



Overview

■ Master Agreement contemplating

- entry into individual murabahah transactions between the parties whereby seller/secured party will sell an asset to the buyer/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
- In due course payment of the deferred purchase price

Collateral

- Security granted over collateral
- Collateral to be held by finance provider on a segregated basis
- 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