



NEWS RELEASE
For Immediate Release

IIFM and ISDA publish Islamic Foreign Exchange Forward Standards

MANAMA, BAHRAIN, June 6, 2016 – The International Islamic Financial Market (IIFM) and the International Swaps and Derivatives Association, Inc. (ISDA) today published two new standards for Islamic forward foreign exchange products for use in Islamic hedging transactions.

The ISDA/IIFM *Wiqayah Min Taqallub As'aar Assarf* (Islamic Foreign Exchange Forward) is part of an ongoing initiative by the two associations to provide the Islamic finance industry with documentation and product standards to mitigate risk arising from currency and rate-of-return mismatches.

The ISDA/IIFM Islamic Foreign Exchange Forward (IFX Forward) is intended to help minimize the exposure of Islamic financial institutions to foreign exchange volatility. The standards can be used to mitigate currency risk associated with capital markets instruments, as well as trade finance and corporate banking activities.

The IFX Forward falls under the ISDA/IIFM *Tahawwut* (Hedging) Master Agreement, a framework document that contains general terms and conditions, and early termination and close-out netting provisions between transacting parties.

“In recent years, Islamic finance has increased its presence in a number of new jurisdictions and territories, which has resulted in pressing demands for *Shari'ah* compliant hedging products to reduce currency risk for foreign and local investors. IIFM has been playing a leading role in the Islamic hedging segment and has produced a number of required documentation and product standards for Islamic risk mitigation purposes. I am confident the IFX Forward standards will benefit all stakeholders of the industry,” said Khalid Hamad, Chairman of IIFM.

“The IFX Forward is the latest in a series of initiatives aimed at standardizing the Islamic hedging market. Use of Islamic tools continues to grow, and it’s important that market participants have the standards and products available to manage their risk. We look forward to continuing our collaboration with IIFM to further develop the tools for this important market,” said Scott O’Malia, ISDA’s Chief Executive.

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“The Islamic banking industry has long been desirous of an industry standard that does not require usage of the balance sheet for both counterparties in foreign exchange forward hedging transactions. These standards using the *Wa’ad* structure will overcome this constraint and lead the way to handling other off-balance-sheet hedging structures. We hope these standards will position IIFM ahead of the curve and give it the prominence and credibility it deserves,” said Naveed Khan, Vice Chairman of IIFM.

“One of the unique aspects of the IFX Forward standards is the use of two independent unilateral *Wa’ad* (promise), which provides credit risk security to both the transacting parties. This was previously not achieved in the market, and IIFM/ISDA efforts have resulted in an innovative risk mitigation product in line with the strict *Shari’ah* compliance enforced by the IIFM *Shari’ah* Board. A confirmation template based on single *Wa’ad* has also been standardized to assist users who require this structure,” said Ijlal Alvi, Chief Executive of IIFM.

“This new landmark and significant standardization achievement could not have been possible without the indispensable and greatly appreciated support of the honorable Scholars on the IIFM *Shari’ah* Board, the IIFM Board of Directors and IIFM member institutions,” added Ijlal Alvi.

IIFM and ISDA acknowledge the support of Islamic Development Bank (IDB) for providing financial assistance in the development of these standards.

Two versions of the IFX Forward standard confirmations have been published as follows:

Single *Wa’ad* Structure: where only one party is the buyer who grants the *Wa’ad* in favor of the other party.

Two *Wa’ad* Structure: where each of the parties grants a unilateral *Wa’ad* in favor of the other party, and a party’s right to exercise the other party’s *Wa’ad* is subject to an exercise condition being satisfied on the exercise date. Each *Wa’ad* carries a different trigger condition and therefore does not constitute a contract.

The availability of both versions of the IFX Forward standard confirmations is in response to *Shari’ah* preferences by some market participants for each party’s *Wa’ad* to be separately documented, as well as a reflection of the existing use of single *Wa’ad* structures by other market participants.

The ISDA/IIFM *Wiqayah Min Taqallub As’aar Assarf* (Islamic Foreign Exchange Forward) standards are available on IIFM’s website www.iifm.net and on ISDA’s website www.isda.org.

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About IIFM

IIFM is a standard-setting organization for the Islamic financial services industry, focusing on the standardization of Islamic financial contracts and product templates relating to capital and money markets, corporate finance and trade finance. IIFM was founded in 2002 by the collective efforts of the Islamic Development Bank, Autoriti Monetari Brunei Darussalam, Bank Indonesia, Central Bank of Bahrain, 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 also supported as a member by certain regulatory and government bodies, such as State Bank of Pakistan, Dubai International Financial Centre, Indonesia Financial Services Authority, The National Bank of Kazakhstan, Nasdaq Dubai and by a number of international and regional financial institutions and other market participants. Information about IIFM and its activities is available on its website: www.iifm.net.

About ISDA

Since 1985, ISDA has worked to make the global derivatives markets safer and more efficient. Today, ISDA has over 850 member institutions from 67 countries. These members comprise a broad range of derivatives market participants, including corporations, investment managers, government and supranational entities, insurance companies, energy and commodities firms, and international and regional banks. In addition to market participants, members also include key components of the derivatives market infrastructure, such as exchanges, intermediaries, clearing houses and repositories, as well as law firms, accounting firms and other service providers. Information about ISDA and its activities is available on the Association's website: www.isda.org.

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