

The slide features a background image of a complex, geometric lattice structure, possibly a modern architectural facade or a technical grid. The text is overlaid on this background. The logo 'CLIFFORD CHANCE' is positioned in the upper left. The main title 'WORKSHOP ON IIFM STANDARDS' and subtitle 'SESSION: COLLATERALISED MURABAHA STANDARD' are centered in the lower half. The presenter's name 'HABIB MOTANI' and the date 'SEPTEMBER 2017' are located in the bottom left.

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**WORKSHOP ON IIFM STANDARDS  
SESSION: COLLATERALISED MURABAHA STANDARD**

HABIB MOTANI

SEPTEMBER 2017

## **OVERVIEW**

- Master Agreement contemplating
  - entry into individual murabahah transactions between the parties whereby seller (finance provider and secured party) will sell an asset to the buyer (finance receiver and chargor) for immediate delivery and deferred payment
  - the buyer's obligation to pay the deferred purchase price is collateralised through the grant of security over identified Shari'ah compliant assets

## **PROCESS**

- Initial discussion recorded in Purchase Instruction with Promise to Purchase sent by finance provider to finance receiver
- Finance receiver returns Acknowledgement/Promise to Purchase
  - confirms undertaking to purchase and indemnity for failure to purchase
- Finance provider purchases asset in market (through broker)
- Finance provider sends Offer Notice to finance receiver; contains details of required initial collateral
- Finance receiver accepts offer (failure to accept would trigger indemnity)
- Delivery of initial collateral
- Sale and delivery of asset to finance receiver
- One due date payment of the deferred purchase price

## **COLLATERAL**

- Security granted over collateral
- Collateral to be held by finance provider
- Agreement contemplates regular valuation and margin calls and returns of excess collateral
- Substitution with consent
- Triparty agent/custodian may be utilised

## **PARTIES NEED TO**

- Verify law governing taking and enforcing security and governing law of agreement
- Verify mechanism and legal requirements for taking security and enforcing it
- Select dispute resolution forum

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