



للسوق المالية
الإسلامية الدولية
International Islamic
Financial Market

IIFM Documentation and Product Standards An Overview

IIFM Seminar on Islamic Financial Markets

Hosted by Labuan IBFC

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Chief Executive, IIFM



About IIFM

History

IIFM was formed under Royal Decree No. (23) Dated 2002 and is hosted by the Central Bank of Bahrain as a non-profit standard-setting organization.

IIFM was founded due to the collective efforts of Central Bank of Bahrain, Islamic Development Bank, Autoriti Monetari Brunei Darussalam, Bank Indonesia, Bank Negara Malaysia (delegated to Labuan Financial Services Authority) and the Central Bank of Sudan.

IIFM Vision

Active and well regulated trading and capital flows across the full spectrum of Shari'ah compliant financial instruments internationally.

IIFM Mission

To achieve the Vision by catalyzing both national and international trading infrastructure, product innovation and information flow within strong, transparent and well regulated standards and guidelines. Promote acceptance and integration with mainstream markets.

Mandate

To develop standardized Islamic financial documentation and product templates.



About IIFM

IIFM Value Proposition

Focuses on providing well defined services to the Islamic Financial Services Industry (IFSI) as follows:

- ❑ Publish Practical and Ready to Use Standardized Islamic Financial Contracts and Product Templates
 - **Market Practice, Legal, Shari'ah and Law Reforms**
- ❑ Bring All Stakeholders particularly Financial Institutions on a Common Global Platform through:
 - **Consultative Process and Project Specific Working Groups**
- ❑ Creating Industry Awareness and Technical Knowledge Sharing
 - **Seminars, Specialized Workshops and Consultative Meetings**
- ❑ Research Report & Papers
 - **Sukuk Reports, Research and Consultative Papers**



Development and Publication of IIFM Standards

IIFM standards are comprehensive and provide complete solution so that the Islamic financial market participants particularly financial institutions can easily implement standards:

□ Comprehensive Development Process

- I. Concept Paper and Consultative Meeting (global participants)
- II. Board of Directors Approval: Budget and appointment of External Legal Counsel
- III. Global Working Group - Comments and Feedback
- IV. Coordination with External Legal Counsel and Drafting
- V. Shari'ah Board Guidance and Approval



Benefits of IIFM Standards

□ Benefits to the Market Participants & Islamic Finance Industry

- Cost saving
 - Major cost benefit to users relating to Legal and Shari'ah expenses
 - Availability of fully implementable Documentation and Templates along with Shari'ah Pronouncement, Legal Opinions etc.,
- Time Efficiency
- Balance and Transparency
- Shari'ah Harmonization
- Legal Certainty
- Industry Reference

All standards and other services are provided free of cost to all stakeholders!



IIFM Published Standards

To date, IIFM has published 10 Documentation and Product Standards:

Seven ISDA-IIFM Islamic Hedging Standards

- ✓ Tahawwut Master Agreement
- ✓ Islamic PRS (2 Standards), Cross Currency Swap and FX Forward (2 Standards)
- ✓ Islamic Credit Support Deed (Variation Margin)

Three IIFM Liquidity Management Standards

- ✓ Unrestricted Investment Master Wakalah Agreement
- ✓ Master Collateralized Murabahah Agreement (Islamic Alternate to Repo)
- ✓ Master Agreements for Treasury Placement (Murabahah and Agency Agreements)

Guidance Memorandum and Notes as Part of Standards

- ✓ Market Practice, Operational Process, Legal and Shari'ah



Implementation of IIFM Standards

□ Standards Implementation and Market Use

- Adoption of Standards is voluntary and generally there is no mandatory requirement imposed by regulators
- There is always time lag between standard publication and adoption by the institutions
 - Institutions internal review and approval process (operational, legal, credit and Shari'ah)
 - Institutions may decide to move to standard at the time of counter-party credit lines renewal
 - Institutions may continue to use its own documentation and products unless counterparty wants them to use global standards
- Regulators recommend institutions under its jurisdiction to use the global standards as best practice



Implementation of IIFM Published Standards by FI's - Country-Wise Breakdown as of 25th April 2018

No	Country	Tahawwut MA	IPRS Single Sale	IPRS Two Sale	Islamic Cross Currency Swap	IFX Single Binding Waad	IFX Two Unilateral Waad	ICSD for Cash Collateral	MA's for Treasury Placement	Unrestricted Wakalah	Collateralized Murabahah
1	Bahrain	5	5	5	4	4	4	4	10	11	5
2	Brunei	1	1	1	1	1	1	1	1		
3	Japan	2				2		2			
4	Jordan	2	1	1	1	2	2	2	2	1	2
5	Kuwait	4	2	2	2	4	4	4	4	3	3
6	Malaysia	8	2	1	2	1	1	8			
7	Oman									3	
8	Qatar	4	2	2	2	4	4	4	4	1	
9	Saudi Arabia	8	4	4	4	7	7	8	2	1	2
10	Singapore	3				3		3			
11	Turkey	2				2	2	2	5	5	3
12	UAE	18	16	15	15	15	16	17	8	8	18
13	ICD (IDB Group)	1	1	1	1	1	1	1			
14	UK Islamic Banks	2	1	1	1	1	2	2	2	3	1
15	Major Int'l Banks (EU, UK, US, SA & Others)	26	25	25	25	25	25	25	3	1	
	Total	86	60	58	58	72	69	83	41	37	34

Increasing IIFM Standards and Its Value Addition



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Current Priority Areas of Work

- **IIFM-BAFT Islamic Master Risk Participation Agreements (Funded and Unfunded)**
 - for Islamic trade finance related business is under final market consultation phase

- **Sukuk Standard Documentation and Guidelines**
 - I. Sukuk Al Ijarah Standard Documentation (in progress)
 - II. Sukuk Al Mudarabah Standard Documentation (to commence soon)
 - III. Sukuk Market Guidelines

- **Gold related Products and Documentation Standardization**
 - Industry Consultative Meeting held on 28th March 2018 in Istanbul

- **Islamic FX and Commodity Hedging/Investment Standards**
 - Industry Consultative Meeting under planning for Q4 2018

- **Islamic Syndicated Financing Documentation Standardization**
 - Industry Consultative Meeting under planning for Q1 2019



Challenges to Standard-Setting Organizations

❑ Challenges for Non-Profit Standard-Setting Organizations

- **Funding**
- **Human Resource**
- **Regulatory Support**
- **Financial Institutions' Support, Involvement and Commitment**



IIFM Other Services

Research Papers

- IIFM Reference Paper on I'aadat Al Shira'a (Repo Alternatives)
- IIFM Concept Papers on Islamic Hedging Product Templates
- IIFM Concept Paper on Unrestricted Wakalah
- IIFM Concept Papers on Sukuk Default & Restructuring and Standardization Assessment
- Numerous presentations on Islamic Liquidity Management, Hedging in Islamic Finance, Sukuk and other topics

Specialized Seminars, Technical Workshops and Consultative Meetings

- Generally 4 events each year
 - 2017: Kuala Lumpur, London, Surabaya and Bahrain
 - 2018: Istanbul, Kuala Lumpur, Karachi, Kuwait and Bahrain

Annual Sukuk Reports

- Regular publication since 2010 and 6th Edition published in June 2017

ANNOUNCEMENT

IIFM Annual Sukuk Report 2018



**Publishing today at IIFM Seminar
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Download from www.iifm.net



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Shukran

Wassalamu 'Alaikum

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