



In the name of Allah, the Most Gracious, the Most Merciful

SHARI'AH GUIDELINES
FOR POTENTIAL USERS OF
MUBADALATUL ARBAAH (MA)
FOR THE MU 'ADDAL RIBH THABIT (FIXED PROFIT
RATE OR FPR) AND MU 'ADDAL RIBH MUTAGHAYYER
(FLOATING PROFIT RATE OR FLPR) LEGS.
SINGLE SALE & TWO SALES STRUCTURE

Disclaimer

Potential users of this document should note that, when entering into Transactions or DFT Terms Agreements under the ISDA/IIFM Tahawwut Master Agreement or credit support arrangements in relation to it, they must first take all action required to satisfy themselves as to the Shari'ah compliance of the specific Transactions, DFT Terms Agreements or credit support arrangements and of the Shari'ah compliance of such Transactions, DFT Terms Agreements or credit support arrangements when taken together with the ISDA/IIFM Tahawwut Master Agreement.

4 Rabi 'a al-Awwal 1433 A.H. Corresponding to 27 January, 2012

الحمد لله الذي خلق فسوي ، أحل البيع وحرم الربا ، و الصلاة
والسلام على نبي الهدى محمد بن عبد الله الذي ماترك أمرا
يقربنا إلى الله تعالى إلا وقد أمرنا به وما ترك أمرا يبعدنا عن
الله تعالى إلا وقد نهانا عنه ، صلوات الله وسلامه عليه وعلى آله
وصحبه أجمعين.

*All perfect praises are due to Allah Almighty, the Lord
of all that exist. He has permitted lawful trading and
forbidden Riba (i.e. interest). We praise and thank Him
for His help and guidance. May peace and blessings of
Allah Almighty be upon the Prophet Muhammad the
son of 'Abdullah, his family, his companions and the
rest of Allah's Messengers and Prophets.*

OVERVIEW OF THE DOCUMENTS

The DFT Terms confirmation provides for a *Shari'ah* compliant *Mubadalatul Arbaah (MA)* (Profit Rate Swap) transaction. For the *Mu 'Addal Ribh Thabit* (Fixed Profit Rate or FPR) and *Mu 'Addal Ribh Mutaghayyer* (Floating Profit Rate or FLPR) Legs of The Approved DFT Terms confirmation Documents consist of the *Mubadalatul Arbaah (MA)* (Profit Rate Swap) Single Sale and Two Sales Structure.

PRODUCT DESCRIPTION

The DFT Terms confirmation relates to a *Mubadalatul Arbaah (MA)* (Profit Rate Swap) whereby each party grants a *Wa'ad* (undertaking) to the other party to purchase, if the specified condition set out in the DFT Terms confirmation is satisfied, *Shari'ah* compliant assets from such other party on one or more specified future dates on the basis of *Murabaha* transactions to be entered into on each exercise of the *Wa'ad* (undertaking) by such other party, and where the purchase price payable is to be determined by reference to the cost price of the assets plus a profit amount. The DFT Terms confirmation contains the *Wa'ad* (undertaking) given by one party. Under a related DFT Terms confirmation, the other party grants or will grant a *Wa'ad* (undertaking) in respect of such *Mubadalatul Arbaah (MA)* (Profit Rate Swap). Each party will represent that, if *Shari'ah* compliance is relevant for its purpose, then it has satisfied itself as to the *Shari'ah* compliance of the Transactions and DFT Terms Agreements entered into by it under the ISDA/IIFM *Tahawwut* Master Agreement.

SHARI'AH GUIDELINES

In order to assist market participants with regard to the DFT Terms confirmation provided to market participants by IIFM and ISDA, the IIFM *Shari'ah* Advisory Panel have provide the following guidelines regarding *Shari'ah* compliance:

- 1. Transactions should be entered into only for the purpose of hedging actual risks of the relevant party.**

- 2. Transactions should not be entered into for purposes of speculation, i.e. actual settlements of assets and payments must take place. No cash settlements without concluding actual transaction on deliverable assets.**

- 3. The asset must be Islamicly lawful (i.e. *Halal*).**

- 4. No interest (whether called interest or an alternative name but which represents interest) is to be chargeable under a transaction.**