



السوق المالية
الإسلامية الدولية
International Islamic
Financial Market

IIFM MEMBERSHIP PACKAGE



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بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

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1. General Information on IIFM and its Global Standards Unification Efforts

The International Islamic Financial Market (IIFM) was founded as a neutral and non-profit organization, with the collective efforts of the Central Bank of Bahrain, Islamic Development Bank, Autoriti Monetari (i.e. Monetary Authority) Brunei Darussalam, Bank Indonesia, Central Bank of Sudan and the Bank Negara Malaysia (delegated to Labuan Financial Services Authority). It's also further supported by a number of regulators, government entities as well as leading regional and international financial institutions and other market participants.

IIFM main focus is on standard documentation issuances because, documentation & product standardization helps to deliver harmonization, acceptable and practical *Shari'ah* compliant products & documentation and greater solutions to the needs of the financial institutions in the industry as well as supporting innovation.

To address the standardization needs of the industry IIFM brings the regulators, financial institutions, law firms and other market participants on a common platform through the creation of project specific global working groups and committees. These groups and committees work together under the guidance of IIFM *Shari'ah* Board to develop market standard products and documentation particularly in the area of Islamic Capital & Money Market products. Herein lies the strength of IIFM, and its active role in the development of the Islamic financial market in general.

In Short, IIFM in its standardization efforts and standards development works and collaborates with a wide range of Market participants and stakeholders to develop standards that respond to market needs and help financial institutions to maximize their performance, efficiency, greater sustainability and be more profitable.

In 2010 IIFM produced the world's first Islamic Hedging standard agreement namely: *Tahawwut* Master Agreement for genuine hedging purposes, and since then IIFM has led the way in developing new standards such as DFT Terms confirmations for *Mubadalatul Arbaah* (i.e. Islamic Profit Rate Swap) both fixed and floating, Interbank Unrestricted Master Investment *Wakalah* Agreement, Master Agreement for Treasury Placement (MATP), Operational Guidance Memorandum etc. IIFM in its efforts strongly believe that success is all about how the individual institution performs at every level of its endeavors, hence, IIFM standards encourage and promote a culture of continual improvement for the institutions and the industry in general.

2. Advantages and benefits of using and referencing IIFM standards in the Islamic financial technical regulations

IIFM establishment and its standards have the advantage of a broad geographical reach, because its membership consists of members worldwide. This geographical reach is combined with a multi-stakeholder environment which ensures the representation of excellent financial technical views globally. Hence, the value of the IIFM standards is that they are ready to be recognized, accepted and implemented globally.

Regulators can save time and money by choosing the IIFM standards as solutions to the implementation of the Islamic financial policy and practical technical issues, because choosing to use and reference IIFM standards for regulations in the Islamic capital and money market segment can support good regulatory practice in this regard. **Benefit of IIFM Documentation Standardization Efforts to Regulators can be summarized as follows:**

- IIFM standards can be used as a basis for national Islamic banking technical regulations.
- IIFM standards can offer a complete range of tools for the various modes of a *Shari'ah* compliant Islamic banking conformity assessment which can be used to enhance confidence in the Islamic financial systems, processes, services and products.
- IIFM standards will support the technical aspects of Islamic financial policies and will contribute to a sustainable Islamic banking development in your respective country.
- IIFM standards will facilitate regulatory compliance and enhance the access of the Islamic financial market opportunities for all. It will also offer the same level of client protection which will allow Islamic financial products to spread and used across the country.
- IIFM standards can serve as a vehicle for the dissemination of new innovative banking practices in the country.
- IIFM standards can become national standards after a national public enquiry process carried out by a country's standards body, which can reduce the need for the regulator to always hold national consultations.
- The use in regulation of the IIFM standards will be an effective means of supporting national Islamic financial system policies in your respective country.

- IIFM standards are always developed using procedures which ensure that any kind of duplication with other available standards is avoided.

Based on the above, IIFM always works closely with regulators, stock & commodity exchanges and government organization in bringing required law reforms in various jurisdictions particularly close-out netting law which is the key requirement for Islamic Hedging & Liquidity Management.

3. General Benefits of Using IIFM Standards Agreement and its Membership

No doubt that the advantage of using standards agreement is that these standards offer a strong powerful business solutions and marketing tools for financial institutions of all sizes. Financial institutions can use these standards to mitigate and manage the risks they may face, assessing their performance while operating in more efficient and sustainable ways. Use of standards agreement allows the financial institutions to demonstrate the quality of what they do to their customers and it helps the financial institutions to see how to embed best practices into their institutions.

The benefits and value addition of IIFM global unification efforts to the regulators and its member institutions in particular as well as the market participants in general are as follows:

3.1 More sustainability for institutions

Adaptation of the IIFM standard Master agreements and using them helps hugely the institution to save energy, money and improve its image. Using these standard agreements by institution certainly reduce its cost of evaluation and negotiation of documentation, it provides balance and fairness, increase efficiency, liquidity, certainty and most importantly standard to regulators.

3.2 Improving performance

For a tangible growth and increased profits, IIFM standards give the institution most of the information and knowledge needed to fine-tune itself so that it can perform at its best at every level for potential good results. Moreover, using these standards can help the institution to depend on every member of its staff, from top to bottom, to be driving the performance of the institution business at all times.

3.3 Reducing business risk

Using standards Agreement can help the institution to reducing risk to its business and identify those risks and minimize them. Proper understanding of the risks the institution face and then acting to mitigate them, will sure make the

institution to become tougher, more resilient business, able to respond to and build upon new opportunities, and if a problem does arise, or if the institution who used the standards Agreement and other competitors who do not, face industry wide challenges, likely, the one who chose to adopt and used the standards agreement will be better equipped to survive the problem and then rapidly recover. This will enhance its reputation, give customers greater confidence, win new business and very likely reduce its costs.

3.4 Creating Legal Certainty

IIFM Standard Agreements such as *Tahawwut* (Hedging) Master Agreement, Interbank Unrestricted Master Investment *Wakalah* Agreement etc., which have been drafted by top law firms, are well regarded by the market and stakeholders for their legal certainty, as the main objective of providing these agreements is to create stability and certainty in the market.

On the other hand, IIFM in some cases provide legal opinions for its master agreement for use by its members. It also encourages regulators to consider the establishment of certain legislation such as close-out netting law etc.

3.5 Encouraging innovation

Among the objective of the IIFM standards development is to help and promote successful commercialization of new *Shari'ah* compliant products. IIFM standards help a lot to the success of innovative best business practices, because it creates a common framework for innovation and set the framework by defining common practices, applications, vocabularies, establishing the essential characteristics of the *Shari'ah* compliant products and by identifying the best practices within the system that will ensure successful outcomes. Once all these mentioned items are in place, the pace of innovation will be accelerated and success will be much more likely.

4. Exclusive Benefits for the IIFM Members

4.1 In addition to the general benefits mentioned above in this regard, IIFM members have full rights to IIFM Published as well as Exposure Drafts of its documents and papers.

4.2 IIFM members are included in the under development Working Groups and can take a leading role in the process. Participating and involvement in this process or being part of it provides a great service to the institution in terms of getting access to key developments at international level and getting information constantly and knowledge of the new developments in the market. This certainly, will help the institution to make sound decisions that will serve its best interest and thus strengthen its place in the market.

4.3 IIFM members can contribute in the IIFM *Sukuk* Report, thus it will serve as marketing for the member institutions.

4.4 IIFM members have always preference in the IIFM Seminars and Workshops which again helps the marketing aspects to the Members.

5. IIFM Membership Categories as follows:

5.1 Founders and Permanent Members

The six (6) founding members are the members who were signatories to the Agreement Establishing the International Islamic Financial Market (IIFM). And they are: Islamic Development Bank, Central Bank of Bahrain, Autoriti Monetari Brunei Darussalam (i.e. The Monetary Authority of the State of Brunei Darussalam), Bank Indonesia, Bank Negara Malaysia (represented by Labuan FSA) and Central Bank of Sudan.

These founding members are permanent members of the Board of Directors of IIFM. Thus, they always have a representation in the Board, and can be appointed to the Executive Committee or in the Working Group, which is formed by the IIFM in all of its documentation standardization projects.

5.2 Full Member (Policy Level)

Full membership shall be available to regulatory authorities as well as Financial Institutions (FIs) that are interested in Islamic financial services. Full member will be eligible to be elected by the Board of Directors to serve for a three (3) year term on the Board to fill four (4) Board seats reserved for this category of members. In addition, it can be appointed to serve on the Executive Committee or on the Working Group, which is formed by the IIFM in all of its documentation standardization projects.

5.3 Member (Policy Level)

This category of membership shall be generally available to Islamic Financial Institutions (IFIs) as well others who interested in Islamic financial services. The members are eligible to be elected by the Board of Directors to the Board to fill six (6) Board seats for a two (2) year term. In addition, it can be appointed to serve on the Executive Committee or on the Working Group which is formed by the IIFM in all of its documentation standardization projects.

5.4 Associate Member

Associate membership shall be available to Islamic Financial Institutions (IFIs) and Financial Institutions (FIs) interested in Islamic financial services. Associate members are not eligible to be represented on the Board but may attend and participate in other IIFM meetings on invitation.

This member will be able to vote on the IIFM's initiatives, but does not have the right to vote on matters relating to the Board of Directors and the policies of the IIFM.

However, the Associate Member can be appointed to serve on the Working Group, which is formed by the IIFM in all of its documentation standardization projects.

5.5 Observer Member

Observer member shall be Financial Institutions (FIs) and all other institutions interested in the Islamic financial industry. An Observer member may attend and participate in all meetings of the Annual General Meeting but have no voting rights. An Observer member may be appointed to serve on the Working Group of IIFM.



6. Membership Application Form

Membership Number: _____

We, Bank/Institution, hereby apply to join the International Islamic Financial Market (IIFM) as a member (please tick ✓ the respective box) and undertake to comply with the provisions of the Agreement of Establishment of IIFM and its subsequent amendments (if any).

We also undertake to pay the annual membership subscription fees based on the membership type selected below:

- | | | |
|-------------------------------------|-------------------|---|
| <input checked="" type="checkbox"/> | Founder Member | (Permanent with voting rights) |
| <input type="checkbox"/> | Full Member | (For Regulatory Bodies & FI's with voting rights) |
| <input type="checkbox"/> | Members | (For IFI's with voting rights) |
| <input type="checkbox"/> | Associate Members | (For IFI's & FI's with limited voting) |
| <input type="checkbox"/> | Observer Members | (For FI's & Other Institutions without voting) |

Name: _____

Position: _____

Authorized Signature: _____

Company Seal & Date: _____



7. IIFM Board of Directors 2014

- 1) Central Bank of Bahrain, Kingdom of Bahrain
- 2) Bank Negara Malaysia (represented by Labuan Financial Services Authority), Malaysia
- 3) Central Bank of Sudan, Sudan
- 4) Bank Indonesia, Indonesia
- 5) Autoriti Monetari Brunei Darussalam, Brunei Darussalam
- 6) Islamic Development Bank, Kingdom of Saudi Arabia
- 7) ABC Islamic Bank, Kingdom of Bahrain
- 8) Standard Chartered Saadiq, United Arab Emirates
- 9) Kuwait Finance House, Kingdom of Bahrain
- 10) Crédit Agricole Corporate & Investment Bank, United Arab Emirates
- 11) National Bank of Kuwait, Kingdom of Bahrain
- 12) Bank Islam Brunei Darussalam, Brunei Darussalam



8. IIFM *Shari'ah* Board

- 1) Sheikh Dr. Ali Muheedin A. Al Quradhagi
- 2) Sheikh Dr. Nizam Yaquby
- 3) Sheikh Dr. Abdul Sattar Abu Ghuddah
- 4) Sheikh Esam Mohammed Ishaq
- 5) Sheikh Dr. Mohammad Yosuef A. Al Shubaily
- 6) Sheikh Dr. Mohammad Akram Laldin
- 7) Sheikh Dr. Imran Usmani
- 8) Sheikh Prof. Dr. Mohammad Abdul Rahim Sultan Al Olama
- 9) Sheikh Dr. Walid bin Hadi
- 10) Sheikh Dr. Mohammed Burhan Arbouna
- 11) Dr. El Tegani Abdulgadir
- 12) Ustaz Adiwarman Azwar Karim

9. Conclusion

- IIFM believe that implementing its standard help institution to demonstrate its credentials to customers, employees and stakeholders, and showcase its commitment to a sustainable development of the industry.
- IIFM standard Master agreements not only assist in the cross border transactions but it also plays a key role in the development of institution's bilateral documentation & products.
- The involvement in IIFM project specific global working group provides access to key developments at international level hence contributing to the implementation of best practices in institutions at domestic level.
- Most importantly, as stated earlier, IIFM is a neutral non-profit Islamic financial Industry standard setting body. Its sole role is to take part in the robust and orderly development of Islamic Capital & Money Market segment which can be only achieved if it has the support of regulators, Islamic institutions and other market participants across the globe.