

PMEX

Your Futures Exchange
The Exchange of the Future

The Case for Murabaha @ PMEX

- ✦ Provide a transparent, efficient and regulated platform for commodity Murabaha
- ✦ Provide a Sharia complaint platform for Islamic banks to efficiently deploy their liquidity
- ✦ Starting with HSD and other commodities can be added as required

Murabaha @ PMEX

- ✦ Underlying commodity – *High Speed Diesel (HSD)*
 - ✦ Ample quantity
 - ✦ Controlled pricing
 - ✦ Robust storage & infrastructure
 - ✦ Deliverable
- ✦ Who can participate?
 - ✦ Banks
 - ✦ Corporates
 - ✦ Government, etc.
- ✦ Sharia Compliant

Murabaha Sharia Requirements

Sharia Conditions	PMEX Murabaha
The commodity must exist at the time of sale	✓
Short selling is not allowed	✓
Commodity must be in the possession of the seller	✓
Commodity recognition by Sharia	✓
Must not be used for un-Islamic purposes	✓
The sale must be unconditional and instant	✓
After sale physical or constructive possession transferred to the Buyer	✓
The delivery must be possible	✓
The price must be certain	✓
Opportunity for other buyers and sellers exists	✓

How PMEX Murabaha Works

- ✦ Oil Marketing Companies (OMCs) will provide the underlying commodity (HSD) for Murabaha
- ✦ Islamic bank to purchase the HSD from the Exchange; and
- ✦ Sell the same HSD on deferred payment to the counterparty
- ✦ Counterparty can monetize the HSD by selling it back at the Exchange

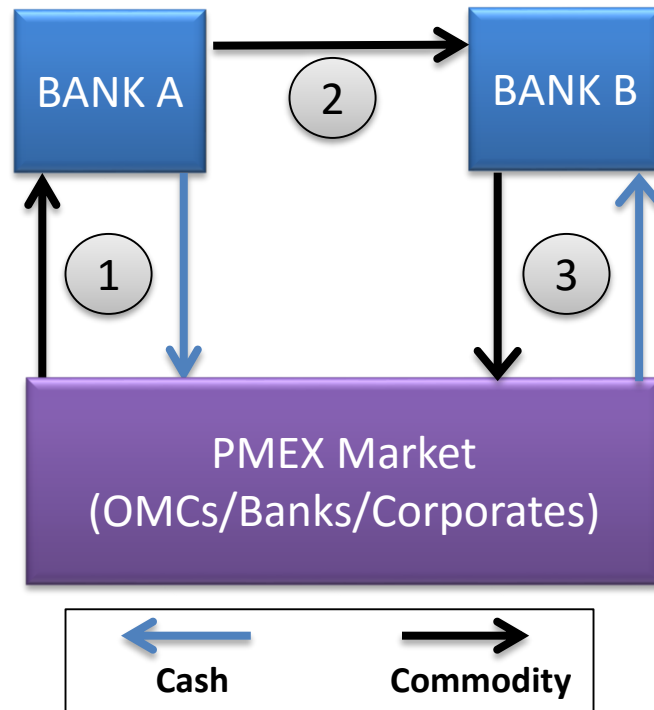
PMEX Murabaha Market Participants

- ✦ **Primary Bank:** This can be any bank, Islamic or conventional that has excess liquidity and needs to lend.
- ✦ **Client Bank:** This also can be any bank, Islamic or conventional bank which is in need to borrow funds to manage its liquidity needs.
- ✦ **Brokers:** Brokers here means PMEX brokers who have the rights to trade on PMEX. They will act as the enablers for Banks and OMCs/ Traders to place bids and offers on PMEX ETS.
- ✦ **Traders:** The market participants who buy or sell the commodity in the physical market.
- ✦ **OMC:** The Oil Marketing Company, who act as market maker on PMEX ETS.

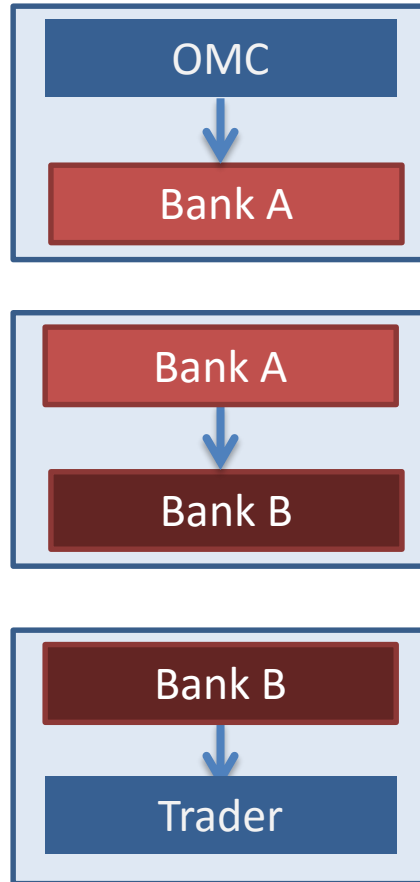
PMEX Role

- ✦ **PMEX ETS:** The PMEX's electronic trading system
- ✦ **Repository system:** The electronic record keeping system of inventory ledgers
- ✦ Risk Management
- ✦ Cash flow management through clearinghouse
- ✦ Reporting for Banks, OMCs, Brokers
- ✦ Trade confirmations
- ✦ Qualification of participants

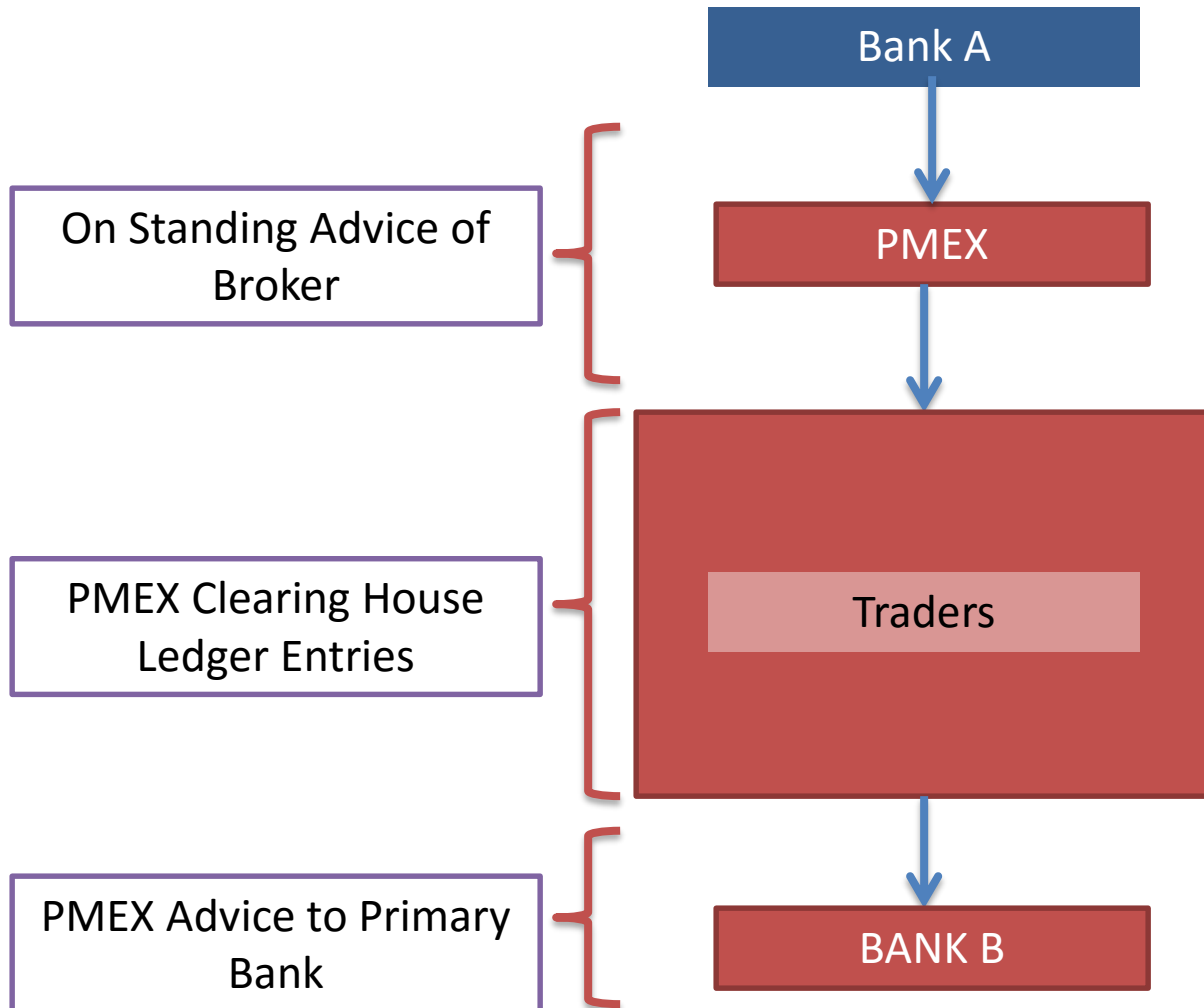
MURABAHA TRANSACTION MODEL



COMMODITY FLOW



CASH FLOW (Banking Transfers)



Murabaha Commodity Market

Inventory Availability Confirmation Screen

OMC Inventory Availability (liter)	
Product	Available for Sale
HSD	500,000

OMC Tank Advice		
Product	HSD Total Inventory	HSD Available for Sale
Tank 1 Port Qasim	200,000	50,000
Tank 2 Port Qasim	200,000	50,000
Tank 3 Port Qasim	200,000	100,000
Tank 4 Port Qasim	500,000	300,000

Submit

BANK A
(Islamic)

Murahaba Commodity Market

Primary Bank Area

Purchase Screen

Offer			
Lots	Price	Value	
500,000	100	50,000,000	<u>Buy</u>

1 lot = 1 liters

BANK A
(Islamic)

Murahaba Commodity Market

Primary Bank Area

Commodity Buying Screen

Product	OMC HSD
Qty	500,000 Lots (Liters)
Price	100
Value	50,000,000

Buy

BANK A
(Islamic)

Murahaba Commodity Market

Commodity	OMC HSD
Tanks	Tank1(50k), Tank2 (50K) Tank3(100k), Tank4 (300K)
Commodity Buy Qty	500,000 Lots (Liters)
Commodity Price	100
Commodity Value	50,000,000

BANK A
(Islamic)

Murahaba Commodity Market

Commodity Transfer Screen

Offering (Primary) Bank	Islamic Bank
Commodity	OMC HSD
Tanks	Tank1(50k), Tank2 (50K) Tank3(100k), Tank4 (300K)
Commodity Offered Qty	500,000 Lots (Liters)
Commodity Offered Price	103
Commodity Offered Value	51,500,000
Commodity Sales Qty	500,000 Lots (liters)
Commodity cost Price	100
Commodity Sales Value	50,000,000
Payment Due Date	3 Months
Gain/Loss (%age)	12% pa

Accept

Reject

BANK B

Murahaba Commodity Market

Sales Screen

Market Bid Screen

Lots	Price	Value	
20,000	100	2,000,000,000	<u>Sale</u>

BANK A
(Islamic)

Murahaba Commodity Market

Primary Bank Area

Transaction Execution Intimation Screen

Transaction has been successfully executed!

Offer Sent : xxx/xx/20xx at xx:xx hrs

Commodity purchased: xxx/xx/20xx at xx:xx hrs

Offer Accepted by Secondary Bank : xxx/xx/20xx at xx:xx hrs

Details

Offering (Primary) Bank	Islamic Bank
Commodity	HSD
Tanks	Tank1(50k), Tank2 (50K) Tank3(100k), Tank4 (300K)
Commodity Purchased Qty	500,000 Lots
Commodity Purchased Price	100
Commodity Purchased Value	500,000,000
Commodity Sales Qty	500,000 Lots
Commodity Sales Price	103
Commodity Sales Value	51,500,000
Payment Tenure	3 Months
Gain	12 % pa

BANK B
Commercial

Murahaba Commodity Market

Secondary Bank Area

Transaction Execution Intimation Screen

Transaction has been successfully executed!

Offer Received : xxx/xx/20xx at xx:xx hrs

Offer Accepted: xxx/xx/20xx at xx:xx hrs

Sale Executed: xxx/xx/20xx at xx:xx hrs

Details

Offering (Primary) Bank	Bank A (Islamic Bank)
Tanks	Tank1(50k), Tank2 (50K) Tank3(100k), Tank4 (300K)
Commodity	HSD
Commodity Purchased Qty	500,000 Lots
Commodity Purchased Price	103
Commodity Purchased Value	51,500,000
Commodity Sales Qty	5,000 Lots
Commodity Sales Price	100
Commodity Sales Value	50,000,000
Payment Due Date	3 Months
Gain/Loss	12% pa

PMEX Murabaha Trading Process Flow

1. All market participants will open account with PMEX through a PMEX registered broker resulting in creation of Cash and Inventory ledger accounts of all market participants.
2. PMEX will have an account with each transacting bank.
3. Banks are required to deposit cash in this account before initiation of trade
4. PMEX will update the daily HSD price in the trading system
5. All trades at PMEX ETS will be executed on the price mentioned above i.e, **Single Price Market**
6. OMC will update HSD inventory in ETS available for Murabaha in the following manner:
 - I. Tank location and unique identification number of tank
 - II. Total inventory in each tank
 - III. Inventory available for sale in each tank

PMEX Murabaha Trading Process Flow

7. Upon inventory update in the PMEX system, the system calculates tradable lots and OMC places sell orders in the system.
8. Bank A will make advance payment to the Clearinghouse before placing the purchase/buy order.
9. Primary Bank A will buy HSD equivalent to Murabaha amount from OMC through the ETS.
10. At this stage PMEX will transfer the ownership of HSD from OMC to the Primary Bank A. The inventory ledger of the Primary Bank A with the clearinghouse/repository will reflect Bank's ownership.
11. PMEX will generate ETS certificate confirming the ownership and delivery to the certificate holder. The bank may take a printout which will serve the purpose of ownership receipt as well as entitlement for physical delivery.

PMEX Murabaha Trading Process Flow

12. The trading fee of PMEX, OMC charges for the storage of HSD or any other fee, if applicable, will be billed separately to Bank A.
13. The ownership & constructive possession will be in the name of Bank A while physical possession of the HSD will remain with OMC.
14. At this stage Primary Bank A will have the right:
 - i. To take physical delivery from OMC, either directly or through its agent.
 - ii. Bank A may sell this HSD to any market participant other than OMC itself either directly or indirectly (through Agency). However, OMC being an agent of its distributors may purchase HSD.
15. Distributor to appoint OMC as agent and agreement for the same will be reviewed by the Shariah Advisor.

PMEX Murabaha Trading Process Flow

16. Primary Bank A may sell this HSD to the Client Bank B on Murabaha basis, outside the PMEX. Bank A shall inform transaction details to PMEX to update its system and records. PMEX will then transfer the ownership of the HSD in the name of Bank B in the inventory ledger of the clearinghouse. PMEX will generate ETS certificate.
17. The deferred payment (from Client Bank B to Primary Bank A) and its related terms and conditions i.e. sale price, maturity date, etc. (the “Murabaha Contract”) will be out of the PMEX regulatory ambit and both the banks will be solely responsible for such terms and conditions without any liability and responsibility of PMEX.
18. The constructive possession will now be in the name of Bank B while physical possession of the HSD will remain with OMC.

PMEX Murabaha Trading Process Flow

19. At this stage Bank B will have the following rights:
 - i. To take physical delivery from OMC, either directly or through its agent. Or
 - ii. Bank B may sell this HSD to any market participant other than Bank A or OMC itself either directly or indirectly (through Agency). However, OMC being an agent of its distributors may also purchase HSD.
20. If Client Bank B sells HSD in PMEX market, PMEX will transfer funds to the Client Bank B on behalf of purchaser.

PMEX Murabaha Trading Process Flow

21. At this stage new Buyer, will have the right:
 - I. To take physical delivery from OMC, either directly or through its agent, in their HSD Tankers from designated tanks by showing PMEX ETS Certificate. or
 - II. New buyer may sell this HSD to any market participant other than OMC itself either directly or indirectly (through Agency). However, OMC being an agent of its distributors may also purchase HSD.
22. OMC acting as an agent of its distributors is allowed to purchase this inventory for its distributors who either have made advance payment to the OMC or will make payment after an agreed credit term. In case of credit purchases, OMC will be responsible for the creditworthiness (guarantee) of its distributors.

PMEX Murabaha Trading Process Flow

23. OMC shall maintain record of all purchases made on behalf of its distributors through PMEX ETS which will be randomly audited by PMEX Shariah Advisor.
24. This will complete the whole Murabaha Market transaction.

Requirements For Trading @PMEX

- ✱ Separate trading platform for Murabaha
- ✱ Revised & simplified Account opening form for Murabaha
- ✱ Each Participant will open a trading account with PMEX through a broker
- ✱ PMEX will open bank account with each bank for funds movement
- ✱ All trades will be executed by the banks themselves
- ✱ Buying Bank will opt a broker while initiating Murabaha transaction
- ✱ All inflow and out flow of funds will be directly between banks and PMEX
- ✱ Brokers can view the transaction details in the system
- ✱ PMEX will invoice its fee to banks after the end of month
- ✱ Brokers will also invoice commission independently to the banks

Requirements For Trading @PMEX

- ✱ PMEX transaction fee is 0.053 % per annum on the value of commodity for the tenor of Murabaha Transaction.
- ✱ The fee will be charged to the owner of commodity at the time of changes in commodity ownership.

- Presentation Ends -