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## **IIFM and ISDA Launch *Mubadalatul Arbaah* (MA) Profit Rate Swap (PRS) Product Standard**

**BAHRAIN, Tuesday, March 27, 2012** – The International Islamic Financial Market (IIFM) and the International Swaps and Derivatives Association, Inc. (ISDA) are pleased to announce the launch of the ISDA/IIFM *Mubadalatul Arbaah* (Profit Rate Swap) product standard to be used for Islamic hedging purposes.

The *Mubadalatul Arbaah* (MA) standard follows on from the “ISDA/IIFM *Tahawwut* (Hedging) Master Agreement” and provides the industry with a framework for Islamic risk mitigation. The launch of the *Tahawwut* Master Agreement as the template for Shari’ah-compliant risk management was officially announced at a press conference hosted by Central Bank of Bahrain in March 2010.

“Islamic Financial Institutions (IFIs) have largely shown resilience in the current difficult financial environment and some are even going through an expansion phase. However, due to the inter-linkages with the global financial system, the balance sheet of IFIs are exposed to fluctuation in foreign currency rates and also cash flow mismatches due to fixed and floating reference rates. IIFM recognizes the importance of this critical segment at an early stage and undertook the challenge of developing global Islamic hedging standards in collaboration with ISDA. I am confident that such joint efforts will continue in the future for the benefit of the industry.” said Khalid Hamad, Chairman of IIFM and Executive Director of Banking Supervision at Central Bank of Bahrain.

“ISDA is pleased to continue its partnership with the IIFM as part of its own on-going efforts and commitment to building safe and efficient OTC hedging markets, across both global and Islamic financial markets” said Robert G. Pickel, Chief Executive Officer at the International Swaps and Derivatives Association (ISDA). “The ISDA/IIFM *Tahawwut* Master Agreement was a major milestone in the development of risk management in Islamic finance and the development of the ISDA/IIFM confirmation templates for Islamic Profit Rate Swaps is a natural step in the evolution and development of the market.”

The MA Agreement is a mechanism structured to allow bilateral exchange of profit streams from fixed rate to floating rate or vice versa. The documentation provides product schedules based on two separate structures for transacting MA to mitigate cash flow risk. The MA standard documentation has been developed under the guidance and approval of the IIFM *Shari’ah* Advisory Panel, in coordination with the external legal counsel Clifford Chance LLP as well as market participants globally.

“The MA Standard has given to the industry access to a robust and well developed product documentation under the *Tahawwut* Master Agreement to manage cash flow risk for various Islamic Capital Market instruments such as *Sukuk* which has seen increasing number of fixed profit rate issuances in the last few years and as the *Sukuk* market grows, the need for hedging will also increase,” said Mr. Ijlal A Alvi, Chief Executive Officer of IIFM.

“IIFM has taken a lead in preparing Islamic Financial Product and Documentation Standards for specific areas of the industry to provide best practices and clarity for sound business activities,” said Dr Ahmad Rufai, IIFM *Shari'ah* Head. On this occasion, the IIFM *Shari'ah* Department would like to thank the IIFM *Shari'ah* Advisory Panel for their indispensable and greatly appreciated support.”

Mr. Alvi also noted the role of IIFM Board of Directors and IIFM member institutions for their invaluable support and guidance in IIFM market unification efforts where support of the industry is essential for implementation to ensure sustainable growth of the industry.

The ISDA/IIFM *Mubadalatul Arbaah* documentation is available on IIFM’s website [www.iifm.net](http://www.iifm.net) and on ISDA’s website [www.isda.org](http://www.isda.org).

**For media enquiries, please contact:**

Usman M. Naseer, IIFM Bahrain, + 973 17500161, [usman.naseer@iifm.net](mailto:usman.naseer@iifm.net)

Rebecca O’Neill, ISDA London, +44 203 088 3586, [roneill@isda.org](mailto:roneill@isda.org)

**About IIFM**

IIFM is the international Islamic financial market’s organization focused on the Islamic Capital & Money Market (ICMM) segment of the Islamic Financial Services Industry (IFSI). 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 Islamic Development Bank, Autoriti Monetari Brunei Darussalam, Bank Indonesia, Central Bank of Bahrain, Central Bank of Sudan and the Labuan Financial Services Authority (Malaysia) as a neutral and non-profit organization. Besides the founding members, IIFM is supported by its permanent member State Bank of Pakistan as well as by a number of regional and international financial institutions and other market participants as its members. Information about IIFM is available at [www.iifm.net](http://www.iifm.net).

**About ISDA**

Since 1985, ISDA has worked to make the global over-the-counter (OTC) derivatives markets safer and more efficient. Today, ISDA is one of the world’s largest global financial trade associations, with over 815 member institutions from 58 countries on six continents. These members include a broad range of OTC derivatives market participants: global, international and regional banks, asset managers, energy and commodities firms, government and supranational entities, insurers and diversified financial institutions, corporations, law firms, exchanges, clearinghouses and other service providers. Information about ISDA and its activities is available on the Association's web site: [www.isda.org](http://www.isda.org).

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