

2nd Meeting of the Shariah Working Group (SWG) for the KLIBOR Transition
27th Nov 2025 Bank Negara Malaysia

Summary:

The meeting reviewed key developments since the last SWG meeting and discussed next steps to ensure a smooth and orderly transition for KLIBOR to MYOR-i for Islamic financial products. The meeting also explored strategies that could be undertaken by Islamic banks with respect to the national KLIBOR transition roadmap. The meeting then made recommendations to accelerate adoption of MYOR-i by the industry.

1. Key developments since the first SWG meeting

- 1.1. Members were updated on the summary of the first SWG meeting where members previously expressed support for the KLIBOR transition roadmap as well as a standardised fallback language which could be utilised across the industry. They were also updated on key findings from the Discussion Paper regarding the proposed transition from KLIBOR to MYOR/MYOR-i issued in 2024.
- 1.2. Members were briefed on the key developments which includes publication of Transition Roadmap and dedicated transition subpage on the Financial Market Investor Portal (FMIP). The meeting then deliberated the next steps to ensure a smooth transition to MYOR-i.

2. National KLIBOR Transition Roadmap

- 2.1. Members were briefed on key milestones outlined in the published KLIBOR transition roadmap. The meeting noted that mandatory referencing to MYOR-i for all new Islamic products will commence on 1 July 2027. While legacy contracts established before this date may fall back to MYOR, members agreed that all Islamic legacy products should transition to MYOR-i to strengthen the Islamic market segment and avoid duplication of efforts.

3. Deepening the Islamic Derivatives Market

- 3.1. Members discussed various strategies to enhance participation and usage of Islamic derivatives. First, they agreed that a feasibility study on market-making by Islamic banks should be undertaken. This study will be led by AIBIM and is targeted for completion in Q2 2026. Second, members emphasized the need to clarify to the industry that conventional banks are permitted to market make MYOR-i based Islamic derivatives products. These two initiatives were identified as key steps toward developing a robust Islamic derivatives market.
- 3.2. While it was clarified that conventional banks may use MYOR-i as a benchmark to market make MYOR-i based Islamic derivatives products, further clarity by SAC would be required, following market-making feasibility study.

4. Development of fallback mechanism for MYOR-i

- 4.1. The working group deliberated on the most suitable approach for developing a fallback mechanism for MYOR-i. Industry representatives suggested that this matter should first be tabled at the Treasury and Markets Committee (TMC) of AIBIM, with the outcomes of that discussion subsequently presented to this working group. The group further agreed that the proposed language for the fallback mechanism should be tabled to the Shariah Advisory Council (SAC) for endorsement.

5. Strategies to increase Tahawwut Master Agreement (TMA) signing

- 5.1. To increase the adoption of the TMA, members proposed several strategies. These include developing a standardised TMA to simplify the signing process, actively engaging and nudging banks to sign the agreement, and promoting education and awareness within the industry through targeted initiatives. Additionally, members suggested leveraging networking opportunities, such as the Financial Market Association Malaysia (FMAM) dinner where the initiative can be highlighted in Assistant Governor and FMAM President speeches, mainly to encourage informal discussions and foster commitment among market participants.

6. SWG recommendations

- 6.1. Members agreed that all Islamic legacy products should transition to MYOR-i to strengthen the Islamic market segment and avoid duplication of efforts.
- 6.2. Members agreed for AIBIM to undertake a feasibility study on market-making for Islamic banks, to obtain Shariah clarity from SAC on permissible activities.
- 6.3. Members agreed for AIBIM to table the development of fallback mechanism for MYOR-i at the TMC of AIBIM for further deliberation which will then be escalated to SAC for endorsement.
- 6.4. The committee urges the industry to adopt MYOR-i as a benchmark wherever possible to promote standardisation and support market development.