

# IIFM Islamic Capital & Money Market (ICMM) Products & Documentation Standards

## What is International Islamic Financial Market (IIFM) ?

IIFM is the International Islamic Financial Services Industry's standard setting organization focused on the Islamic Capital & Money Market (ICMM) segment of the industry. Its primary focus lies in the standardization of Islamic financial products, documentation and related processes at the global level.

IIFM was founded 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) as a neutral and non-profit organization.

Besides the founding members, IIFM is supported by other jurisdictional members such as State Bank of Pakistan, Dubai International Financial Centre, Indonesian Financial Services Authority as well as a number of regional and international financial institutions and other market participants.

*The main strength is the pooling of expertise from the banks, legal, accounting and other market participants who work together under the guidance of the IIFM Shari'ah Advisory Panel for the benefit of the IFSI*

## What IIFM provides to the Industry?



- Addressing the product and documentation standardization needs of the industry
- Providing universal platform by bringing regulatory bodies, financial institutions, law firms, stock exchanges, industry associations, infrastructure service providers and other market participants on a common platform through the creation of project specific global working groups and committees
- Facilitate unification, Shari'ah harmonization and legal reforms in Islamic financial markets
- Shari'ah Advisory Panel consisting of renowned scholars, hence, ensuring wider Shari'ah acceptance

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## Documentation & Product Standardization

### Why Standardize?

- Reduces cost of evaluation and negotiation of documentation
- Provides balance and fairness (transparency)
- Increases confidence, efficiency and liquidity
- Provides benchmark for global reference
- Standard market practice, product and documentation helps the regulator in its supervisory functions
- IIFM standards establish need for required law reforms to facilitate orderly development/growth and for a conducive regulatory environment

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## IIFM Standardization Initiatives

### Value Addition to Industry

- Standardized documentation and products bring the operations of Islamic entities at par with larger conventional peer banks
- Standardized documentation and products not only assist cross border transactions but also play a key role in the development of local market
- Involvement in IIFM's project specific global working groups provide access to key developments at international level, hence, contributing to the implementation of best practices in institutions both domestically and internationally

*IIFM initiatives are very selective and based on recommendations by the Industry and practical solutions are developed in consultation with the industry*

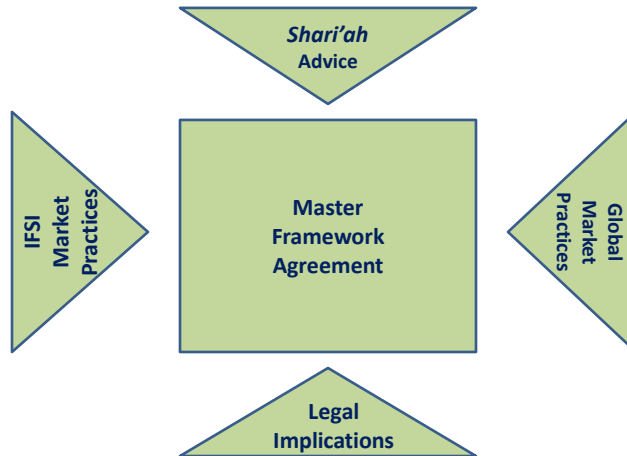
## Documentation & Product Standardization

### A Market Based Approach

- **Standardization of existing practices**
  - Review of market practices
  - Development with Industry consultation
  - *Shari'ah* guidance & approval
  - Legal environment & law reform
  - Enforceability
- **Standardization through innovation**
  - Market requirement & research
  - Consultation by industry experts & development
  - *Shari'ah* guidance
  - applicability/practicality
  - legal environment & law reform

## IIFM Document Standardization

### A Detailed Deliberation Process



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## IIFM Global ICMM Published Standards

### 1) Interbank Unrestricted Master Investment *Wakalah* Agreement

- Operational Guidance Memorandum
- Adaptation Procedures & Policies for Institutions
- Accounting Assessment (Members only)

### 2) Tahawwut (Hedging) Master Agreement (TMA)

- TMA Explanatory Memorandum
- Adaptation Procedures & Policies for Institutions

### 3) Mubadalatul Arbaah (MA) (Profit Rate Swap) Wa'ad-based and involving a Two Sales structure

- Mu'Addal Ribh Thabit (Fixed Profit Rate)
- Mu 'Addal Ribh Mutaghayyer (Floating Profit Rate)
- Adaptation Procedures & Policies for Institutions

### 4) Mubadalatul Arbaah (MA) (Profit Rate Swap) Wa'ad-based and involving a Single Sale structure

- Mu'Addal Ribh Thabit (Fixed Profit Rate)
- Mu 'Addal Ribh Mutaghayyer (Floating Profit Rate)
- Adaptation Procedures & Policies for Institutions

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## IIFM Global ICMM Published Standards



### 5) Master Agreement for Treasury Placement (MATP)

- Structure Memorandum

#### **Note:**

- 1) *Shari'ah Pronouncements on all IIFM Standards are available to IIFM Members only*
- 2) *Arabic Translation of all Standards*
- 3) *Detailed Presentations on all Standards are available on IIFM website ([www.iifm.net](http://www.iifm.net))*

## IIFM Global ICMM Under Development Initiatives



- **Master Collateralized Murabaha Agreement & Tri party Services**
- **Islamic Cross Currency Swap Documentation**
- **Islamic FX Forward Documentation**
- **Sukuk Standardization & Guidelines (Under Consultation)**
- **Islamic Credit Support Agreement (Under Consultation)**

## Research & Consultative Paper

- 1) **IIFM Reference Paper on I'aadat Al Shira'a (Repo Alternative) and Collateralization**
- 2) **Use of Sukuk as Collateral for Islamic Liquidity Management Transactions**
- 3) **TMA & Products Schedules Standardization**
  - Islamic Profit Rate Swap
  - Islamic Cross Currency Swap
  - FX Swap
  - Credit Support Agreement
- 4) **Concept Paper on Mubadalatul Arbaah (Profit Rate Swap)**

## IIFM Capacity Building & Research Initiation

- **Industry Seminar**
  - 1) Islamic Capital & Money Market Seminars
  - 2) Islamic Liquidity & Risk Mitigation briefing seminars & workshop
  - 3) IIFM Project Specific Market Consultative Meetings
- **Market Research**
  - Global *Sukuk* Issuance Database
  - *Sukuk* Report (1<sup>st</sup> Edition) A Comprehensive study of the International Sukuk Market
  - *Sukuk* Report (2<sup>nd</sup> Edition) A Comprehensive study of the Global Sukuk Market
  - *Sukuk* Report (3<sup>rd</sup> Edition) A Comprehensive study of the Global Sukuk Market
  - Member Country & Member Institution Specific *Sukuk* Issuance Reports
- **Presentations on Islamic Capital & Money Market**