

ISLAMIC INTERBANK BENCHMARK RATE

PULSE OF THE ISLAMIC CAPITAL MARKETS

ISLAMIC BENCHMARK COMMITTEE

TERMS OF REFERENCE

1. To provide Thomson Reuters with recommendations on the process, constituent instruments and contributor banks of the benchmarks at the annual review.
2. To provide Thomson Reuters with recommendations on the process, constituent instruments of the benchmarks as necessary on an ad-hoc basis.
3. To provide guidance as necessary on other matters pertaining to the Islamic Benchmarks, such as (but not limited to) the introduction of new currency calculations.
4. To provide advice and guidance to Thomson Reuters on the correct way to proceed with calculating and distributing the Islamic Benchmarks in the event of disruption to the market that affects the usual calculation or distribution timing or method.
5. To advise on the creation of appropriate scrutiny and governance procedures for the Islamic Benchmark.
6. To maintain links as appropriate with such statutory and other public bodies as wish to observe Islamic Benchmark Committee proceedings.
7. The Committee will meet once a year or more frequently as required.
8. The official minutes of the meeting will be recorded by the AAOIFI representative and where absent, the Thomson Reuters representative. The minutes of the meetings and all decisions made during the meeting shall be circulated within two weeks of the meeting to all members of the Islamic Benchmark Committee.
9. Committee members will sit as individuals in their own right, but will represent the views of their organisations. Members may nominate a single alternate who may attend meetings on their behalf if the member is unable to attend. Attendance at the meetings should be in person, or virtually via tele-conference, where the member is unable to attend in person.
10. The Committee may invite representatives of rate contributing banks, or other bodies as appropriate to join the committee or observe proceedings.
11. The Committee shall elect a Chairperson based on rotation (descending alphabetical order – A - Z) and the Vice-Chairperson based on rotation (ascending alphabetical order – Z - A). The term of the Chairperson and Vice-Chairperson shall be one year each. New Committee members will be required to serve for a minimum of two years before they are eligible for either the post of Chairperson or Vice-Chairperson. The term of the inaugural Chairperson and Vice-Chairperson will be two years and the Committee shall elect them by majority vote. To ensure that the Committee is seen to be transparent and independent, it is desirable that the inaugural Chairperson is independent from the contributor banks both personally or professionally. Independent, for the purposes of this clause, is defined as any member who is not affiliated in any form, associated with or is in a reliant relationship with a contributor bank. For clarity, all Committee members that are also contributor banks are NOT considered to be independent.
12. In the event of a deadlock in the committee, the Chairperson shall have a casting vote. In the event that the Chairperson is unable to attend due to incapacity, sickness, death or voluntary resignation, the Vice-Chairperson shall have a casting vote. The Chairperson will have to be re-elected at the next meeting. All members will serve terms of two years, but may be re-elected by a majority vote of the Committee.



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13. The Committee shall be quorate when a member from AAOIFI, Thomson Reuters and at least 2 representative banks are present in addition to the Chairperson, or Vice-Chairperson (where the Chairperson is unable to attend).
14. Each Committee member shall be independent of other Committee members and must provide their own opinion or vote. In all matters where voting is involved, one or more Committee members must not influence or seek to influence other members either by canvassing, colluding or encouraging other Committee members to achieve a desired outcome. If it is found that any one or more Committee members have attempted to influence voting decisions of the Islamic Benchmark Committee, those actions may be discussed with the remaining Committee members and a vote to expel the offending Committee member(s) may be passed.
15. If any of the Committee members merge or are acquired by another institution (which may also be a member of the Committee), only one of the two members will be a member for the purposes of the Islamic Benchmark Committee while the other member will have to withdraw from the Committee from thereon.
16. All proceedings and papers of the Committee shall be confidential.
17. Decisions that are of market relevance including and not limited to changes related to process, constituent instruments, contributor banks of the benchmarks and governance and scrutiny procedures should be distributed in media forms accessible to the market.
18. The deliberations of the Committee will avoid the exchange of information or other discussion on competitively sensitive matters.



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DISCIPLINARY SUB-COMMITTEE - DISCIPLINARY PROCEDURES FOR CONTRIBUTING BANKS

- 1.0 Should Thomson Reuters recommend that an issue with submissions has not been satisfactorily resolved in conjunction with the contributor, then the Islamic Benchmark Committee shall form a Disciplinary Sub-Committee to provide a recommendation to Thomson Reuters.
- 2.0 Members of the Sub-Committee will be selected from the members of the Islamic Benchmark Committee, or individuals nominated by a majority of that Committee. The Sub-Committee will consist of at least three individuals plus a chairman, elected by majority vote of the Sub-committee. The Sub-Committee Secretariat will be the AAOIFI representative and where absent, the Thomson Reuters representative.
- 3.0 Tools at their disposal are detailed below, and will include but are not limited to: issuing written guidance, to include a re-statement of contributor protocols; requiring an up-to-date audit of a bank's contribution processes; other measures as appropriate or *in extremis*, a recommendation that a contributor be removed from the relevant panel. In this latter case, the recommendation must be approved by an extraordinary meeting of the Islamic Benchmark Committee.
- 4.0 Discipline of contributors may take three forms:
- **Written guidance.** On the instructions of the Disciplinary Sub-Committee, Thomson Reuters will write to the contributor in confidence detailing the reasons the contributor is believed not to be acting in accordance with the benchmark definition or Standard Fixings Agreements for contributors and ask them to justify or remedy their actions. A full record of all correspondence will be kept and presented to the next meeting of the Islamic Benchmark Committee, however this will not be made public
- If a contributor receives guidance, the Sub-Committee will set a date to re-convene and review the actions of the contributor since the original guidance was issued. At this point the issue will either be closed or disciplinary action will escalate.
- **Requirement for a Re-Audit.** The Disciplinary Sub-Committee may issue a recommendation that a contributor is required to re-audit their internal rate submitting processes. This could happen when it is considered that the contributor is not reliably complying with the written guidance or if there are concerns with the existing audit process.
 - **Recommendation for Removal.** The Disciplinary Sub-Committee may issue a recommendation that a contributor is removed at the following review of Islamic Benchmark contributors, or *in extremis*, immediately. This will happen either when it is considered that the contributor has not complied with written guidance, or if the group believes the bank is unquestionably in breach of the Islamic Benchmark definition or Standard Fixings Agreement. The group may ask for external input from legal counsel to ensure that decisions do not raise competition law issues or implicitly favour one bank over another. In either case, the secretariat will retain records.
- 5.0 Meetings of the Sub-Committee will be as required
- 6.0 The deliberations of the Sub-Committee will avoid the exchange of information or other discussion on competitively sensitive matters.

FOR MORE INFORMATION

Eikon/3000Xtra: Call up <IBRFIX>

For further enquiries or questions, reach us at

financial.thomsonreuters.com/islamicbenchmark

islamic.finance@thomsonreuters.com

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