4th Meeting of the Shariah Working Group (SWG) for the KLIBOR Transition
17th July 2026
Bank Negara Malaysia

Summary

The meeting reviewed key developments since the last SWG meeting, which included the ongoing efforts to incorporate MYOR-i into the ISDA and IIFM definitions, and the development of MYOR-i fallback language by AIBIM. The meeting also discussed the progress of the feasibility study on market making of Islamic derivatives, followed by updates on Tahawwut Master Agreement (TMA) signing and discussion on the key areas to be covered during the Communications Working Group (CWG) session.

1. Key Developments

1.1 Members were briefed on the key developments, including the completion of Shariah Committee (SC) deliberations on the scenarios of the market making from respective Islamic Financial Institutions (IFIs). Members were also updated that AIBIM had presented the market making consultation study to the SAC AIBIM at least in two separate sessions, with the targeted submission of the complete market making study paper by end-July 2026.

1.2 Members were updated on the upcoming initiatives to support the adoption of MYOR-i, including efforts to incorporate MYOR-i into the ISDA and IIFM definitions, development of MYOR-i fallback language by AIBIM, presentation to the BNM Shariah Advisory Council (SAC) on the ruling for Islamic derivatives market making, and industry-client education sessions aimed at enhancing awareness and readiness among Islamic market participants for the transition to MYOR-i.

2. Feasibility study on Market Making of Islamic Derivates

2.1 Members were updated that Shariah feedback by the industry generally supports the market making activities when undertaken for client facilitation and liquidity provision purposes, subject to appropriate safeguards and controls. Members agreed that the clarification on the permissibility of Islamic derivative transactions between Islamic banks and conventional banks should be presented to the BNM SAC together with the main market-making study.

2.2 Members noted the need to provide a holistic picture of Islamic derivatives market making, including its nature, operations, underlying mechanisms, and the extent to which speculative elements may be present, to facilitate informed Shariah deliberation on its permissibility.

2.3 Members highlighted that there are no operational readiness concerns within the industry to undertake market-making activities, as such practices are well-established market practices. Members also highlighted that the industry has sufficient capacity to support market-making activities.

2.4 Members noted that the paper is scheduled to be presented to the BNM SAC on 24 September 2026.

3. Other Matters

3.1 Members were updated on the progress of TMA signing in the industry and the ongoing efforts to promote the TMA signing. Members highlighted that the consideration for signing the TMA is mainly based on business needs, as most DFIs are Islamic banks and generally have different commercial considerations compared to conventional banks.

3.2 Members deliberated and agreed on the key areas to be discussed with the Communications WG in preparation for the Industry Workshop scheduled for October 2026. Members proposed to have discussion with the Communication and other WGs prior to the workshop to align the strategy and expectations of the workshop.