3rd Meeting of the Shariah Working Group (SWG) for the KLIBOR Transition
14th April 2026

Bank Negara Malaysia

Summary:

The meeting reviewed key developments since the last SWG meeting and discussed the progress on the feasibility study for market making Islamic derivatives. The meeting emphasised on the importance of seeking clarity from the Shariah Advisory Council (SAC) to accelerate the KLIBOR transition and enhance market adoption of MYOR-i by both Islamic banks and conventional banks.

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 feasibility study on market making Islamic derivatives as well as the development of MYOR-i fallback mechanism.

1.2. Members were briefed on the key developments which includes publication of compounded MYOR/MYOR-i and indices on the FMIP. Members took note that a consultation paper on market making Islamic derivatives has been sent out to the industry to kickstart the feasibility study as agreed. AIBIM has also been engaging with the International Swaps and Derivatives Association (ISDA) to develop the fallback mechanism for MYOR-i.

2. Industry Consultation Paper on Market Making Islamic derivatives

2.1. Members were briefed on the industry consultation paper sent out by AIBIM to the industry which outlined the possible pathways for market making Islamic derivatives. Members took note that further assessment on AIBIM member bank's preference would need to be studied before being presented to SAC for approval. Members recommended to have an engagement session with the Shariah scholars prior to presenting to SAC to ensure the team is able to cover all angles when seeking SAC approval.

3. Discussion on market making Islamic derivatives by conventional banks and timeline of feasibility study

3.1. Members deliberated on the possibility of allowing conventional banks to market make MYOR-i based derivatives which among others could present the benefit of increasing the liquidity of MYOR-i based products. While conventional banks are not subject to the SAC ruling, members highlighted that there must be clarity on the permissibility of conventional banks to utilise MYOR-i.

3.2. Members agreed that respective member banks should refer to the institutional Shariah Council (SC) to gather feedback and provide inputs to AIBIM to further support the feasibility study.

3.3. Members deliberated on the timeline and agreed to table the paper to SAC on feasibility study on market making Islamic derivatives by July. Members took note that the SWG workplan is on track and suggested for an industry briefing session on MYOR-i.