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March 2023

International Islamic Liquidity Management Corporation (IILM) Issuance Certification of the Short-Term Trust Certificate Issuance Programme (Fatwa)

The Shari'ah Committee is issuing this update as part of its ongoing oversight of the International Islamic Liquidity Management Corporation's (IILM) short-term trust certificates programme.

The Shari'ah Committee has considered the following principal transaction documents (collectively, the **Principal Transaction Documents**) related to IILM's programme (the **Programme**) for the issuance of Short Term Trust Certificates (the **IILM Sukuk**):

- the Programme Administration Agreement;
- the Master Issuer Declaration of Trust;
- the Asset Declaration of Trust;
- the Wakala Deed;
- the Investment Advisory Agreement;
- the Primary Dealer Agreement;
- the Tahawwut Master Agreement and Schedule;
- the Terms & Conditions of the IILM Sukuk;
- the Agency Agreement;
- the Account Bank Agreement;
- the Asset Custody Agreement;
- the Master Definitions and Framework Deed; and
- the Information Memorandum.

The Programme contemplates creation of IILM Sukuk based on a *wakala* form. The IILM Sukuk represent ownership rights in a pool of Shari'ah-compliant assets (the **Asset Pool**) arranged by IILM in accordance with guidelines and approvals of the Shari'ah Committee and with the Principal Transaction Documents. From time to time, series of IILM Sukuk with varying terms, representing investments in the Asset Pool, are issued to investors. Capitalized terms not defined herein have the meanings given to them in the Information Memorandum, as amended from time to time.

IILM established two International Islamic Liquidity Management SA (the **Issuer** and the **Trustee**) and IILM Holding SA (**Holding** and the **Asset Trustee**) as limited-purpose, wholly-owned subsidiaries for the purposes of the Programme. Under the Programme Administration Agreement, IILM acts as overall administrator of the Programme. Under the Asset Declaration of Trust, the Asset Trustee holds certain property, consisting principally of the Asset Pool, in trust in favour of the Issuer. Under the Master Issuer Declaration of Trust, the Trustee holds certain property, consisting principally of the Issuer's interest in the Asset Pool, in trust in favour of the holders of IILM Sukuk, and the Issuer

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issues from time to time series of IILM Sukuk representing ownerships interests in this trust property. Under the *Wakala* Deed, the Issuer undertakes for the benefit of the IILM Sukuk holders to

act as their agent (*wakeel*) to apply the IILM Sukuk proceeds to invest in the Asset Pool and is consequently entitled to an agreed fee for doing so. Under the Investment Advisory Agreement, IILM acts as Investment Advisor to Holding and the Issuer in relation to the Programme and is entitled to an agreed fee for doing so. Under the Primary Dealer Agreement, certain financial institutions are appointed by the IILM and the Issuer to act as primary dealers of the IILM Sukuk, and in that capacity participate in competitive auctions of IILM Sukuk and make a secondary market in IILM Sukuk. Under the Tahawwut Master Agreement (based on IIFM-ISDA documentation), if required, the Issuer will enter into a master Shari'ah-compliant hedging arrangement under which it may periodically enter into a commodity-based wa'd arrangements for risk management through profit rate swaps.

The IILM Sukuk may be issued in series from time to time, with varying commercial terms, and maturities not exceeding 364 days. IILM Sukuk holders may receive profit up to the stated target profit rate for each series and would be expected to receive payment of the nominal amount of the series on the relevant maturity date.

Having considered and reviewed the Principal Transaction Documents and related materials, having held various discussions and deliberations on these, and having regard to the objective of the IILM to facilitate cross-border liquidity management amongst institutions offering Islamic financial services by making available a variety of Shari'ah-compliant instruments, on commercial terms, to suit their varying liquidity needs, the Shari'ah Committee is of the view that:

1. The Principal Transaction Documents are in compliance with the principles of Shari'ah.
2. The relationship between IILM Sukuk holders and the Issuer is a valid *wakala* in which the Issuer is entitled to an agreed fee and, except in the case of applicable losses, IILM Sukuk holders would be expected to receive an agreed upon target profit and return of their investment at the end of the term of the *wakala*.
3. IILM as Investment Advisor may act as *wakeel* under a *wakala bi ajr* on behalf of the Issuer and Holding and may receive an incentive fee for doing so upon achieving an agreed performance.
4. Within the restrictions set out in the Principal Transaction Documents, the Issuer may issue IILM Sukuk in various series, all backed by a single Asset Pool consisting of various sukuk.
5. The Issuer may only issue new series of IILM Sukuk to investors if its total assets including the Asset Pool would equal or exceed the total nominal amount of outstanding IILM Sukuk.
6. The Issuer may extend the maturity of a particular series of IILM Sukuk, provided that this possibility is clearly stated in the original terms of such series and the relevant IILM Sukuk holders may receive additional target profit for the increase in the term of such series.
7. The Shari'ah structure of any new asset entering the Asset Pool must be within the guidelines and approvals of the Shari'ah Committee.
8. IILM should maintain a ratio of 51% tangible/non-financial to 49% intangible/financial assets (as defined by the Shari'ah Committee) in the Asset Pool, with such calculation made by considering the nominal value of the various tangible/non-financial and intangible/financial assets of the

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underlying the assets in the Asset Pool. If an unanticipated imbalance in this ratio occurs, it must be notified to IILM Sukuk holders and cured within 90 days.

9. While the Asset Pool may contain assets with a purchase undertaking feature if such structures adhere to AAOIFI Shari'ah standards, IILM may also enter into more restrictive arrangements to avoid exposure to purchase undertakings.

The Shari'ah Committee will periodically review the Programme in its on-going operations and, if necessitated by changes in the Programme structure or the Principal Transaction Documents, may update this Certification as appropriate.

The Shari'ah Committee will permit corrections and revisions of the forms of the Principal Transaction Documents, provided the IILM has confirmed with the Shari'ah Committee that these do not affect the substance of the Programme's Shari'ah permissibility.

Allah knows best in these and all other matters.

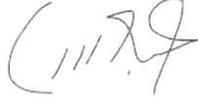
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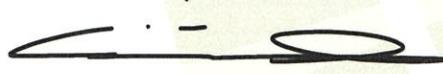
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