SWIFT Commodity Murabaha

Message Usage Guidelines

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<th>Status</th>
<th>V1.0e</th>
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1 Executive Summary

1.1 An introduction to SWIFT and standards

Next to operating a very reliable and highly secure financial global network linking more than 9,500 financial institutions and more than 700 companies across 210 countries, SWIFT is a standards body as well.

These standardised messages allow for excellent Straight-through Processing (STP), thereby resulting in reduced risk and cost. Currently the majority of standardised messages used are the “FIN MT” messages, with MT standing for Message Type\(^1\). These messages are identified by a three digit number. For example, the ones beginning with the digit 5 are messages for the automation of securities-related transactions. These messages are centrally validated, ensuring that the receiver only receives syntactically correct messages.

1.2 An introduction to MT messages for Islamic Finance

This document describes the usage of MT messages for the “Murabaha – Customer Acceptance” and “Murabaha - Customer Placement” flows.

The use of ISO 15022 messages over SWIFT does not fundamentally change the current process executed between banks, their customers and brokers. The Master Murabaha Agreement remains in place. The data defined in the schedules under the terms of the Master Murabaha Agreement is simply exchanged using standardised messages via SWIFT as opposed to the bilaterally agreed fax or email confirmations exchanged today.

This solution offers an electronic, automatable alternative to the current more manual communication, hence reducing risk & cost and improving efficiency. The service framework comprises a common market practice rulebook, messaging standards and services. Together, these components provide an efficient platform for exchanging Islamic finance messaging.

The MT 502, MT 509 and MT 515 securities-related messages capture the required data flows, if the identification of the security is replaced with the identification of the commodity. In addition, the commodity unit (e.g. FOZ for fine ounce) must be specified in a narrative field. For correct processing and to avoid confusion with the classic securities-related usage of the messages, a number of rules must be followed, as detailed in this document.

\(^1\) In addition to maintaining the FIN MT messages, SWIFT is creating a new generation of XML-based messages (also called ISO 20022 messages), and while these are out of the scope of this document, the suggested approach can easily be adapted or translated towards the new XML messages.
1.3 AAOIFI Certification of SWIFT’s Murabaha Messages

In October 2010 AAOIFI (Accounting and Auditing Organisation for Islamic Financial Institutions) certified that SWIFT’s Murabaha messages are in compliance with their international Islamic finance standards. A copy of the certificate is available from SWIFT upon request.

2 General principles

2.1 Relation to the Service Description

These message usage guidelines form an integral part of the service description.

2.2 Usage Rules

In general the messages must be implemented as described in the SWIFT User Handbook, and in addition the following rules must be followed for correct processing of the flows.

2.2.1 Message User Header

The message user header uses the words MURABAHACA (for Murabaha Customer Acceptance) or MURABAHACP (for murabaha Customer Placement) to refer to the particular usage. This differentiates with the classic securities-related usage of the messages.

2.2.2 Master Transaction reference

There is a master transaction ID repeated in the Linkages block of every message to refer all related messages back to the original master agreement. This is a purely technical reference which will help in reconciliation; it does not imply that the buying and selling of the commodity are linked.

The master transaction reference is linked to the master agreement reference and it should be maximum 16 characters long. Here is the recommended (if feasible) structure:

First 6 characters of the BIC + Date (YYMMDD) + 4 digit sequential number

BIC: for the Customer Acceptance flow, this is the BIC of the Islamic Bank. For the Customer Placement flow, this is the BIC of the Customer.

Date: The date when the master agreement was signed

4 digit sequential number: defines the transaction flow that is carried out under the master agreement umbrella.

An example: BANKGB0908240012

This globally unique master reference is a useful audit trail tool. It is visible to all parties that the UK division of the bank is behind the master agreement (characters 5 and 6 of the BIC are always the country code).
2.2.3 Commodity identification and foreseen commodities

The structure of the commodity identification and the list of foreseen commodities are detailed in section 5.1 of the appendix. Section 5.3 of the appendix explains the usage of baskets grouping different kind of commodities.

2.2.4 Commodity units

The foreseen physical commodity units are listed in section 5.2 of the appendix. They need to be specified on the “Financial Instrument Attribute Narrative” field of most messages, as shown in the message examples.

2.2.5 Message User Group (MUG)

If these messages MT 502, MT 509 and MT 515 are used in the “Islamic Finance” MUG (separate subscription applies), then you have to add an instance of the A1 Linkages block in all these messages, as follows:

:16R:LINK
:20C::COMM//ISLFIN
:16S:LINK

When using a graphical user interface, this is sufficient.

(Please note that the examples in this document do not use this reference).

Furthermore, when using the messages in STP fashion, header field tag 119 must be set to: ISLFIN

Registration to the MUG is based on customer subscription only (it is NOT mandatory, but is recommended to allow a segregation of Islamic versus Conventional use of these three messages). You can subscribe to the Islamic Finance Commodity Murabaha Messages MUG via swift.com using the following link:

http://www.swift.com/ordering/old_ordering_configuration/existing_customers/43718/messaging_services/change_subscription/fin_service_configuration/register_to_a_message_user_group.page?e

2.2.6 Solution usage follow-up

The users should check every working day for incoming messages and process them.

Currently no expected customer response times or specific customer availability requirements are defined, but a guideline is to respond within one working day.

Important

Full adoption of the solution by the Islamic finance industry is expected to take a few years. In the transition phase, not all financial institutions will be using the service. Some workflows are likely to involve financial institutions that have not yet implemented the principles described in this document. Each member of the service must try to follow these principles with other parties, even if a workflow involves a party that is not a member of this service.
2.3 Various notes

- The solution workflows are described with an example which can easily be adapted to your own needs. In essence, next to the commodity id, price and related trade dates, only the BICs for sender, receiver, buyer, seller and message originator need to change.

- This is a technical solution that does not imply adherence to a specific legal framework; such a framework is left to the customers to define bilaterally or multilaterally.

- Codes used in the message structure are exactly that: technical codes, which are in this solution without an implied business obligation. For example, a block called “REPO” is used to capture data about the deferred payment date and price; but this code does not imply that the two legs of the Islamic transaction are linked.

- We observed some variances in the exact order of steps (and names of each form), compared to the flow as documented here. However the messages are flexible enough to handle this variation.

- Depending on the user’s settlement requirements, it may be necessary to add more specific detail in the optional sequence Settlement Details, which is available in the messages, but not used in this document. Appendix 5.4 illustrates this for Cash Parties.

- For a limited number of messages per day, it is feasible to use one of the graphical user interfaces that come with your SWIFT interface. On SWIFTAlliance this would be the Messenger GUI, or alternatively SWIFTAlliance Workstation. In this case we recommend creating templates for each of your correspondents. However, to fully benefit from a SWIFT solution, integration of these messages in your back office system is recommended.
3 Murabaha – Customer Acceptance

3.1 Flow

In some cases the order of steps is slightly different, but the messages are flexible enough. The Customer in the diagram above can also be a Bank or other financial institution. Likewise, Broker B can also be a third-party Bank to whom the commodity is sold to.

3.2 Scenario – Customer Acceptance

This example scenario can be easily adapted towards your needs. It shows which fields of the message the use, and which codes to choose. In addition the messages for this flow will use the codeword “MURABAHACA” in the user header.

Unit price of “commodity”: USD 1000 per fine ounce platinum, for a total of 100 fine ounces of the commodity. Hence, the purchase amount is $100000.
The deal takes place 14 May 2009, and the deferred payback date is 14 May 2010. Commodity will be bought back for USD 1100 per fine ounce. Hence the amount is $110000, yielding a profit of $10000 for the Customer.

Islamic Bank BIC = BICIBANK
Broker A BIC = BICBROKA
Broker B BIC = BICBROKB
Customer BIC = BICCUSTO
The master agreement between bank and customer was signed on 6 April 2008, and this is the 123rd transaction flow under the umbrella of the master agreement. Hence, the master transaction reference is BICIBA0904060123.

The message syntaxes used in each step are very similar to the corresponding ones in the next flow.

If you are not familiar with SWIFT message syntax, then focus on the data that is captured in each step.

3.3 Step 0 – Signing of the Master Agreement

In step 0 of the flow diagram the Master Agreement is signed. This step does not require SWIFT messaging.

3.4 Step 1 – Customer transfers money to Bank

If this happens using an MT 202 (General Financial Institution Transfer) message, then it is recommended to use field 21 (Related Reference) to transmit the reference of the Master Agreement.

3.5 Bank arranges the purchase of commodity with Broker A

3.5.1 Step 2 – Bank sends purchase request to Broker A

Data captured
- Reference to the agreed Master Agreement.
- Seller (Broker A), using BIC code
- Purchaser: Bank (as principal/agent for customer), using BIC code
- Deal/Ticket number
- Metal / commodity
- Quantity and units
- Location: (where commodity is held)
- Purchase price
- Settlement date
- Payment and Delivery instructions

Header
BICIBANK Sender (Bank)
MT 502 Order to Buy or Sell
BICBROKA Receiver (Broker A)
{3:{108:MURABAHACA}} in the user header the sender informs that this is for Islamic banking

Body
A. General Information
   :16R:GENL
   :20C:SEME//0001 Sender’s message reference
   :23G:NEWM
   :22F:TRTR//TRAD Normal trade
A1 Linkages

:16R:LINK
:20C::MAST://BICIBA0904060123 unique master transaction reference throughout the flow.
:16S:LINK

:16S:GENL

B. Order Details

:16R:ORDRDET

B1. Price

:16R:PRIC

:90B::DEAL//ACTU/USD1000, Unit purchase price of the item

:16S:PRIC

:22H::BUSE//BUYI Sender wants to buy a “financial instrument” (here a commodity)
:22F::TOOR//MAKT at market price
:22H::PAYM//APMT Settlement against payment (the bank pays)

:98A::EXPI//20090514 Expiry date of offer

:98A::RSET//20090514 Req. settlement date

B2. Trading parties

:16R:TRADPRTY

:95P::BUYR//BICIBANK Purchaser = Bank

:97A::SAFE//12345 Bank’s commodities account (“safekeeping” account) at Broker A to be credited for commodity & quantity as stated in this message. If this optional line is not used then delivery of the commodity happens according to the standing instructions.

:20C::PROC//9966 Purchaser’s processing reference (deal/ticket number)

:16S:TRADPRTY

:16R:TRADPRTY

:95P::SELL//BICBROKA broker A is seller

:97A::CASH//67890 Bank will credit broker A’s account with the total order amount.

:16S:TRADPRTY

:19A::ORDR//USD100000, Purchase amount

:35B::LONDON/ALLOCPLAT – id of the commodity – see appendix description of the commodity (max 3 lines)

:16R:FIA

:36B::SIZE//UNIT/100, number of commodity units, the unit itself will be specified in next line

:70E::FIAN//FOZ - commodity unit (here fine ounce) in narrative: specific usage rule!

:16S:FIA

:16S:ORDRDET

3.5.2 Step 3 – Broker A sends Seller’s offer to Bank

Data captured

- Reference to the agreed Master Agreement and reference to the Purchaser’s Request sent earlier
- Seller: Broker A
- Purchaser: Bank as principal/agent...
- Seller’s Reference and Deal/Ticket number
- Metal / commodity
- Quantity
- Location
- Price
- Settlement Date
Payment and Delivery instructions

**Header**

BICBROKA **Sender (Broker A)**  
MT 502 **Order to sell**  
BICIBANK **Receiver (Bank)**  
\{3:{108:MURABAHACA}\} in the user header the sender informs that this is for Islamic banking

**Body**

A. **General Information**

:16R:GENL  
:20C::SEME//=0002 Sender's message reference  
:23G:NEWM  
:22F:TRTR//TRAD **Normal trade**

A1 **Linkages**

:16R:LINK  
:20C::MAST//=BICIBA0904060123 unique master transaction reference throughout the flow.  
:16S:LINK  
:16R:LINK  
:20C::RELA//=0001 reference to the Bank's previous message.  
:16S:LINK  
:16S:GENL

B. **Order Details**

:16R:ORDRDET  

B1. **Price**

:16R:PRIC  
:90B::DEAL//=ACTU/USD1000, **Unit purchase price of the item**  
:16S:PRIC

:22H::BUSE//=SELL Sender wants to sell a “financial instrument” (here a commodity)  
:22F:TOOR//=MAKT **at market price**  
:22H::PAYM//=APMT **Settlement against payment (the bank pays)**  
:98A::EXPI//=20090514 **Expiry date of offer**  
:98A::RSET//=20090514 **Req. settlement date**

B2. **Trading parties**

:16R:TRADPRTY  
:95P::BUYR//=BICIBANK **Purchaser = Bank**  
:97A::SAFE//=12345 Bank's commodities account (“safekeeping” account) at Broker A to be credited for commodity & quantity as stated in this message. If this optional line is not used then delivery of the commodity happens according to the standing instructions.  
:20C::PROC//=9966 **Purchaser's processing reference (deal/ticket number)**  
:16S:TRADPRTY  
:16R:TRADPRTY  
:95P::SELL//=BICBROKA **broker A is seller**  
:97A::CASH//=67890 Bank will credit broker A’s account with the total order amount.  
:20C::PROC//=2713 **Seller's processing reference**  
:16S:TRADPRTY  
:19A::ORDR//=USD100000, **Purchase amount**  
:35B://LONDON/ALLOCPLAT – id of the commodity – see appendix description of the commodity (max 3 lines; including unique warehouse reference(s))  
:16R:FIA
3.5.3 Step 4 – Bank sends Purchase Acceptance to Broker A

Data captured
- Reference to the Master Agreement and reference to the Purchaser’s Request (sent earlier) and the Broker’s Sellers Offer (sent earlier).
- Seller: Broker A
- Purchaser: Bank as principal/agent....
- Seller’s Reference and Deal/Ticket number
- Metal / commodity
- Quantity
- Location
- Price
- Settlement Date
- Payment and Delivery instructions

Header

BICIBANK Sender (Bank)
MT 515 Client confirmation of purchase or sale
BICBROKA Receiver (Broker A)

{3:{108:MURABAHACA}} in the user header the sender informs that this is for Islamic banking

Body

A. General Information

:16R:GENL
:20C::SEME//0003 sender’s reference
:23G:NEWM
:22F::TRTR/TRAD

A.1 Linkages

:16R:LINK
:20C::MAST//BICIBA0904060123 unique master transaction reference throughout the flow.
:16S:LINK
:16R:LINK
:20C::PREV//0001 reference to the Bank’s previous message.
:16S:LINK
:16R:LINK
:20C::RELA//0002 reference to the Broker’s previous message.
:16S:LINK
:16S:GENL

:16R:CONFDET (confirmation details)
:98A::TRAD//20090514 Trade date: same as next line
3.5.4 Step 5 – Bank sends Notice of Sale to Broker A

Data captured
- Reference to the Master Agreement and reference to Bank’s Purchasers Request, the Broker’s Seller Offer and the Bank’s Purchasers Acceptance (all sent earlier).
- Seller: Bank
- Purchaser: Broker B
- Seller’s Reference
- Metal / Commodity
- Quantity
- Location
- Settlement date
- Delivery instructions

Header
BICIBANK Sender (Bank)
MT 515 Client confirmation of purchase or sale
BICBROKA Receiver (Broker A)
{3:{108:MURABAHACA}} in the user header the sender informs that this is for Islamic banking

Body
A. General Information
   :16R:GENL
   :20C::SEME//0004 sender’s reference
   :23G:NEWM
A.1 Linkages

Field 20: Master Transaction Reference (MTR)

- Unique master transaction reference throughout the flow.

Field 20: Previous Message Reference (PREV)

- Reference to the Bank’s first message.
- Reference to the Bank's previous message.
- Reference to the Broker's previous message.

Field 16: Confirmation Details (CONFDET)

- Trade date: same as next line.
- Buying settlement date
- Sale unit price
- Total to be settled amount
- Purchaser’s processing reference (deal/ticket number)
- Seller’s processing reference
- Number of units
- Description of the commodity (max 3 lines; including unique warehouse reference(s))
- Commodity unit (here fine ounce) in narrative: specific usage rule!

Field 16: Other Property (OTHRPRTY)

- Bank’s commodities account (“safekeeping” account) to be credited for commodity & quantity as stated in this message. If this optional line is not used then delivery of the commodity happens according to the standing instructions.
- Broker B is buyer
- Broker B will credit Bank’s account with the total order amount.
- Seller’s processing reference
- Number of units
- ID of the commodity – see appendix

If desired, Bank can specify the commodity supplier’s name and address in this optional block:
3.6 Bank confirms trade details with the Customer

3.6.1 Step 6 – Bank sends Notice of Intent to Customer

The Bank notifies the Customer of its intent to purchase goods on behalf of the customer.

**Data captured**
- Reference to the Master Agreement
- Deal number
- Description of Commodities
- Quantity of commodities
- Unit price
- Broker
- Purchase price
- Trading date
- Deferred Sale Price
- Deferred Payment Date
- Profit Amount

**Header**

BICIBANK **Sender (Bank)**  
MT 502 **Order to buy**  
BICCUSTO **Receiver (Customer)**  
{3:{108:MURABAHACA}} in the user header the sender informs that this is for Islamic banking

**Body**

A. General Information
   :16R:GENL  
   :20C::SEME//0005 **Sender's reference**  
   :23G:NEWM  
   :22F::TRTR//TRAD **Normal trade**

A1 Linkages
   :16R:LINK  
   :20C::MAST//BICIBA0904060123 **unique master transaction reference throughout the flow.**  
   :16S:LINK
   :16S:GENL

B. Order Details
   :16R:ORDRDDET
   B1. Price
      :16R:PRIC  
      :90B::DEAL//ACTU/USD1000, **Unit purchase price of the item**  
      :16S:PRIC

   :22H::BUSE//SELL Broker A sells a “financial instrument” (here a commodity)  
   :22F::TOOR//MAKT at market price  
   :22H::PAYM//APMT Settlement against payment (the customer pays)  
   :98A::EXPI//20090514 **Expiry date of offer**  
   :98A::RSET//20090514 **Req. settlement date – used as expected deal date**

   B2. Trading parties
      :16R:TRADPRTY  
      :95P::BUYR//BICCUSTO **Customer is purchaser**
If desired, Bank can specify the commodity supplier's name and address in this optional block:

```
:16R:OHTRRPTY
:95Q::VEND// supplier name and address
:16S:OHTRRPTY
```

**E: Two Leg transaction details**

```
:16R:REPO
:98A::TERM//20100514 the deferred payment date ("maturity date")
:19A::TRTE//USD110000, the deferred sale amount
:19A::REPP//USD10000, the profit ("Repurchase Premium")
:16S:REPO
```
3.6.3 Step 8 – Bank sends Form of offer to Customer

The Bank confirms that it has purchased goods on behalf of the Customer in accordance with the terms of the Notice of Intent.

Data captured
- Reference to the Master Agreement
- Deal number
- Description of commodities
- Quantity of commodities
- Unit price
- Broker
- Purchase price
- Trading date
- Deferred Sale Price
- Deferred Payment Date
- Profit Amount

Header
BICIBANK Sender (Bank)
MT 515 Client confirmation of purchase or sale
BICCUSTO Receiver (Customer)
\{3:{108:MURABAHACA}\} in the user header the sender informs that this is for Islamic banking

Body
A. General Information
:16R:GENL
:20C::SEME//0007 sender’s reference
:23G::NEWM
:22F::TRTR//TRAD

A.1 Linkages
:16R:LINK
:20C::MAST//BICIBA0904060123 unique master transaction reference throughout the flow.
:16S:LINK
:16R:LINK
:20C::PREV//0005 reference to the Bank’s previous message.
:16S:LINK
:16R:LINK
:20C::RELA//0006 reference to the Customer’s previous message.
:16S:LINK
:16S:GENL

:16R:CONFDET (confirmation details)
:98A::TRAD//20090514 Trade date: same as next line,
:98A::SETT//20090514 Buying settlement date
:90B::DEAL//ACTU/USD1000, Purchase unit price
:19A::SETT//USD100000, Total to be settled amount
:22H::BUSE/BUYI Bank buys a “financial instrument” (here a commodity)
:22H::PAYM//APMT Settlement against payment (the bank pays)
On deferred payment date, Bank will purchase commodity

On deferred payment date, Customer will sell

Account for the payment. This is an optional line – if not present, crediting as previously agreed should happen.

processing reference (deal/ticket number)

:36B::CONF//UNIT/100, number of units

:35B::LONDON/ALLOCPLAT – id of the commodity – see appendix
description of the commodity (max 3 lines; including unique warehouse reference(s))

:36B::SIZE//UNIT/100, number of commodity units, the unit itself will be specified in next line

:70E::FIAN/FOZ - commodity unit (here fine ounce) in narrative: specific usage rule!

If desired, Bank can specify the commodity supplier’s name and address in this optional block:

:95Q::VEND//supplier name and address

E: Two Leg transaction details

the deferred payment date (“maturity date”)

the deferred sale amount

the profit (“Repurchase Premium”)

3.6.4 Step 9 – Customer sends Sale acceptance to Bank

We can use a simple to implement MT 509 status message that accepts the previous message of step 8.

Header

BICIBANK Sender (Customer)

BICIBANK Receiver (Bank)

in the user header the sender informs that this is for Islamic banking

Body

sender’s reference

referring to the previous message (the bank’s form of offer)

unique master transaction reference throughout the flow.

confirmation of the trade has been affirmed.
3.7 Bank arranges the sale of commodity to Broker B

3.7.1 Step 10 – Bank sends Seller’s request to Broker B

Data captured
- Reference to the Master Agreement and that Bank (the seller) is acting as agent for the Customer.
- Seller: Bank as agent for Customer
- Purchaser: Broker B
- Deal/Ticket number
- Metal / Commodity
- Quantity
- Location
- Price
- Settlement Date
- Delivery and Payment instructions

Header
BICIBANK Sender (Bank)
MT 502 Order to Buy or Sell
BICBROKB Receiver (Broker B)
{3:{108:MURABAHACA}} in the user header the sender informs that this is for Islamic banking

Body
A. General Information
   :16R:GENL
   :20C::SEME//0009 Sender’s message reference
   :23G::NEWM
   :22F::TRTR//TRAD Normal trade

A1 Linkages
   :16R:LINK
   :20C::MAST//BICIBA0904060123 unique master transaction reference throughout the flow.
   :16S:LINK
   :16S:GENL

B. Order Details
   :16R:ORDRDET
      B1. Price
         :16R:PRIC
         :90B::DEAL//ACTU/USD1000, Unit purchase price of the item
         :16S:PRIC
   :22H::BUSE//SELL Sender (bank) wants to sell a “financial instrument” (here a commodity)
   :22F::TOOR//MAKT at market price
   :22H::PAYM//APMT Settlement against payment (the broker pays)
   :98A::EXPI//20090514 Expiry date of offer
   :98A::RSET//20090514 Req. settlement date
B2. Trading parties
:16R:TRADPRTY
:95P::BUYR//BICBROKB Purchaser = Broker B
:97A::SAFE//1928 Broker B’s commodities account (“safekeeping” account) at
Bank to be credited for commodity & quantity as stated in this message. If this
optional line is not used then delivery of the commodity happens according to the
standing instructions.
:16S:TRADPRTY
:16R:TRADPRTY
:95P::SELL//BICIBANK Bank is seller
:97A::CASH//8254 Broker B will credit Bank’s account with the total order
amount.
:20C::PROC//9966 seller’s processing reference (deal/ticket number)
:16S:TRADPRTY
:19A::ORDR//USD100000, Sale amount
:35B::LONDON/ALLOCPHAT – id of the commodity – see appendix
description of the commodity (max 3 lines; including unique warehouse
reference(s))
:16R:FIA
:36B::SIZE//UNIT/100, number of commodity units, the unit itself will be
specified in next line
:70E::FIAN//FOZ - commodity unit (here fine ounce) in narrative: specific usage rule!
:16S:FIA

:16S:ORDRDET
:16R:OTHRPRTY
:95P::MEOR//BICCUSTO Customer is message originator: Bank is acting as agent
:16S:OTHRPRTY

3.7.2 Step 11 – Broker B sends Purchaser offer to Bank
This references the Master Agreement and the Sellers Request (sent earlier in step 10). It
quotes exactly the same details as per the above Sellers Request.

Header
BICBROKB Sender (Broker B)
MT 502 Order to Buy or Sell
BICIBANK Receiver (Bank)
{3:{108:MURABAHACA]} in the user header the sender informs that this is for Islamic banking

Body
A. General Information
:16R:GENL
:20C::SEME//0010 Sender’s message reference
:23G:NEWM
:22F::TRTR//TRAD Normal trade

A1 Linkages
:16R:LINK
:20C::MAST//BICIBA0904060123 unique master transaction reference throughout the
flow.
:16S:LINK
:16R:LINK
:20C::RELA//0009 reference to the Bank’s previous message.
:16S:LINK
:16S:GENL
B. Order Details

B1. Price

:16B:DEAL//ACTU/USD1000, **Unit purchase price of the item**

:16S:PRIC

:22H://BUSE//BUY! Sender (Broker B) wants to buy a “financial instrument” (here a commodity)

:22F://TOOR//MAKT at market price

:22H://PAYM//APMT Settlement against payment (the broker pays)

:98A://EXPI//20090514 Expiry date of offer

:98A://RSET//20090514 Req. settlement date

B2. Trading parties

:16R:TRADPRTY

:95P://BUYR//BICBROKB **Buyer = Broker B**

:97A://SAFE//1928 Broker B’s commodities account (“safekeeping” account) at Bank to be credited for commodity & quantity as stated in this message. If this optional line is not used then delivery of the commodity happens according to the standing instructions.

:20C://PROC//54258 Buyer’s processing reference

:16S:TRADPRTY

:16R:TRADPRTY

:95P://SELL//BICIBANK **Bank is seller**

:97A://CASH//8254 Broker B will credit Bank’s account with the total order amount.

:20C://PROC//9966 Seller’s processing reference (deal/ticket number)

:16S:TRADPRTY

:19A://ORDR//USD100000, **Sale amount**

:35B://LONDON/ALLOCPLAT – id of the commodity – see appendix description of the commodity (max 3 lines; including unique warehouse reference(s))

:16R:FIA

:36B::SIZE//UNIT/100, **number of commodity units, the unit itself will be specified in next line**

:70E::FIAN//FOZ - commodity unit (here fine ounce) in narrative: specific usage rule!

:16S:FIA

:16S:ORDRDET

:16R:OTHRPRTY

:95P://MEOR//BICCUSTO **Customer is message originator: Bank is acting as agent**

:16S:OTHRPRTY

3.7.3 Step 12 – Bank sends Seller’s acceptance to Broker B

This references the Master Agreement date, the Seller’s Request and the Purchaser’s Offer (sent earlier). It quotes exactly the same details as per the earlier Seller’s Request and Purchaser’s Offer.

**Header**

**BICIBANK Sender (Bank)**

**MT 515 Client confirmation of purchase or sale**

**BICBROKB Receiver (Broker B)**

{3:{108:MURABAHACA}} in the user header the sender informs that this is for Islamic banking

**Body**
A. General Information

:16R:GENL
:20C::SEME//0011 sender's reference
:23G:NEWM
:22F::TRTR/TRAD

A.1 Linkages

:16R:LINK
:20C::MAST//BICIBA0904060123 unique master transaction reference throughout the flow.
:16S:LINK
:16R:LINK
:20C::PREV//0009 reference to the Bank’s previous message.
:16S:LINK
:16R:LINK
:20C::RELA//0010 reference to the Broker B’s previous message.
:16S:LINK
:16S:GENL

:16R:CONFDET (confirmation details)
:98A::TRAD//20090514 Trade date
:98A::SETT//20090514 settlement date
:90B::DEAL//ACTU/USD1000, Purchase unit price
:19A::SETT//USD100000, Total to be settled amount
:22H::BUSE//SELL The sender (the bank) sells
:22H::PAYM//APMT

:16R:CONFPRTY
:95P::BUYR//BICBROKB Broker B is buyer
:97A::SAFE//1928 Broker B’s commodities account (“safekeeping” account) at Bank to be credited for commodity & quantity as stated in this message. If this optional line is not used then delivery of the commodity happens according to the standing instructions.
:20C::PROC//54258 Buyer’s processing reference
:16S:CONFPRTY
:16R:CONFPRTY
:95P::SELL//BICIBANK of Bank
:97A::CASH//8254 Broker B will credit Bank’s account with the total order amount.
:20C::PROC//9966 Seller’s processing reference (deal/ticket number)
:16S:CONFPRTY
:36B::CONF//UNIT//100, number of units
:35B://LONDON/ALLOCPLAT – id of the commodity – see appendix description of the commodity (max 3 lines; including unique warehouse reference(s))
:16R:FIA
:70E::FIAN//FOZ - commodity unit (here fine ounce) in narrative: specific usage rule!
:16S:FIA
:16S:CONFDET

:16R:OTHPRPTY
:95P::MEOR//BICCUSTO Customer is message originator: Bank is acting as agent
:16S:OTHPRPTY
3.8 Step 13 – Bank transfers money to Customer on deferred payment date

If this happens using an MT 202 (General Financial Institution Transfer) message, then it is recommended to use field 21 (Related Reference) to transmit the reference of the Master Agreement.

4 Murabaha – Customer Placement

4.1 Flow

In some cases the order of steps is slightly different, but the messages are flexible enough. The Customer in the diagram above can also be a Bank or other financial institution. Likewise, Broker B can also be a third-party Bank to whom the commodity is sold to.

4.2 Scenario – Customer Placement

This example scenario can be easily adapted towards your needs. It shows which fields of the message the use, and which codes to choose. In essence only the BICs for sender, receiver, buyer, seller and message originator need to change. In addition the messages for this flow will use the codeword “MURABAHACP” in the user header.

Unit (fine ounce) price of “commodity” platinum: USD 1000, for a total of 100 fine ounces. Hence, the purchase amount is $100000.

The deal takes place 14 May 2009, and the deferred payback date is 14 May 2010. Commodity will be bought back for 110 USD per unit. Hence, the repurchase amount is $110000.
Islamic Bank BIC = BICIBANK
Broker A BIC = BICBROKA
Broker B BIC = BICBROKB
Customer BIC = BICCUSTO

The master agreement between bank and customer was signed on 6 April 2008, and this is the 123rd transaction flow under the umbrella of the master agreement. Hence, the master transaction reference is BICCUS0904060123.

The message syntaxes used in each step are very similar to the corresponding ones in the previous flow.

If you are not familiar with SWIFT message syntax, then focus on the data that is captured in each step.

4.3 Step 0 – Signing of the Master Agreement

In step 0 of the flow diagram the Master Agreement is signed. This step does not require SWIFT messaging.

4.4 Step 1 – Bank transfers money to Customer

If this happens using an MT 202 (General Financial Institution Transfer) message, then it is recommended to use field 21 (Related Reference) to transmit the reference of the Master Agreement.

4.5 Customer arranges the purchase of commodity with Broker A

4.5.1 Step 2 – Customer sends purchase request to Broker A

Data captured
- Reference to the agreed Master Agreement.
- Seller (Broker A), using BIC code
- Purchaser: Customer, using BIC code
- Deal/Ticket number
- Metal / commodity
- Quantity and units
- Location: (where commodity is held)
- Purchase price
- Settlement date
- Payment and Delivery instructions

Header
BICICUSTO Sender (Customer)
MT 502 Order to Buy or Sell
BICBROKA Receiver (Broker A)
{3:{108:MURABAHACP}} in the user header the sender informs that this is for Islamic banking

Body
C. **General Information**

:16R:GENL
:20C::SEME//0001 **Sender’s message reference**
:23G:NEWM
:22F:TRTR//TRAD **Normal trade**

**A1 Linkages**

:16R:LINK
:20C::MAST//BICCUS0904060123 **unique master transaction reference throughout the flow.**
:16S:LINK

:16S:GENL

**D. Order Details**

:16R:ORDRDET

**B1. Price**

:16R:PRIC
:90B::DEAL//ACTU/USD1000, **Unit purchase price of the item**
:16S:PRIC

:22H::BUSE//BUYI **Sender wants to buy a “financial instrument” (here a commodity)**
:22F:TOOR//MAKT **at market price**
:22H::PAYM//APMT **Settlement against payment (Customer pays)**
:98A::EXPI//20090514 **Expiry date of offer**
:98A::RSET//20090514 **Req. settlement date**

**B2. Trading parties**

:16R:TRADPRTY
:95P::BUYR//BICCUSTO **Purchaser = Customer**
:97A::SAFE//12345 **Customer’s commodities account ("safekeeping" account) at Broker A to be credited for commodity & quantity as stated in this message. If this optional line is not used then delivery of the commodity happens according to the standing instructions.**
:20C::PROC//9966 **Purchaser’s processing reference (deal/ticket number)**
:16S:TRADPRTY

:16R:TRADPRTY
:95P::SELL//BICBROKA **broker A is seller**
:97A::CASH//67890 **Customer will credit broker A’s account with the total order amount.**
:16S:ORDRDET

:16R:ORDRDET
:19A::ORDR//USD100000, **Purchase amount**
:35B::LONDON/ALLOCPLAT – id of the commodity – see appendix description of the commodity (max 3 lines)
:16R:FIA
:36B::SIZE//UNIT/100, **number of commodity units, the unit itself will be specified in next line**
:70E::FIAN//FOZ - commodity unit (here fine ounce) in narrative: specific usage rule!
:16S:FIA

:16S:ORDRDET

**4.5.2 Step 3 – Broker A sends Seller’s offer to Customer**

**Data captured**

- Reference to the agreed Master Agreement and reference to the Purchaser’s Request sent earlier
- Seller: Broker A
- Purchaser: Customer as principal/agent...
- Seller’s Reference and Deal/Ticket number
- Metal / commodity
- Quantity
- Location
- Price
- Settlement Date
- Payment and Delivery instructions

Header
BIC BROKA Sender (Broker A)
MT 502 Order to sell
BICCUSTO Receiver (Customer)
{3:{108:MURABAHACP}} in the user header the sender informs that this is for Islamic banking

Body
C. General Information
:16R:GENL
:20C::SEME//0002 Sender’s message reference
:23G:NEWM
:22F::TRTR//TRAD Normal trade

A1 Linkages
:16R:LINK
:20C::MAST//BICCUS0904060123 unique master transaction reference throughout the flow.
:16S:LINK
:16R:LINK
:20C::RELA//0001 reference to the Customer’s previous message.
:16S:LINK
:16S:GENL

D. Order Details
:16R:ORDRDET
   B1. Price
      :16R:PRIC
      :90B::DEAL//ACTU/USD1000, Unit purchase price of the item
      :16S:PRIC
      :22H::BUSE//SELL Sender wants to sell a “financial instrument” (here a commodity)
      :22F::TOOR//MAKT at market price
      :22H::PAYM//APMT Settlement against payment (Customer pays)
      :98A::EXPI//20090514 Expiry date of offer
      :98A::RSET//20090514 Req. settlement date

   B2. Trading parties
      :16R:TRADPRTY
      :95P::BUYR//BICCUSTO Purchaser = Customer
      :97A::SAFE//12345 Customer’s commodities account (“safekeeping” account) at Broker A to be credited for commodity & quantity as stated in this message. If this optional line is not used then delivery of the commodity happens according to the standing instructions.
      :20C::PROC//9966 Purchaser’s processing reference (deal/ticket number)
      :16S:TRADPRTY
      :16R:TRADPRTY
      :95P::SELL//BICBROKA broker A is seller
      :97A::CASH//67890 Customer will credit broker A’s account with the total order amount.
4.5.3 Step 4 – Customer sends Purchase Acceptance to Broker A

Data captured
- Reference to the Master Agreement and reference to the Purchaser’s Request (sent earlier) and the Broker’s Sellers Offer (sent earlier).
- Seller: Broker A
- Purchaser: Customer as principal/agent....
- Seller’s Reference and Deal/Ticket number
- Metal / commodity
- Quantity
- Location
- Price
- Settlement Date
- Payment and Delivery instructions

Header
BICCUSTO Sender (Customer)
MT 515 Client confirmation of purchase or sale
BICBROKA Receiver (Broker A)
\{3:{108:MURABAHACP}\} in the user header the sender informs that this is for Islamic banking

Body

B. General Information
:16R:GENL
:20C::SEME//0003 sender’s reference
:23G::NEWM
:22F::TRTR//TRAD

A.1 Linkages
:16R:LINK
:20C::MAST//BICCUS0904060123 unique master transaction reference throughout the flow.
:16S:LINK
:16R:LINK
:20C::PREV//0001 reference to the Customer’s previous message.
:16S:LINK
:16R:LINK
:20C:::REL://0002 reference to the Broker's previous message.
:16S:LINK
:16S:GENL

:16R:CONFDET (confirmation details)
:98A::TRAD://20090514 Trade date: same as next line
:98A::SETT://20090514 Buying settlement date
:90B::DEAL://ACTU/USD100, Purchase unit price
:19A::SETT/USD100000, Total to be settled amount
:22H::BUSE//BUYI Sender wants to buy a “financial instrument” (here a commodity)
:22H::PAYM//APMT Settlement against payment (Customer pays)

:16R:CONFPRTY
:95P::BUYR//BICCUSTO Customer is buyer
:97A::SAFE//12345 Customer’s commodities account (“safekeeping” account) at Broker A to be credited for commodity & quantity as stated in this message. If this optional line is not used then delivery of the commodity happens according to the standing instructions.
:20C::PROC//9966 Purchaser’s processing reference (deal/ticket number)
:16S:CONFPRTY
:16R:CONFPRTY
:95P::SELL//BICBROKA of Broker A
:97A::CASH//67890 Customer will credit Broker A’s account with the total order amount.
:20C::PROC//2713 Seller’s processing reference
:16S:CONFPRTY
:36B::CONF://UNIT/100, number of units
:35B://LONDON/ALLOCplat – id of the commodity – see appendix description of the commodity (max 3 lines; including unique warehouse reference(s))
:16R:afia
:70E::FIAN//FOZ - commodity unit (here fine ounce) in narrative: specific usage rule!
:16S:FIA
:16S:CONFDET

If desired, Customer can specify the commodity broker or the supplier’s name and address in this optional block:
:16R:othrprty
:95Q::VEND//broker or supplier name and address
:16S:othrprty

4.5.4 Step 5 – Customer A sends Notice of Sale to Broker A

Data captured
- Reference to the Master Agreement and reference to Customer’s Purchasers Request, the Broker’s Seller Offer and the Customer’s Purchasers Acceptance (all sent earlier).
- Seller: Customer
- Purchaser: Broker B
- Seller’s Reference
- Metal / Commodity
- Quantity
- Location
- Settlement date
- Delivery instructions

Header
BICCUSTO Sender (Customer)
MT 515 Client confirmation of purchase or sale
BICBROKA Receiver (Broker A)
\{3:(108:MURABAHACP)} In the user header the sender informs that this is for Islamic banking

Body

B. General Information

A.1 Linkages

:16R:LINK
:20C::MAST//BICCUS0904060123 unique master transaction reference throughout the
flow.
:16S:LINK
:16R:LINK
:20C::PREV//0001 reference to the Customer’s first message.
:16S:LINK
:16R:LINK
:20C::PREV//0003 reference to the Customer’s previous message.
:16S:LINK
:16R:LINK
:20C::REL//0002 reference to the Broker’s previous message.
:16S:LINK
:16S:GENL

:16R:CONFDET (confirmation details)
:98A::TRAD//20090514 Trade date: same as next line
:98A::SETT//20090514 Buying settlement date
:90B::DEAL/ACTU/USD1000, Sale unit price
:19A::SETT//USD100000, Total to be settled amount
:22H::BUSE//SELL The sender (Customer) sells
:22H::PAYM//APMT Settlement against payment (Customer pays)

:16R:CONFPRTY
:95P::BUYR//BICBROKB Broker B is buyer
:97A::SAFE//12345 Broker B’s commodities account (“safekeeping” account) to be
credited for commodity & quantity as stated in this message. If this optional line is not
used then delivery of the commodity happens according to the standing instructions.
:20C::PROC//9966 Purchaser’s processing reference (deal(ticket number)

:16S:CONFPRTY
:16R:CONFPRTY
:95P::SELL//BICCUS TO of Customer
:97A::CASH//67890 Broker B will credit Customer’s account with the total order amount.
:20C::PROC//2713 Seller’s processing reference
:16S:CONFPRTY
:36B::CONF//UNIT/100, number of units
:35B:/LONDON/ALLOCPLAT – id of the commodity – see appendix
description of the commodity (max 3 lines; including unique warehouse reference(s))

:16R:FIA
:70E::FIAN//FOZ - commodity unit (here fine ounce) in narrative: specific usage rule!
:16S:FIA
:16S:CONFDET

If desired, Customer can specify the commodity broker or the supplier’s name and
address in this optional block:
:16R:OTHPRPTY
### 4.6 Customer confirms trade details with the Bank

#### 4.6.1 Step 6 – Customer sends Notice of Intent to Bank

The Customer notifies the Bank of its intent to purchase goods on behalf of the Bank.

**Data captured**

- Reference to the Master Agreement
- Deal number
- Description of Commodities
- Quantity of commodities
- Unit price
- Broker
- Purchase price
- Trading date
- Deferred Sale Price
- Deferred Payment Date
- Profit Amount

**Header**

BIC CUSTO Sender (Customer)

MT 502 Order to buy

BICIBANK Receiver (Bank)

{3:{108: MURABAHAACP}} in the user header the sender informs that this is for Islamic banking

**Body**

C. **General Information**

:16R:GENL

:20C::SEME//0005 Sender’s reference

:23G:NEWM

:22F::TRTR//TRAD Normal trade

**A1 Linkages**

:16R:LINK

:20C::MAST//BICCUS0904060123 unique master transaction reference throughout the flow.

:16S:LINK

:16S:GENL

**D. Order Details**

:16R:ORDRDET

B1. Price

:16R:PRIC

:90B::DEAL//ACTU/USD1000, Unit purchase price of the item

:16S:PRIC

:22H::BUSE//SELL Broker A sells a “financial instrument” (here a commodity)

:22F::TOOR//MAKT at market price

:22H::PAYM//APMT Settlement against payment (the bank pays)

:98A::EXPI//20090514 Expiry date of offer

:98A::RSET//20090514 Req. settlement date – used as expected deal date
B2. Trading parties

:16R:TRADPRTY
:95P::BUYR//BICIBANK Bank is purchaser
:16S:TRADPRTY
:16R:TRADPRTY
:95P::SELL/BICBROKA Broker A is seller
:97A::CASH//5555 Account for the payment. This is an optional line – if not present, crediting as previously agreed should happen.
:20C::PROC//9966 processing reference (deal/ticket number)
:16S:TRADPRTY
:19A::ORDR//USD100000, Purchase amount
:35B::LONDON/ALLOCPALT – id of the commodity – see appendix description of the commodity (max 3 lines; including unique warehouse reference(s))
:16R:FIA
:36B::SIZE//UNIT/100, number of commodity units, the unit itself will be specified in next line
:70E::FIAN//FOZ - commodity unit (here fine ounce) in narrative: specific usage rule!
:16S:FIA

:16S:ORDRDET

If desired, Customer can specify the commodity supplier’s name and address in this optional block:
:16R:OTHRPRTY
:95Q::VEND// supplier name and address
:16S:OTHRPRTY

E: Two Leg transaction details

:16R:REPO
:98A::TERM//20100514 the deferred payment date (“maturity date”)
:19A::TRTE//USD110000, the deferred sale amount
:19A::REPP//USD10000, the profit (“Repurchase Premium”)

4.6.2 Step 7 – Bank sends Purchase Acceptance to Customer

We can use a simple to implement MT 509 status message that accepts the previous message of step 6.

Header
BICIBANK Sender (Bank)
MT 509 Trade Status
BICCUSTO Receiver (Customer)
{3:{108:MURABAHAACP}) in the user header the sender informs that this is for Islamic banking

Body
:16R:GENL
:20C::SEME//0006 sender’s reference
:23G:INST

:16R:LINK referring to the previous message (the customer’s notice of intent)
:20C::RELAF//0005
:16S:LINK
:16R:LINK
:20C::MAST//BICCUS0904060123 unique master transaction reference throughout the flow.
:16S:LINK
4.6.3 Step 8 – Customer sends Form of offer to Bank

The Customer confirms that it has purchased goods on behalf of the Bank in accordance with the terms of the Notice of Intent.

Data captured
- Reference to the Master Agreement
- Deal number
- Description of commodities
- Quantity of commodities
- Unit price
- Broker
- Purchase price
- Trading date
- Deferred Sale Price
- Deferred Payment Date
- Profit Amount

Header
BICCUSTO Sender (Customer)
MT 515 Client confirmation of purchase or sale
BICIBANX Receiver (Bank)
{3:{108:MURABAHACP}) in the user header the sender informs that this is for Islamic banking

Body

B. General Information

A.1 Linkages

reference to the Customer’s previous message.

reference to the Bank’s previous message.

Trade date: same as next line
Buying settlement date
Purchase unit price
Total to be settled amount
The sender (the customer) buys

On deferred payment date, Bank will buy

On deferred payment date, Customer will sell

Account for the payment. This is an optional line – if not present, crediting as previously agreed should happen.

processing reference (deal/ticket number)

description of the commodity (max 3 lines; including unique warehouse reference(s))

If desired, Customer can specify the commodity broker or the supplier's name and address in this optional block:

If desired, Customer can specify the commodity broker or the supplier's name and address in this optional block:

Two Leg transaction details

the deferred payment date ("maturity date")

the deferred sale amount

the profit ("Repurchase Premium")

4.6.4 Step 9 – Bank sends Sale acceptance to Customer

We can use a simple to implement MT 509 status message that accepts the previous message of step 8.

Header

BICIBANK Sender (Bank)

MT 509 Trade Status

BICCUSTO Receiver (Customer)

in the user header the sender informs that this is for Islamic banking

Body

sender's reference

referring to the previous message (the Customer's form of offer)

unique master transaction reference throughout the flow.

confirmation of the trade has been affirmed.

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4.7 Customer arranges the sale of commodity to Broker B

4.7.1 Step 10 – Customer sends Seller’s request to Broker B

Data captured
- Reference to the Master Agreement and that Customer (the seller) is acting as agent for the Bank.
- Seller: Customer as agent for Bank
- Purchaser: Broker B
- Deal/Ticket number
- Metal / Commodity
- Quantity
- Location
- Price
- Settlement Date
- Delivery and Payment instructions

Header
BICCUSTO Sender (Customer)
MT 502 Order to Buy or Sell
BICBROKB Receiver (Broker B)
{3:{108:MURABAHACP}} in the user header the sender informs that this is for Islamic banking

Body
C. General Information
   :16R:GENL
   :20C::SEME//0009 Sender’s message reference
   :23G:NEWM
   :22F::TRTR//TRAD Normal trade

A1 Linkages
   :16R:LINK
   :20C::MAST//BICCUS0904060123 unique master transaction reference throughout the flow.
   :16S:LINK
   :16S:GENL

D. Order Details
   :16R:ORDRDET
      B1. Price
         :16R:PRIC
         :90B::DEAL//ACTU/USD1000, Unit purchase price of the item
         :16S:PRIC
      :22H::BUSE//SELL Sender (customer) wants to sell a “financial instrument” (here a commodity)
      :22F::TOOR//MAKT at market price
      :22H::PAYM//APMT Settlement against payment (the broker pays)
      :98A::EXPI//20090514 Expiry date of offer
      :98A::RSET//20090514 Req. settlement date
B2. Trading parties
:16R:TRADPRTY
:95P::BUYR//BICBROKB Purchaser = Broker B
:97A::SAFE//1928 Broker B’s commodities account (“safekeeping” account) at Customer to be credited for commodity & quantity as stated in this message. If this optional line is not used then delivery of the commodity happens according to the standing instructions.
:16S:TRADPRTY
:16R:TRADPRTY
:95P::SELL//BICCUSTO Customer is seller
:97A::CASH//8254 Broker B will credit Customer’s account with the total order amount.
:20C::PROC//9966 seller’s processing reference (deal/ticket number)
:16S:TRADPRTY
:19A::ORDR//USD100000, Sale amount
:35B::LONDON/ALLOCPALAT – id of the commodity – see appendix description of the commodity (max 3 lines; including unique warehouse reference(s))
:16R:FIA
:36B::SIZE//UNIT/100, number of commodity units, the unit itself will be specified in next line
:70E::FIAN//FOZ - commodity unit (here fine ounce) in narrative: specific usage rule!
:16S:FIA
:16S:ORDRDET
:16R:OTHPRPTY
:95P::MEOR//BICBANK Bank is message originator: Customer is acting as agent
:16S:OTHPRPTY

4.7.2 Step 11 – Broker B sends Purchaser offer to Customer
This references the Master Agreement and the Sellers Request (sent earlier in step 10). It quotes exactly the same details as per the above Sellers Request.

Header
BICBROKB Sender (Broker B)
MT 502 Order to Buy or Sell
BICCUSTO Receiver (Customer)
{3:{108:MURABAHACP}} in the user header the sender informs that this is for Islamic banking

Body
C. General Information
:16R:GENL
:20C::SEME//0010 Sender’s message reference
:23G:NEWM
:22F::TRTR//TRAD Normal trade

A1 Linkages
:16R:LINK
:20C::MAST//BICCUS0904060123 unique master transaction reference throughout the flow.
:16S:LINK
:16R:LINK
:20C::REL//0009 reference to the Customer’s previous message.
:16S:LINK
:16S:GENL

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D. Order Details
:16R:ORDRDET
   B1. Price
   :16R:PRIC
   :90B::DEAL//ACTU/USD1000, Unit purchase price of the item
   :16S:PRIC

   :22H::BUSE//BUYI Sender (Broker B) wants to buy a “financial instrument” (here a commodity)
   :22F::TOOR//MAKT at market price
   :22H::PAYM//APMT Settlement against payment (the broker pays)
   :98A::EXPI//20090514 Expiry date of offer
   :98A::RSET//20090514 Req. settlement date

B2. Trading parties
:16R:TRADPRTY
   :95P::BUYR//BICBROKB Buyer = Broker B
   :97A::SAFE//1928 Broker B’s commodities account (“safekeeping” account) at Bank to be credited for commodity & quantity as stated in this message. If this optional line is not used then delivery of the commodity happens according to the standing instructions.
   :20C::PROC//54258 Buyer’s processing reference
   :16S:TRADPRTY
   :16R:TRADPRTY
   :95P::SELL//BICCUSTO Customer is seller
   :97A::CASH//8254 Broker B will credit Customer’s account with the total order amount.
   :20C::PROC//9966 Seller’s processing reference (deal/ticket number)
   :16S:TRADPRTY
   :16R:TRADPRTY
   :19A::ORDR//USD100000, Sale amount
   :35B:/LONDON/ALLOCPLAT – id of the commodity – see appendix description of the commodity (max 3 lines; including unique warehouse reference(s))
   :16R:FIA
   :36B::SIZE//UNIT/100, number of commodity units, the unit itself will be specified in next line
   :70E::FIAN//FOZ - commodity unit (here fine ounce) in narrative: specific usage rule!
   :16S:FIA

   :16S:ORDRDET
   :16R:OTHRPRTY
   :95P::MEOR//BICIBANK Bank is message originator: Customer is acting as agent
   :16S:OTHRPRTY

4.7.3 Step 12 – Customer sends Seller’s acceptance to Broker B
This references the Master Agreement date, the Seller’s Request and the Purchaser’s Offer (sent earlier). It quotes exactly the same details as per the earlier Seller’s Request and Purchaser’s Offer.

Header
BICCUSTO Sender (Customer)
MT 515 Client confirmation of purchase or sale
BICBROKB Receiver (Broker B)
{3:{108:MURABAHACP}) in the user header the sender informs that this is for Islamic banking

Body
B. General Information

:16R:GENL
:20C::SEME//0011 sender’s reference
:23G:NEWM
:22F::TRTR//TRAD

A.1 Linkages

:16R:LINK
:20C::MAST//BICCUS0904060123 unique master transaction reference throughout the flow.
:16S:LINK
:16R:LINK
:20C::PREV//0009 reference to the Customer’s previous message.
:16S:LINK
:16R:LINK
:20C::RELA//0010 reference to the Broker B’s previous message.
:16S:LINK
:16S:GENL

:16R:CONFDET (confirmation details)
:98A::TRAD//20090514 Trade date
:98A::SETT//20100514 settlement date
:90B::DEAL//ACTU/USD1000 Purchase unit price
:19A::SETT//USD100000, Total to be settled amount
:22H::BUSE//SELL The sender (the customer) sells
:22H::PAYM//APMT

:16R:CONFPRTY
:95P::BUYR//BICBROKB Broker B is buyer
:97A::SAFE//1928 Broker B’s commodities account (“safekeeping” account) at Customer to be credited for commodity & quantity as stated in this message. If this optional line is not used then delivery of the commodity happens according to the standing instructions.
:20C::PROC//54258 Buyer’s processing reference
:16S:CONFPRTY
:16R:CONFPRTY
:95P::SELL//BICCUSTO Customer is seller
:97A::CASH//8254 Broker B will credit Customer’s account with the total order amount.
:20C::PROC//9966 Seller’s processing reference (deal/ticket number)
:16S:CONFPRTY
:36B::CONF//UNIT/100, number of units
:35B:/LONDON/ALLOCPLAT – id of the commodity – see appendix description of the commodity (max 3 lines; including unique warehouse reference(s))
:16R:FIA
:70E::FIAN//FOZ - commodity unit (here fine ounce) in narrative: specific usage rule!
:16S:FIA
:16S:CONFDET

:16R:OTHRPRTY
:95P::MEOR//BICIBANK Bank is message originator: Customer is acting as agent
:16S:OTHRPRTY
4.8 Step 13 – Customer transfers money to Bank on deferred payment date

If this happens using an MT 202 (General Financial Institution Transfer) message, then it is recommended to use field 21 (Related Reference) to transmit the reference of the Master Agreement.

5 Appendix

5.1 Commodity Identification

Instead of identifying a security in the MT 5xx messages, we’ll identify the commodity in field 35B: This is similar to the definition as used in field 26C: of the MT600.


where subfields are:

<table>
<thead>
<tr>
<th>Subfield</th>
<th>Format</th>
<th>Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>[3]a</td>
<td>(Delivery Details)</td>
</tr>
<tr>
<td>2</td>
<td>/15x</td>
<td>(Availability)</td>
</tr>
<tr>
<td>3</td>
<td>/5]a</td>
<td>(Allocation)</td>
</tr>
<tr>
<td>4</td>
<td>4]a</td>
<td>(Type)</td>
</tr>
<tr>
<td>5</td>
<td>[4]x</td>
<td>(Denomination)</td>
</tr>
<tr>
<td>6</td>
<td>[//8x]</td>
<td>(Form)</td>
</tr>
</tbody>
</table>

**DEFINITION**
This field identifies the commodity bought or sold. Type identifies the commodity.

**CODES**
When Delivery Details is present, it must contain one of these codes:
- CIF Carriage, Insurance and Freight
- LOC LOCO (covering cost of goods only, without carriage or warehouse charges)
- FOB Free On Board
- EXW EX Works
- FCA Free Carrier
- FAS Free Alongside Ship
- CFR Cost and Freight
- CPT Carriage Paid To
- CIP Carriage and Insurance Paid
- DAF Delivered At Frontier
- DES Delivered Ex Ship
- DEQ Delivered Ex Quay
- DDU Delivered Duty Unpaid
- OTH Other

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CODES
Allocation must contain one of the following codes:

ALLOC Specifies the commodity is allocated
UNALL Specifies the commodity is unallocated

CODES
Type must contain one of the following codes:

AIRT Air time
ALUM Aluminium
COPP Copper
IRID Iridium
LEAD Lead
NICK Nickel
OSMI Osmium
PALL Palladium
PLAT Platinum
RHOD Rhodium
RUTH Ruthenium
STEE Steel
TINA Tin
ZINC Zinc
POIL Palm Oil
COAL Coal
OLEO Oleo chemical products
BILA Bilaterally agreed, or when the exact commodity is not yet known from the start,
BASK when this trade refers to a basket of commodities (see 5.3)

USAGE RULES
Availability specifies the availability of the metal in maximum 15 characters (for example, LONDON, ZURICH, NEW YORK).
In the case of LME non UK Bonded Warehouses, use LMENONUKBONDED.
For example: :35B:/LMENONUKBONDED/ALLOCPLAT

Form specifies the physical form of the commodity.
- When the commodity is Palm Oil (POIL), form can be:
  CPO
  CPS
  PKO (for Palm Kernel Oil)
  CNO
  RBDPS (for RBD Palm Stearine)
  RBDPO (for RBD Palm Oil)
  RBDPKO (for RBD Palm Kern Oil)
  RBDCO (for RBD Coconut Oil)
  RBDPO (for RBD Palm Olein)
  COL (for Crude Olein)
  PFAD
  SBPFAD (for Special Blended PFAD)
  FFB
  PK
  PKE (for Palm Kernel Expeller)
  SA101
  SA301
  SA401

EXAMPLE
:35B:/KUALALUMPUR/ALLOCPOIL//CPO
When the commodity is an Oleo chemical product (OLEO), form can be:
STEARAC (for Stearic Acids)
SOAPP (for Soap powder)
RGLYC (for Refined Glycerine)
CCACID (for Caprylic Capric Acids)
COLEIN (for Crude Olein)
LACID (for Lauric Acids)
MACID (for Myristic Acids)
PACID (for Palmitic Acids)
OACID (for Oleic Acids)
C18M (for C18 Mixture)
CFACID (for Crude Fatty Acids)
DFACID (for Distilled Fatty Acids)
BRES (for Black Residue)
CGLYC (for Crude Glycerine)
SN8020ID (for Soap Noodles MPSN8020 (ID))
SN9010ID (for Soap Noodles MPSN9010 (ID))
SN9010IN (for Soap Noodles MPSN9010 (IN))
SN9010MY (for Soap Noodles MPSN9010 (MY))

**EXAMPLE**
:35B:/KUALALUMPUR/ALLOCOLEO//PACID

### 5.2 Commodity Units

The following commodity units and their codes are currently foreseen. These are the same codes as used in the MT600.

- FOZ Fine ounce
- GOZ Gross ounce
- GRM Gramme
- KLO Kilo
- LOT Lot
- PND Pound
- TAL Tael
- TOL Tola
- TON Metric Tonne
- TOZ Troy Ounce
- UNT Unit
- BIL Bilaterally agreed
- BSK basket of commodities, refer to basket contents for the commodities and their units involved.

### 5.3 Handling of Baskets

When the murabaha trade does entail a basket of commodities instead of one commodity, a separate message (or even a set of separate messages) is required to transfer the contents of the basket. Agree the implementation of this extra message with your counterparty.

The MT 502 and 515 messages then refer to 1 basket unit of one basket commodity, for the total amount (the unit price is also the total amount price). An example of a message extract:

```
...:16R:PRIC
:90B::DEAL//ACTU/USD1000000, **basket unit purchase price = total amount**
:16S:PRIC
```
An MT 579 “Certificate Numbers” (or a set of MT 579s) will be used to detail the exact composition of the basket. The MT579(s) will be sent together with the MT 502 or MT 509. The master transaction reference links the MT579(s) to the other messages in the flow.

We recommend a specific structure for the repeating field 35F (notes in purple). Field 35F is maximum 35 lines of 50 characters, if this is not sufficient then multiple MT 579 messages must be used with the paging mechanism.

Do not start the lines within 35F: with a “:”, and end them with a Carriage Return / Line Feed). You can detail maximum 4 commodities per MT 579 (when only using one line of commodity description); usually the maximum will be 3.

Example:

```
:35F:MAST//BICCUS0904060123 (the first line contains the master reference of the transaction).
90B::DEAL//ACTU/USD1000, (first commodity begins here)
19A::ORDR//USD1000000,
35B:/LONDON/ALLOCBASK – id of the commodity, it’s a basket
description of the basket (max 3 lines)
:16R:FIA
:36B::SIZE//UNIT/1, number of commodity units: 1 for basket
:70E::FIAN//BSK - commodity unit basket
:16S:FIA
... 
```

Message Example

Notes (also check the UHB)

- Field 28: 1/99 means that this is the first and last MT579 message
- Field 20: the reference of this MT579 message
- Field 21: the reference of the message being supplemented with basket details.

<table>
<thead>
<tr>
<th>Explanation</th>
<th>Format</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sender</td>
<td>BICCUS0904060123</td>
</tr>
<tr>
<td>Message type</td>
<td>579</td>
</tr>
<tr>
<td>Receiver</td>
<td>BICBROKA</td>
</tr>
</tbody>
</table>
5.4 Settlement details, commission, profit rate and fixing price

Here we see examples on how to capture extra information that you may wish to convey. Agree bilaterally with your counterparty if you intend to exchange these data.

If you need to specify other details for the settlement, the MT 502 and MT 515 messages do feature an optional “Settlement Details” block which can be used to capture this information.

As an example, the place of settlement is captured in the optional repeatable “Cash Parties” subsequence (C2 in the MT 502, D2 in the MT 515) which is part of the “Settlement Details” block.

<table>
<thead>
<tr>
<th>O/M</th>
<th>Tag</th>
<th>Content</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>O</td>
<td>:16R:</td>
<td>SETDET</td>
<td>Settlement details block</td>
</tr>
<tr>
<td>(M)</td>
<td>:22F:</td>
<td>:SETR/TRAD</td>
<td>Settlement of a trade</td>
</tr>
<tr>
<td>O</td>
<td>:16R:</td>
<td>CSHPRTY</td>
<td>Optional Cash party block, can be used to determine the place of settlement at other institution</td>
</tr>
<tr>
<td>(M)</td>
<td>:95P:</td>
<td>:ACCW//BICSSI</td>
<td>BIC of Bank who services account</td>
</tr>
<tr>
<td>O</td>
<td>:97A:</td>
<td>:CASH//123456</td>
<td>the cash account on BICSSI for the payment</td>
</tr>
<tr>
<td>O</td>
<td>:16S:</td>
<td>CSHPRTY</td>
<td></td>
</tr>
<tr>
<td>O</td>
<td>:16S:</td>
<td>SETDET</td>
<td></td>
</tr>
</tbody>
</table>

Note: (M) means this is a mandatory field inside an optional sequence.

This example shows the detailing of the commission in the optional repeatable “Amounts” subsequence which is part of the “Settlement Details” block.
<table>
<thead>
<tr>
<th>O/M</th>
<th>Tag</th>
<th>Content</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>O</td>
<td>:16R</td>
<td>SETDET</td>
<td>Settlement details block</td>
</tr>
<tr>
<td>(M)</td>
<td>:22F</td>
<td>:SETR//TRAD</td>
<td>Settlement of a trade</td>
</tr>
<tr>
<td>O</td>
<td>:16R</td>
<td>AMT</td>
<td>Optional Amounts block</td>
</tr>
<tr>
<td>(M)</td>
<td>:19A</td>
<td>:CHAR//USD100,</td>
<td>100 USD in charges</td>
</tr>
<tr>
<td>O</td>
<td>:16S</td>
<td>AMT</td>
<td></td>
</tr>
<tr>
<td>O</td>
<td>:16S</td>
<td>SETDET</td>
<td></td>
</tr>
</tbody>
</table>

Note: (M) means this is a mandatory field inside an optional sequence.

In addition the Amounts block has the optional field 98A::VALU//valuedate, which could be used as follows:

<table>
<thead>
<tr>
<th>O/M</th>
<th>Tag</th>
<th>Content</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>O</td>
<td>:16R</td>
<td>SETDET</td>
<td>Settlement details block</td>
</tr>
<tr>
<td>(M)</td>
<td>:22F</td>
<td>:SETR//TRAD</td>
<td>Settlement of a trade</td>
</tr>
<tr>
<td>O</td>
<td>:16R</td>
<td>AMT</td>
<td>Optional Amounts block</td>
</tr>
<tr>
<td>(M)</td>
<td>:19A</td>
<td>:DEAL//USD100000,</td>
<td>100000 USD trade amount</td>
</tr>
<tr>
<td>O</td>
<td>:98A</td>
<td>:VALU//20090514</td>
<td>Value date</td>
</tr>
<tr>
<td>O</td>
<td>:16S</td>
<td>AMT</td>
<td></td>
</tr>
<tr>
<td>O</td>
<td>:16S</td>
<td>SETDET</td>
<td></td>
</tr>
</tbody>
</table>

Note: (M) means this is a mandatory field inside an optional sequence.

Note: In this solution the trade date should normally be the same as the value date, hence the field was not captured explicitly in the main chapters of this document.

There is no dedicated explicit code for capturing the profit rate, but we can use “repo rate” in the Two Leg transaction block. The code “REPO” is in the context of the solution just a technical code, and we use it to capture the profit rate. An example:

<table>
<thead>
<tr>
<th>O/M</th>
<th>Tag</th>
<th>Content</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>O</td>
<td>:16R</td>
<td>REPO</td>
<td>Two Leg transaction details block</td>
</tr>
<tr>
<td>O</td>
<td>:98A</td>
<td>:TERM//20100514</td>
<td>the deferred payment date (“maturity date”)</td>
</tr>
<tr>
<td>O</td>
<td>:92A</td>
<td>:REPO//10,</td>
<td>10% Profit rate (captured with technical code for repo rate)</td>
</tr>
<tr>
<td>O</td>
<td>:19A</td>
<td>:TRTE//USD110000,</td>
<td>The deferred sales amount</td>
</tr>
<tr>
<td>O</td>
<td>:19A</td>
<td>:REPP//USD10000,</td>
<td>The profit (“Repurchase Premium”)</td>
</tr>
<tr>
<td>O</td>
<td>:16S</td>
<td>REPO</td>
<td></td>
</tr>
</tbody>
</table>

Note: (M) means this is a mandatory field inside an optional sequence.

Some users may wish to convey a fixing price, this is the actual price per unit without broker commission. This can be done in the MT 502 using an extra iteration of the optional repetitive subsequence B1 Price. An example:

<table>
<thead>
<tr>
<th>O/M</th>
<th>Tag</th>
<th>Content</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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Note: (M) means this is a mandatory field inside an optional sequence.
The above examples could be combined.

5.5 Free text

You may want to add narrative information, for example for contact details or Sharia clauses, or to cover new needs that are not covered by this version of this document.

Agree bilaterally with your counterparty if you intend to exchange these data.

In the MT 502 you can use the optional field 70E: Trade Instruction Processing Narrative at the end of sequence B Order Details. The maximum is 10 lines of 35 characters, for more you could refer to an email or to a related MT599 free text message. An example:

```
<table>
<thead>
<tr>
<th>O/M</th>
<th>Tag</th>
<th>Content</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>M</td>
<td>:16S:</td>
<td>FIA</td>
<td>End of the subsequence B3 Financial Instrument Attributes</td>
</tr>
<tr>
<td>O</td>
<td>:70E:</td>
<td>:TPRO//CONTACT INFO PHONE XXXX EMAIL REF 343545ABC SHARIA CLAUSES XXXX XXXX XXXX XXXX</td>
<td>Narrative information. Note: code TPRO is mandatory.</td>
</tr>
<tr>
<td>M</td>
<td>:16S:</td>
<td>ORDRDET</td>
<td>End of the sequence B Order Details</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
```

Similarly, in the MT 515 you can use the optional field 70E: Narrative at the end of sequence C Confirmation Details. The maximum is 10 lines of 35 characters, for more you could refer to an email or to a related MT599 free text message.

There is no elegant way to add narrative text in the MT 509. The MT 509 is used as a simple “acceptance” message which may not require this extra text, and if needed you could use a related MT599 free text message.
6 Revision record

<table>
<thead>
<tr>
<th>Revision</th>
<th>Date</th>
<th>Author</th>
<th>Description</th>
<th>Sections affected</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.0</td>
<td>19 January 10</td>
<td>Tom Alaerts</td>
<td>First version of document.</td>
<td>All</td>
</tr>
<tr>
<td>1.0b</td>
<td>12 February 10</td>
<td>Tom Alaerts</td>
<td>2 small additions</td>
<td>1.2 &amp; 5.1</td>
</tr>
<tr>
<td>1.0c</td>
<td>9 March 10</td>
<td>Tom Alaerts</td>
<td>Small extra clarification on narrative.</td>
<td>5.5</td>
</tr>
<tr>
<td>1.0d</td>
<td>21 October 10</td>
<td>Tom Alaerts</td>
<td>Added closed user group info</td>
<td>2.2.5</td>
</tr>
<tr>
<td>1.0e</td>
<td>1 November 10</td>
<td>Peter Ware</td>
<td>Added AAOIFI endorsement</td>
<td>1.3</td>
</tr>
</tbody>
</table>

End of document