?

The scheme makes no comparisons. The target audience for the advances (and there is only RM5 million fund allocation) are those members who have no other alternative to raise cash and either are thinking of laying off employees or worst still, closing down. You have to decide if this is a better alternative or not.

What does make this scheme uniquely different is the digital invoice management system which does end to end invoice management, payment integration, automatic reminders to your clients and invoice reconciliation for you. On a single screen you will have a full view of all your virtual invoices and account status.

CLIENTS

34. Why is there a need to involve the client in the approval process?

A key principle in this scheme is to minimise the risk of you having a deficit at the end of the scheme which means there has to be no dispute on the invoice and there must be a demonstrable history of being a good paymaster.

When your client agrees to the VI, it means the work had been done and the timing when payment is due is agreed, removing the element of dispute. In addition, your client agrees to a credit check and passes the check, showing that your client is a good paymaster. Taken together, this is a good indication of your client's intention to settle.

If the aforementioned client has not settled your original invoice in 30 days, we therefore assume it is not due to a dispute on the invoice nor an unwillingness to pay but it is probably due to a cash flow problem. These are precisely the clients that the scheme intends to help by extending to them the 180 days payment period. Hence, there is necessity for them to participate.

35. Would it be a possible scenario to allow clients to pay within one year?

The reality is that your client is already getting 8 months to repay. You have 60 days to put in the invoice after which they get 180 days, if approved. If they cannot make good in 8 months, it is unlikely that an additional 4 months is going to make a difference and hence, we will release the invoice from the system so you can deal directly with your clients for a settlement before your next engagement cycle with them starts.

36. What if some clients do not agree on the VI? Are we able to get 90% advance?

No, an offer to advance will be made to you only if your client:

- a) confirms that the work has been completed;
- b) confirms the value of the VI is correct (either for a single or multiple invoices);
- c) agrees to the Client Terms and Conditions which authorises PLC to do a credit check on the client; and
- d) meets the minimum credit rating.

37. What if our clients do not pay within 180 days/6 months? What action will be taken by PLC to the clients?

PLC does not take any action on your clients. What PLC has done is to simplify the payment process and will send electronic reminders to them, but PLC cannot compel your clients to pay.

38. If clients still have not paid, we have tried every possible way to ask for payment and the outstanding debts become bad debts, what will happen next?

At the end of the 180-day payment period, your invoice is released from the system and you will proceed with your usual recovery actions against your clients which may include reporting them to CTOS.

39. What would we need to advise clients before submitting the unpaid invoices?

It will be very helpful if you inform and explain the scheme to your clients so that they understand why they too have terms to agree to in order to participate in the scheme. (see question 35)

40. What would be required from us to inform our clients on this novation of payment?

All your client needs to know is that the VI represents one or more invoices to them which you have already issued. If you get an advance offer for their VI, they will get 180 days to settle and all they need to do to settle is use the embedded payment link on the VI. A VI is only deemed settled when full payment is made in accordance with the payment instructions.

You are not novating your payments. You are simply changing the payment instructions. All monies paid into the designated account belong to you. However, you are granting PLC the right to offset PLC's advances to you against your client's payments to you.

APPLICATION OF THE SCHEME

41. How do we apply for the scheme?

Please log on to MIA website at <https://www.mia.org.my/v2/smp/plc.aspx> for further information.

MIA member firms that are interested to participate may indicate their interest by filling up the [online reply slip](#). MIA staff will then approach the managing partners for the next step.

42. Do we need to open an account with Bank Pembangunan for this scheme?

No, you do not have to open any account.

Payments from your clients are made into a dedicated PLC account and if there are any surpluses, PLC will transfer into your firm's bank account.



43. Is it possible for our clients to bank in using our normal bank account numbers so as not to disclose the fact that we are part of the PLC Scheme?

No.

The scheme is actually an online invoice management system which is a closed loop system from origination to settlement of invoices. You create your virtual invoice in the system. It then gets accepted by your client. Each invoice has embedded in it a virtual invoice number with full payment integration. Your client only has to click on the virtual invoice payment button and using JomPay, the client will settle your invoice and the system will track and auto reconcile. With a click of a button, you will be able to see all the invoices you have submitted and the payments status of each invoice, etc. Invoice settlement is done using a dedicated account.