



The Shariah Guide

to the Procedures and Controls of BisB Products

Prepared by

Shariah Coordination and Implementation

Reviewed by

Shariah Supervisory Board

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Praise be to Allah, the Lord of the Worlds; and blessings and peace be upon our Prophet Muhammad and upon all his Family and Companions.

The Shariah Coordination and Implementation department at BisB is pleased to present the third edition of **“The Shariah Guide to the Procedures and Controls of BisB Products”** book, which is implemented in the bank’s various departments serving the individuals, corporates, and inter-bank sectors to raise awareness and develop the level of Shariah controls within the bank, and to enlighten our valued customers with the procedures followed, contracts and models used.

The publication of this booklet came after a review conducted by the departments responsible for executing the financing products, questions raised by the staff responsible for the execution, and customers’ inquiries. The booklet preparation was based on the Shariah standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and the Fatwas of the bank’s Shariah Supervisory Board.

We have introduced several additions and amendments that have occurred to the bank’s products since the first edition, which was in 2015, and the second edition, which was in 2021.

In conclusion, we extend our sincere gratitude to the bank’s management for their continuous cooperation, and to the Honorable Shariah Supervisory Board for their kind review of this edition.

We ask the Almighty to benefit everyone from this publication
Peace be upon you and Allah’s mercy and blessings

Shariah Coordination and Implementation

Subject	Page No.
MURABAHA TO THE PURCHASE ORDERER (AUTO)	4
TASHEEL PRODUCT	15
TAWARRUQ	26
MURABAHA OF LETTERS OF CREDIT AND BILLS OF COLLECTION	33
CARDS	50
IJARAH MUNTAHIA BILTAMLEEK	56
COMMUNITY LIVING PROJECTS	77
JOINT MORTGAGE (PARI PASSU)	80
FINANCING THE NEW PROJECTS OFFERED BY THE MINISTRY OF HOUSING	87
DIMINISHING MUSHARAK	92
LETTER OF GUARANTEE	105
INVESTMENT MURABAHA REVERSE MURABAHA	111
INVESTMENT WAKALAH	118
MUDARABAH	123
CURRENCY TRADING	131
RE-SCHEDULING OF PAYMENTS AND INSTALLMENT DEFERRALS	140

MURABAHA TO THE PURCHASE ORDERER

The Shariah Guide to the Procedures and Controls of BisB Products

MURABAHA TO THE PURCHASE ORDERER (AUTO)

DEFINITIONS

MURABAHA DEFINITION

It is the sale of an asset pointing out its cost and profit.

MURABAHA TO THE PURCHASE ORDERER DEFINITION

It is when the bank purchases an asset from its owner upon a request from the client (the purchase orderer), the client signs a binding promise (Waad) to purchase the asset from the bank after buying the asset. Once the bank purchases the asset, it then sells the asset to the client through a Murabaha contract.

ASSETS USED IN THE PRODUCT

Cars only (used and new).

PAYMENT TENOR

7 Years

YEAR THE PRODUCT WAS APPROVED

1980

SECTORS USING THIS PRODUCT

Retail, S.M.E., Large Corporates.

SUBJECT	SHARIA GUIDELINES
Signing the application form including a promise (Waad) to buy the asset signed by the client.	1. The client signs the application form and the promise clause that binds the client to purchase the asset from the bank after buying the asset. 2. Ensure that all fields are filled out entirely and correctly.
Asset Description	NOTE: The asset is described in the Quotation. NEW CARS: 1. The Quotation should initially come in the name of the bank, but it is also accepted to have it in the name of the client in the condition that the final invoice is to be in the name of the bank. 2. The Quotation should initially be signed and stamped from the Merchant (Car Dealer); the bank can also accept the Quotation without the stamp (if the dealer refuses to stamp) provided that the Quotation must be printed on an official paper and from an authorized person from the dealer. 3. The Quotation should initially be on original copy; it can also be accepted through a Fax or E-mail provided that authentication of signatures is ensured. 4. The bank must examine the quotation to confirm the car's description as the bank is the owner of the car. 5. The Quotation must have all the car's description such as the VIN number, color, price etc. 6. If the bank received a discount on the car's price, the client must be informed. 7. The bank provides Auto Murabaha financing for cars that are available and ready in the Kingdom of Bahrain.
Asset Description	USED CARS (subject to bank's terms): The bank uses the ownership document and insurance to know the details of the car; this can also be accompanied by a Quotation from the car showroom.

SUBJECT	SHARIA GUIDELINES
Purchase and Ownership	1. The bank should ensure that there is no contract between the client and the Merchant (Car dealer), and if it was proven that client has contracted either through a down-payment or other forms, this contract must then be terminated through a termination document signed by the client and the merchant and filled out entirely and accurately showing the signature date. 2. The bank must enter into a contract with the merchant directly through either purchasing by phone call followed by stamping the Quotation or through the purchase order document signed by the bank to the Merchant or through accepting the Quotation if it was in the bank's name. 3. If the bank receives an amount from the client before signing the Murabaha contract with him, this is then called a "Hamish Jiddiyah". If the amount was received after signing the contract by both parties, this is then called an "Arboun", and if the client terminates the contract, the bank then has the right to deduct any actual damages from the Hamish AlJiddiyah amount only. 4. If the bank receives an amount from the client during or after signing the Murabaha contract with him, this is then called an Arboun and it is part of the asset's price, but if the client terminates the contract, the bank then has the right to take the full Arboun amount. NOTE: The bank owns the car upon approval of the purchase from the seller and bears responsibility for its damage, even if only for a few moments. This falls under the concept of constructive possession, where the item doesn't need to be physically in the bank's possession.

SUBJECT	SHARIA GUIDELINES
Murabaha Expenses	1. ADMINISTRATION FEES - The bank charges Admin. Fees in the amount of 126 BD (including taxes), and this fee is charged for opening the file and the effort involved. Also, the bank has the right to charge this fee even if the client decides to cancel the transaction. - If the bank pays an Admin. Fee to a third party on behalf of the client, the bank has the right to charge it as an expense to the financed asset and earn a profit on it, but the bank's own Admin. Fee, or any other fees thereof, will not be expensed and profited from. 2. TAKAFUL LIFE INSURANCE - In the event the client chooses to insure through the bank, the bank will not charge profits on the insurance. - In the event the client chooses a third party, the insured amount will be added to the Murabaha and the bank will charge profits only if it was paid by the bank, but if the client pays for the insurance, then the bank has no right to charge profits. 3. AUTO INSURANCE - The car is sold with full insurance. - In the event the bank buys a car without insurance and sells the car, the client then has a choice to choose from any insurance company but with a preference for a Takaful company. - In the event the car is insured conventionally (non-Islamic insurance), the bank can buy the car as is, but if the conventional insurance expires while under ownership of the bank, the bank then will renew with an Islamic insurance company. 4. TAXES - The bank can buy a car inclusive of VAT if it was included in the Quotation as it is considered part of the asset, therefore it is allowed to calculate Murabaha on the entire amount. - As for the tax calculated on the Murabaha administrative fee, the bank calculates it directly on the customer without adding it to the value of the car.

SUBJECT	SHARIA GUIDELINES
LPO	1. In principle, the purchase order should be dated before or at the time of the Murabaha contract. 2. The purchase order must be issued by the bank to the merchant (car dealer) from whom they bought the car. 3. The purchase order must be signed and stamped by the bank, indicating the date of signing. 4. The car must be accurately described in the purchase order, including possible reference to the pricing.
Murabaha Sale	1. The contract must be signed between the bank and the customer after the bank purchases the car and owns it. 2. The following details must be stated in the contract: a. Car details, with possible reference to pricing. b. Original purchase price. c. Bank's profit. d. Final selling price. e. Schedule of installments for settling the Murabaha debt. f. Expenses and other fees incurred by the customer.
Murabaha Sale	1. The customer and the bank must sign the contract, specifying the date of signing; it is preferable to sign on all pages of the contract. 2. The customer is provided with a copy of the contract.
Final Invoice	The final invoice must meet the following conditions: 1. It should be issued in the name of the bank. 2. It should be issued in its original copy. 3. It should clearly outline the details of the goods. 4. It should be signed and stamped by the seller.

SUBJECT	SHARIA GUIDELINES
Registration	The car can be registered in the client's name. Also, the bank can request to register it in its name along with the client as a guarantee.
Securities	The bank is entitled to take Shariah-acceptable guarantees as a precaution against any default by the customer, such as signing checks, Hamish Jiddiyah, providing surety bonds, pledging goods, or registering them in the bank's name, etc.
Sudden Events	1. In case of customer withdrawal (cancellation) from purchasing the goods: • If the withdrawal occurs before the bank purchases the goods: it is permissible, and the bank is not entitled to take compensatory amounts except for administrative fees. • If the withdrawal occurs after the bank purchases the goods: a distinction is made between two scenarios: - If there is an agreement between the bank and the merchant regarding the possibility of returning the goods if they are not sold by the bank, this is called a (Khyar AlShart/ conditional option). In this case, the bank will not incur any costs or losses, therefore the bank can only demand compensation for administrative fees from the customer. - If there is no agreement between the bank and the merchant regarding the Khyar AlShart/ condition option, in this case, if the goods remain with the bank, it can sell them to any party with the customer bearing the difference between the purchase price of the car and its selling price to the third party, in addition to administrative fees.

SUBJECT	SHARIA GUIDELINES
Sudden Events	2. In the event of Customer's Death The insurance company bears the coverage of the remaining amount when insuring through Takaful on the customer's life. 3. In the event the customer desires to sell the car to another party: • Either they sell it while the customer continues to pay installments to the bank, which is permissible. • Or the debt is transferred to the new buyer, which is also permissible through standard procedures of debt transfer or financing them through the product TASHEEL. 4. Damage to the Goods (Car Defects): • If it is found that the defect is due to the car agency, the customer recourses to the agency for compensation or replacement because the bank has referred the customer to the car agency with all rights. The customer continues to pay installments for the original car, and the new car can be pledged to the bank without signing a new Murabaha contract. • In the event of an accident resulting in total damage to the car, the customer recourses to the insurance company, which compensates the bank for the remaining amount of financing installments similar to an early settlement event, and the transaction ends. 5. Error in Car Specifications: • If an error is discovered before the bank sells the car, the bank then requests the merchant to correct the specifications. • If the bank sells the car through Murabaha, and a non-material error is discovered (such as an error in the chassis number or color, etc.), manual/by-hand amendments can be made to the contract signed by both parties. • If the bank sells the car through Murabaha, and a material defect (an error or defect in the sold car) is discovered, the contract must then be terminated, and the correct car repurchased, followed by the signing of a new Murabaha contract. 6. Error in the Murabaha Contract: • In the event of an unintentional typo error in the Murabaha contract, an amendment can be made in the contract and signed by both parties.

SHARIA COMPLIANT PROCEDURAL STEPS

Procedural Steps		Documents	Executing Department
FIRST: INITIAL STEPS			
1	Client signs on the application and declaration forms	Finance Application Form	Branches/Sales
2	Receipt of Quotation from the Merchant	Quotation	Branches/Sales
3	Customer signs the following documents: (no specific order required) A. Client appoints the Bank as Wakil/agent to sell the car. B. Customer's signature on the Traffic Directorate document. C. Acceptance letter for life insurance from the insurance company (if the customer wishes to insure), and in normal circumstances, this letter is not required due to the presence of an internal insurance fund that automatically secures all Murabaha contracts.	• Special Power of Attorney to Sell a Car • Traffic Form	Branches/Sales

Procedural Steps		Documents	Executing Department
4	Ensuring that the customer has not contracted with the merchant (car dealer), and in case the customer has contracted and paid an advance amount to the car dealer, a termination contract must be signed between the customer and the merchant (car dealer), in addition to settling the payment balance if the car is used.	Termination contract	Branches/Sales
5	Stamping and signing the Purchase Order by the bank and sending it to the merchant (car dealer)	Local Purchase Order (LPO)	Branches/Sales

SECOND: EXECUTION STEPS

1	Receiving the following documents: A. Authorization letter for the customer to receive the car and the required documents from the merchant. B. Copy of the car insurance. C. Car ownership document.	Letter of Authorization to Deliver Vehicle	Opreations
2	Printing the Murabaha contract between the bank and the customer	Auto Murabaha Sale contract	Opreations
3	Customer signing the Key Disclosure Form.	Murabaha Key Terms Disclosure Tax Form	Branches/Sales

Procedural Steps		Documents	Executing Department
4	Bank purchasing the car directly from the merchant (car dealer) either through a phone purchase followed by stamping and signing the quotation, or approval of the quotation if it is in the bank's name (considered as an offer notice), or simply stamping and signing the Purchase Order from the bank to the merchant (the method of purchase may vary depending on the car dealership), and in case the car is used, a sale contract is signed between the bank and the car owner.	According to the document used by the Merchant (Car Dealer)	Branches/Sales
5	Signing the Murabaha contract between the bank and the customer (in electronic contracts, the bank's signature is not required, and the customer's signature is sufficient, and presenting the contract to the customer by the bank constitutes acceptance).	Auto Murabaha Sale contract	Branches/Sales
6	Receipt of the final invoice for the car.	Invoice	Opreations
7	Payment to the merchant (car dealer) by issuing a cheque.	Manager's Cheque	Opreations
8	Car registration.	-	Client

TASHEEL PRODUCT

The Shariah Guide to the Procedures and Controls of BisB Products

TASHEEL PRODUCT

PRODUCT SHARIA GUIDELINES

FOR THE BANK

Murabaha

FOR THE CUSTOMER

Tawarruq

YEAR OF PRODUCT APPROVAL

2006

REASON FOR PRODUCT APPROVAL

Problems arising in Murabaha transactions for building materials and furniture.

Difficulty in financing some items through Murabaha or Ijarah.

Customers' need for cash.

Diverse needs of customers.

SECTORS USING THE PRODUCT

Individuals - Medium-sized Companies.

AVAILABLE GOODS

Inside the Kingdom of Bahrain: Building materials.

Outside the Kingdom of Bahrain: Metals - Petroleum derivatives.

SUBJECT	SHARIA GUIDELINES
Signing the Application form and Promise to Purchase Document	1. The customer signs the form containing the binding promise to purchase the goods. 2. Ensuring that all data is filled out completely and accurately.
Acknowledgment of Using the Amount	The purpose required for financing must match the approved purposes, which are (treatment - marriage - renovation - travel (touristic or religious) - building materials - furniture - debt repayment - investment purposes - used car that cannot be financed through Auto Murabaha - purchase of machinery and equipment - payment of down payment for real estate).
Promise to Finance	The bank sends the financing Promise document signed and stamped to the agent (Fajr Company) or merchant number (1) with the customer's name mentioned.
Goods Description + Pricing	1. The Quotation should ideally be in the bank's name. 2. The Quotation should ideally be signed and stamped by the merchant, and exceptions can be made to accept the Quotation without a stamp provided that it must be issued on an official form and by an authorized employee of the merchant. 3. The Quotation must be examined to know the details of the goods since the bank is the buyer. 4. The Quotation should include all specifications such as unit price, quantity, and final amount.
Murabaha Expenses	1. Administrative Fee: The bank charges an administrative fee of 126 BHD (including tax), and this fee is charged for opening the file and the effort involved, and the bank may deduct the fee even if the customer cancels the transaction. If the bank pays the administrative fee on behalf of the customer, what has been paid can be added to the cost of the goods, and profit can be calculated on it. However, the administrative fee not paid by the bank cannot be added, and profit cannot be calculated on it.

SUBJECT	SHARIA GUIDELINES
Murabaha Expenses	2. Takaful Life Insurance: a. In the event the client chooses to insure through the bank, the bank will not charge profits on the insurance amount. b. If the customer chooses to have insurance from another company, the amount is added to the Murabaha, and the bank charges profit on it if the bank pays this amount. However, if the customer pays it, the bank is not entitled to charge profit on it. 3. Taxes: a. The bank can purchase the car inclusive of (VAT) if it was included in the Quotation considering it part of the asset, and thus the bank is allowed to calculate Murabaha on the entire amount. b. Regarding the tax calculated on the administrative fee for Murabaha, the bank calculates it directly on the customer without adding it to the value of the car.
Purchase and Ownership	Possession of the goods is done through the I.T. system, with the necessity of putting the date on the stamp or a signature on the Quotation. Note: From a Sharia perspective, the bank owns the goods upon acceptance of the purchase and bears the responsibility for its damage. This is considered constructive possession, where the goods don't need to be in the bank's possession.
Murabaha Contract	1. The contract must be signed between the bank and the customer after the bank purchases the goods and owns them. 2. The following details must be stated in the contract: a. Goods details, and the pricing can be referenced. b. Original purchase price. c. Bank's profit. d. Final selling price. e. Schedule of installments for settling the Murabaha debt.

SUBJECT	SHARIA GUIDELINES	
Murabaha Contract	- Both the customer and the bank must sign the contract, mentioning the date of signing, and it is preferable to sign on all pages of the contract. - The customer is provided with a copy of the contract.	
Commodity Ownership Document of the commodity	- It must be ensured that the agent provides the customer with proof of their ownership of the goods. - All details of the goods must be stated in the document. - The customer's signature on the document must be confirmed, along with noting the date of the signature.	
Sale of Goods	When the company is assigned as an agent to sell (Wakil)	When the customer wants to personally receive the goods and sell them
	- The customer assigns the agent to sell after the Wakil obtains the ownership document for the goods. - The specifications of the goods must be stated in the agency contract. - The agent's approval of the agency contract must be stated. - The agent is responsible for sending an Offer to sell the goods to merchant No. (2), including the specifications of the goods and the name of the customer.	- Merchant No. (1) must deliver the goods to the customer if requested, and the customer can then sell these goods to merchant No. (2) or another merchant, with the customer bearing the loss if forced to sell the goods for less than its price. - In all cases, the customer must obtain an ownership document for the goods.

SUBJECT	SHARIA GUIDELINES
Paying the amount to the customer	The second merchant's purchase of the goods from the customer is followed up, and the amount is deposited into the customer's account by an order from the buyer merchant No. (2) to the bank, with the deduction from the merchant's account by the agent.
Securities	The bank is entitled to take the necessary guarantees in anticipation of any default by the customer, such as signing Cheques, Hamish Jiddiyah, joint guarantees, etc.
Emergency Events	1. Customer cancels the Purchase of Goods: - If the cancellation occurs before the bank purchases the goods: There is no objection, and the bank is not entitled to charge any compensatory fees except for administrative fees. - If the cancellation occurs after the bank purchases the goods: There are two scenarios: a. If there is an agreement between the bank and the merchant allowing the return of the goods to the merchant if they are not sold by the bank (known as Khayar AlShart (conditional option), then the bank will not incur any costs or losses. In this case, the bank can only demand compensation from the customer for administrative fees. b. If there is no agreement between the bank and the merchant regarding Khayar AlShart, in this case if the goods remain with the bank it can sell them to any party with the customer bearing the difference between the purchase price of the goods and the selling price to the third party, in addition to administrative fees. 2. Customer's Death: - The insurance company covers any remaining amounts when obtaining Takaful life insurance on the customer.

SHARIA COMPLIANT PROCEDURAL STEPS

	Procedural Steps	Documents	Executing Department
FIRST: INITIAL STEPS			
1	Customer's signature on the application form and declarations (including the purchase to promise clause).	Finance Application Form	Branches/Sales
2	Customer acknowledgment of the purpose of the financing.	Tasheel Declaration	Branches/Sales
3	Authorization for deducting administrative and insurance fees (if paid directly by the customer).	Authorization to deduct from the account	Branches/Sales
4	Sending a request for quotation issuance to the agent (Fajr Company).	-	Operations
5	The bank's receipt of the quotation from the agent (Fajr).	Seller's Offer	Operations

	Procedural Steps	Documents	Executing Department
SECOND: EXECUTION STEPS			
1	Possession of the goods is done through the I.T. system	Seller's Offer	Operations
2	Print the following documents: A. Purchase Order B. Murabaha Contract C. Bank ownership document of the goods D. Terms and Disclosure Form	A. Local Purchase Order (LPO) B. Murabaha Contract (TASHEEL for Retail) C. Ownership document of the goods D. Murabaha Key Terms and disclosure (KTD)	Operations
3	Stamp and sign the purchase order by the bank and sending it to the first merchant.	Local Purchase Order (LPO)	Branches/Sales
4	Customer's signature on the main terms and conditions form	Murabaha Key Terms and disclosure (KTD)	Branches/Sales
5	The bank and client sign the Murabaha contract	Murabaha Contract (Retail Tasheel product)	Branches/Sales
6	The bank and client sign on the client's asset ownership document.	Goods ownership document	Branches/Sales

	Procedural Steps	Documents	Executing Department
7	The client assigns a third party (Fajr) as agent to sell the goods	Agency	Branches/Sales
8	Sending the following documents to the agent (Fajr): A. Quotation. B. Commodity Ownership Document. C. Bank assigns the client as agent to sell the commodity to the agent (Fajr Company).	A. Seller's Offer B. Commodity ownership document C. Agency	Branches/Sales
9	The agent (Fajr) sells the goods to the second merchant	-	-
10	The second merchant confirms their purchase of the goods and requests payment from their account with the bank to the customer.	Payment Instruction	Operations
11	Depositing the funds in the client's account	-	Operations

A COMPARISON BETWEEN TYPES OF TAWARRUQ IN THE BANK

Basis of comparison	Retail	Corporates Normal Tawarruq, Flexible Financing, Tawarruq against Cheques	Inter Bank Bank as financier or financee
Procedure for executing the transaction	Signs preliminary contract by hand (through Branches or Sales)	Offer letter and preliminary agreement (by hand) Transaction procedures are completed (electronically)	Offer letter and preliminary agreement (by hand) Transaction procedures are completed (electronically)
Amounts	Monthly maximum transaction limit (according to supplier's statement) : 8 to 9 million BHD. Amount limit per quotation : from BD1000 to BD150,000	Based on the customer's request and the bank's terms. Fajr Company (as an intermediary).	According to the agreement between the banks and according to the available liquidity.
Types of Commodities	- Local: Building Materials - Foreign: Petroleum byproducts or Building Materials (Platinum)	Foreign: Platinum-Aluminum-Palladium-Petroleum Products Less than 100,000 (Petroleum Products) More than 100,000 (Other Commodities)	Foreign: Platinum-Aluminum-Palladium
bank's broker	Fajr Company (as a broker)	Eiger or Fajr (for medium and small companies) (as Agents), and sales are made to one of the following companies: Ashton / Downey Day / Condor Trade / Eiger / Falcon	Fajr / Ashton Downey Day / Condor Trade Eiger / Falcon

Basis of comparison	Retail	Corporates Normal Tawarruq, Flexible Financing, Tawarruq against Cheques	Inter Bank Bank as financier or financee
Agent for the Customer	Fajr Company (as an Agent)	The bank (the bank is appointed to sell the commodity on behalf of the customer due to the system not allowing the customers to appoint the mentioned brokers). / Fajr Company (as an Agent)	- When financing from one bank to another: the bank appoints the other bank to buy and sell on its behalf. - When the bank provides financing: the bank appoints another bank to conduct transactions on its behalf.
The Contract	Murabaha contract Tasheel	Master Murabaha agreement (Tawarruq)	Murabaha contract - Investment agreement
Transaction parties	Five parties: The bank, customer, Agent, First Merchant and Second Merchant.	Five parties: The bank, customer, Agent, First Merchant and Second Merchant.	Four parties: The bank, customer, Agent and Merchant
The Executing Department	Branches / Sales: Receiving the request, signing the form, and issuing a purchase promise. Credit Management: Reviewing and approving the request. Operations Management: Execution followed by contract signing. Note: The transaction can be completed electronically.	Corporate Sector: Receiving financing requests. Credit Management: Studying the request, preparing contracts, entering the transaction into the automated system, and completing the Purchase and Sale process electronically. Corporate Sector + Operations - Back Office (via Fajr or Eiger Company's system): Signing contracts, exchanging notifications, and executing Purchase and Sale transactions.	Investment management (Deller): It is conducted through Reuters program, where agreements are reached regarding the amount, transaction, date, and profit. Operations management - Back Office (via Fajr Company's system): It involves entering the transaction into the automated system, along with exchanging notifications and executing the Purchase and Sale of commodities.

TAWARRUQ

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TAWARRUQ - COMMODITY MURABAHA

DEFINITION

It is the Murabaha transactions executed by the bank in the international market.

SCOPE OF APPLICATION

Institutions, Corporations, and banks.

PROCEDURES

1. The bank purchases a commodity from the international market according to the amount desired by the customer through an authorized agent.
2. The bank sells the commodity to the customer through Murabaha.
3. The customer authorizes the bank/Fajr Company to sell the commodity in the international market.

TYPES OF MURABAHA

1. Normal Tawarruq
2. Flexible Financing TWC

Subject	Sharia Guidelines
Reasons for launching the product	Normal Tawarruq: 1. Inability to finance it through other products such as Murabaha, Ijarah, or Musharaka. 2. The need for cash for investment purposes - debt repayment - repayment of deferred installments - purchases, and others. Flexible Financing: Obtaining cash for working capital purposes - operational capital, and others.
Administration fees	The bank charges the customer an administrative fee, not exceeding 1% of the financing amount, for the following reasons: opening the file, feasibility study, financial situation study, and the effort expended in preparing documents and contracts.
Buying the commodity	The commodity must meet the following conditions: 1. The commodity must be present and distinctly specified from other commodities through description and quantity. 2. Ensuring the constructive or actual possession of the commodity through proven documents. 3. The commodity must be sold to someone other than the seller from whom it was purchased on credit (a third party). 4. There should be no connection between the first purchase contract (between the bank and the owner of the commodity) and the second sale contract (between the bank and the customer). 5. The customer should not authorize the bank to sell the commodity except when necessary.
Selling the Commodity through a Murabaha Contract	The customer offers the bank to enter into the transaction (Offer notice). • The notice must be issued from the customer to the bank and signed. • The cost price, settlement date, and payment period must be specified.

Subject	Sharia Guidelines
Selling the Commodity through a Murabaha Contract	Acceptance notice from the bank to the customer. • The acceptance notice is sent only after the bank has ownership of the commodity. • The description of the commodity must be clearly explained, including the cost, profit, and final selling price Murabaha confirmation from the customer to the bank. • This notice confirms the customer's purchase of the commodity from the bank. • The customer authorizes the bank to sell the commodity through this notice. Note: The bank can sign a memorandum agreement with the customer, whereby later on they can only exchange notices for each transaction.
Process for deducting installments	• Normal Tawarruq: The bank can agree with the customer on the installment payment procedure, which can either be through equal installments or the customer pays the equivalent of the transaction's profits and settles the principal at the end of the term. • Flexible Financing: The bank deducts the installment monthly, then the bank can waive the installment or part of it without a restriction or condition.
Securities	The bank is entitled to take necessary securities in anticipation of any default by the customer, such as: the customer's signature on checks, Hamish Jiddiyah, joint guarantees, pledging of the commodity, or registering it in the bank's name, etc.
Emergency Events	1. Linking Profit to a Floating Rate Index: • In principle, it is permissible to link the profit to a variable index, provided that the profit is fixed before signing the contract continuing throughout the installment period. In the event of a rate change, it is then adjusted through a new Murabaha transaction and a new commodity, executed through a special Murabaha agreement according to the following steps:

Subject	Sharia Guidelines
Emergency Events	- The bank and the customer enter into a single Murabaha transaction (includes the principal amount and profit) for the entire period , with the profit rate agreed between the bank and the customer. In this Murabaha, there is a Waad (promise) from the bank and the customer to conduct another Murabaha transaction when the index rises or falls from the profit rate mentioned in the Murabaha. - The agreed profit index is reviewed periodically. If the bank grants a profit higher than the index rate, the customer then enters into a Murabaha transaction with the bank based on its previous Waad Mulzam (obligatory promise), and the bank profits from the difference. If it is found that the bank gave the customer a profit lower than the index, the bank then enters into a Murabaha transaction with the customer and the customer profits from the difference; this is done periodically at each due date at the agreed profit rate with the customer.
	2. The customer's authorization to the bank: • When necessary, the customer may authorize the bank to sell the goods on their behalf after receiving them (which is the current application for corporate transactions).
	3. Non-response of the Customer to the Bank's Offer to Purchase the Commodity: • There is a clause in the contract stating that the customer implicitly accepts to purchase the commodity if they do not expressly respond to the bank's offer within a certain period, then this will be considered as an implied acceptance, and the bank can proceed with the purchase and sale transaction. However, the customer's signature must be obtained later, and all necessary signatures completed, even if delayed.
	4. The procedure of Customer Response to a Sale Acceptance: • In principle, it is for the customer's response and signature to be represented in the acceptance notice. However, if obtaining the customer's acceptance of the notice is not possible, their acceptance can be obtained through any valid means such as text messages, emails, or others, with the customer's signature obtained later on the authorized notice.

SHARIA COMPLIANT PROCEDURES

Procedures		Documents	Executing Department
1	Agreement with the customer on the financing details through the offer letter.	Offer Letter	Credit
2	Signing the memorandum agreement with the customer (signed once only for each new transaction, and no need to repeat it upon renewal).	A memorandum of understanding agreement to Purchase and sell commodities.	Credit
3	Purchase request from the bank to the first seller (Eiger Company).	Through the system	Credit
4	Seller's offer from the first merchant (Eiger Company) to the bank.	Supplier's Offer	Credit
5	Purchase acceptance from the bank to the first merchant (Eiger Company).	Buyer's Acceptance	Credit
6	Commodities certificate from the first merchant (Eiger Company) to the bank.	Commodity certificate	Credit
7	An Offer letter from the customer to the Bank to purchase the commodities.	Appendix 1: Offer letter to enter into a Murabaha transaction	Credit

Procedures		Documents	Executing Department
8	Acceptance notice from the Bank to the customer to sell the commodities.	Appendix 2: Murabaha Contract-Acceptance Notice	Credit
9	Confirmation notice of participation in Murabaha from the customer to the bank, and the customer assigns the bank/Fajr Company as an agent to sell the commodity to a third party.	Appendix 2: Murabaha Contract-Confirmation Notice to enter into a Murabaha transaction	Credit
10	Offer from the second merchant (Falcon Company) to purchase from the bank/Fajr Company (on behalf of the customer).	Buyer's Offer	Credit
11	Seller acceptance from the bank/Fajr Company (on behalf of the customer) to the second merchant (Falcon Company)	Seller's Acceptance	Credit
12	Notification of the sale of the commodity from the second merchant (Falcon Company) to the bank/Fajr Company, and its request to transfer the funds to the customer.	Notice of Sale	Credit
13	The bank deposits the price of the sold commodity into the customer's account upon the request of the credit management department.	-	Operations

MURABAHA OF LETTERS OF CREDIT AND BILLS OF COLLECTION

The Shariah Guide to the Procedures and Controls of BisB Products

MURABAHA OF LETTERS OF CREDIT AND BILLS OF COLLECTION

DEFINITION AND APPLICATIONS

Bills of Collection	Letter of Credit L.C.
General Definition: It is documents of goods received by the bank without prior request, whereby the bank has the option to accept or reject the merchandise received on its behalf.	General Definition: It is a written commitment from the bank (issuer) based on the buyer's request (bank's customer) in accordance with his instructions, delivered to the seller (beneficiary) through the correspondent bank.
Cash Agency Collection Bills: It is the bank's approval to proceed with the transaction and to end correspondence with the correspondent bank when the full amount of the goods is available with the customer, whereby the bank acts as an agent in transferring funds and receiving documents.	Cash Agency Documentary Credit: This is an L.C. executed when the full amount of the goods is available to the customer, and the bank acts as an agent for the customer or the correspondent bank in transferring funds and receiving documents.
Murabaha Bills of Collection: It is when the bank accepts to purchase the goods based on the received documents, then sells them to the customer through Murabaha.	Murabaha Letter of Credit: It is an L.C. issued by the bank (issuer) including its purchase of goods from the merchant at the customer's request, then selling those goods to the customer.
Cases of applying Murabaha Bills of Collection: It is applied when the customer does not cover the bill amount.	Cases of Applying Murabaha Letter of Credit: It is applied when the customer does not cover the L.C. amount.
Granted Parties: Corporates and institutions.	Granted Parties: Companies and institutions.
Execution: Inside and outside of Bahrain.	Execution: Inside and outside of Bahrain.

DOCUMENTARY CREDITS AND BILLS OF COLLECTION ARE EXECUTED IN THE FORM OF MURABAHA ACCORDING TO THE FOLLOWING METHODOLOGY:

First Stage: The documented contract with the letter of credit.

- Signing a Master Murabaha agreement between the bank and the customer

Sharia Guidelines		
Local Letters of Credit	International Letters of Credit	Bills of Collection (Local and International)
It is the Master agreement that includes the agreement between the bank and the customer on the general terms of the Murabaha, import of goods, profit, and the customer's promise to purchase from the bank upon arrival, etc. This is signed annually between both parties, upon credit approval. Key provisions of the agreement include: 1. The customer's promise and obligation to purchase the merchandise from the bank upon its arrival, along with signing the Murabaha contract without delay. If delayed, the customer's receipt of the clearance documents for the goods constitutes final approval of the Murabaha contract. 2. The bank's permission to change the agreed-upon profit margin before entering into the Murabaha contract. 3. The bank's commitment to insure the goods, with the option for the customer to authorize this. In exceptional cases, the customer or the supplier may insure the goods themselves if the agreement stipulates. The Master agreement must adhere to the following guidelines: 1. The agreement must be signed by both the bank and the customer, with the date indicated, and all pages must be initialed. 2. Initial declaration of the agreed-upon profit margins. 3. Statement of the amount of facilities provided (ceiling) for the relevant year.		

- Wakala/Agency Contract

Sharia Guidelines		
Local Letters of Credit	International Letters of Credit	Bills of Collection (Local and International)
It is a contract in which the bank appoints the customer to request goods from the supplier on behalf of the bank. It is used in documentary credits for exceptional cases only, where the supplier insists on shipping the goods in the name of the customer. The following are required in this contract: - Both parties must sign the Wakala/agency contract on all pages. - Statement of the type of goods that the customer will import in the future.		The contract is used in all Bills of Collection transaction

Second Stage: Request to open a Letter of Credit

- Application form

Sharia Guidelines		
Local Letters of Credit	International Letters of Credit	Bills of Collection (Local and International)
- Fill in all the required information in the form, including: - Product details - Type of credit and its details - Delivery date - Customer's promise to purchase and specifying the profit margin - Number of installments - Specify the method of insurance for the goods, etc. - The customer must sign the form and indicate the date of the signature.		- Fill in all the required information in the form - The customer signs the form along with the date of signature. - The customer signs an internal or external request, depending on the type of transaction and the exporting country.

- Assigning an Agent to buy the goods

Sharia Guidelines		
Local Letters of Credit	International Letters of Credit	Bills of Collection (Local and International)
It is used in all cases. In the event that the supplier wants to ship the goods in the name of the customer, the other form for Wakala is used.		It is used for exceptional cases only, in which the supplier insists on shipping the goods in the name of the customer.

- Good Description in the Quotation

Sharia Guidelines		
Local Letters of Credit	International Letters of Credit	Bills of Collection (Local and International)
- The standard practice is for the Quotation to be provided in the name of the bank, and in case of necessity, the Quotation can be accepted in the name of the customer by prior agreement when deemed necessary. - The standard practice is for the Quotation to be signed and stamped by the merchant, but it may, as an exemption, accept the Quotation without the stamp based on the system followed by the merchant, provided that the Quotation must be issued on an official letterhead. - The standard practice is for the Quotation to be provided in an original copy, but it may be provided in a faxed or emailed copy, with the condition of verifying the signature. - The Quotation should be examined to ascertain the details of the goods and the fact that the bank is the purchaser of the goods. - The Quotation should come with all the specifications such as unit price, quantity, and final amount. - If the bank obtains a discount on the price, the customer should benefit from it. - It is a requirement for the goods to be compliant with the provisions of Islamic Sharia; it is also permitted to buy and sell manufactured gold and silver commodities except for bars. - It is essential to ensure that the purchased goods are available and distinguished (especially in local Letters of Credit).		

- The customer request LPO

Sharia Guidelines		
Local Letters of Credit	International Letters of Credit	Bills of Collection (Local and International)
1. Must ensure the goods are described or that there is a reference to the Quotation 2. Confirm the signatures of both parties.	Does not apply to international documentary credits	The customer submits to the bank a local or international purchase request in addition to a promise to Purchase (collection bills)

Third Stage: Issuing the Letter of Credit and sending a notice

- Opening the Letter of Credit, and the bank purchases goods from the seller

Sharia Guidelines		
Local Letters of Credit	International Letters of Credit	Bills of Collection (Local and International)
The bank opens the documentary credit in its name or simply purchases the goods from the merchant based on the Quotation.	The letter of credit must be opened by the bank on behalf of the customer, and the bank's approval to issue the letter of credit is considered as an actual purchase of the goods.	The bank's approval of the Quotation is considered as a purchase, provided that the source is notified accordingly.

Stage Four: Executing the L.C.

- Receiving goods' documents

Sharia Guidelines

Local Letters of Credit

Final Invoice

1. The invoice must be issued in the name of the bank except in exceptional cases.
2. The bank must obtain the original copy of the invoice or a copy thereof.
3. The invoice must accurately detail the goods.
4. The invoice must be signed and stamped by the seller.
5. The bank should be responsible for the goods' risk exposure from the moment of purchase until its sale.

International Letters of Credit

Upon receipt of the import documents for the goods, the bank includes:

A. Certificate of Origin (not mandatory and requested upon the customer's and beneficiary's request).

B. Insurance Policy:

- It is obligatory to insure the goods at the bank's expense since they are owned by the bank during the shipping period. This is subject to agreement between the customer and the bank and the terms of the letter of credit.
- The insurance policy is issued in the name of the bank or for its benefit, and may be issued in the name of the customer if they have a purchasing agency.
- Ideally, the insurance should be provided by an Islamic insurance company. However, conventional insurance may be accepted under certain conditions, provided that the customer undertakes to bear this insurance for the bank's benefit.

C. Bill of Lading:

- The bill of lading is issued in the name of the bank, and may be issued in the name of the customer if they have a purchasing agency.

D. Final Invoice:

- The final invoice is issued in the name of the bank, and may be issued in the name of the customer if they have a purchasing agency.
- The invoice is issued on the official letterhead of the seller.
- The invoice confirms the details of the goods accurately.
- The invoice is signed and stamped by the seller or printed with an official letter from the beneficiary.

E. Goods Warranty

- In principle of Sharia, the goods are guaranteed by the bank from the time of purchase in the country of origin until they arrive at the port, are unloaded, or until the bank sells them to the customer through a Murabaha contract.

However, the warranty for goods in the letter of credit varies according to the agreement between the customer and the overseas supplier (trader), subject to the terms of international trade.

Client and supplier (trader) agreement terms

Delivery on Board at Port of Shipment	Client	Client	Exporter	FOB
Delivery at Port of Arrival	Client	Exporter	Exporter	FCA
Delivery at Port of Arrival	Exporter	Exporter	Exporter	CIF
Delivery at port of Manufacturer	Client	Client	Exporter	EX work
Delivery at Port of Arrival	Exporter	Exporter	Exporter	CFR
Delivery at Port of Arrival	Exporter	Exporter	Exporter	CPT
Delivery at Port of Arrival	Exporter	-	Exporter	CIP
After the ship arrives and the customer receives it.	Exporter	Exporter	Client	FAS
Delivery at Port of Arrival or Ground	-	-	Exporter	DDP

Guidelines

- Categories starting with the letter E indicate (Departure).
- Categories starting with the letter F indicate (Main transport cost unpaid).
- Categories starting with the letter C indicate (Main transport cost paid).
- Agreements starting with letters E or F assign the responsibility for transporting the goods to the buyer, while those starting with letter C assign this responsibility to the seller.
- Categories starting with the letter D indicate that the transport cost is paid at the port or place of arrival.

Note: If the seller bears the insurance, the bank cannot charge the customer for it. If the seller does not bear it, the bank must insure the goods at its own expense, which should be included in the cost of the Murabaha, along with a written acknowledgment of this.

Bills of Collection (Local and International)

Receiving the import documents for the goods by the bank, which includes:

A. Bill of Lading, Receipt Invoice, or Acknowledgment of Receipt (depending on the type of shipment and delivery).

B. Bill of Lading:

- The bill of lading is issued in the name of the bank and may be issued in the name of the customer if they have an agency for purchasing.

C. Final Invoice:

- The invoice is issued in the name of the bank and may be issued in the name of the customer if they have an agency for purchasing.
- The invoice is issued on the official letterhead of the seller or printed with an official letter from the beneficiary.
- The invoice confirms the details of the goods accurately.
- The invoice is signed and stamped by the seller.

- **The goods are delivered to the customer, who then signs the inspection certificate for the goods.**

Sharia Guidelines

Local Letters of Credit

International Letters of Credit

1. The customer shall not receive the goods except by obtaining a certificate confirming receipt of the goods and that they are in good condition and compliant with the specifications.
2. All details of the goods must be stated or referenced in the purchase request.

Bills of Collection (Local and International)

The goods inspection certificate is stamped and signed after receiving them from the customer in collection bills.

Stage Five: Murabaha Sale

- Delivery of documents to the customer in exchange for signing the Murabaha Sale Contract.

Sharia Guidelines

Local Letters of Credit

1. Both parties must sign the contract to purchase and possess the goods.
2. The sale price, profit, and installments must be specified.
3. Signatures are required on all pages of the contract.
4. The customer must be provided with a copy of the contract.

International Letters of Credit

Bills of Collection (Local and International)

1. Both parties must sign the contract for purchasing the goods and taking possession. In principle, the goods should be sold through Murabaha after arriving at the port of destination, however, it is permissible to sell them directly after purchase, even if they are still at the port of origin.
2. The selling price, profit, and installment terms must be specified.
3. Signatures are required on all pages of the contract.
4. A copy of the contract must be provided to the customer.

Note: A Murabaha is considered confirmed if the customer delays signing according to the Master Agreement.

The customer's signature on securities:

Promissory notes | post-dated checks for installments | Hamish Jiddiyah | joint guarantee | commodity Mortgage, etc. (as per the request of credit and risk management departments).

Stage Six: Settlements between correspondent banks

- Settlement between accounts

Sharia Guidelines

Local Letters of Credit

International Letters of Credit

Bills of Collection (Local and International)

They are conducted according to the settlement and clearing requirements followed between banks through current accounts or any other accounts (if available).

EMERGENCY EVENTS

Sharia Guidelines

Local Letters of Credit

International Letters of Credit

1. Customer refuses to purchase the merchandise:

- If the customer refuses before the bank purchases the merchandise: There is no objection, and the bank is not entitled to charge compensatory amounts except for administrative fees for file opening.
- If the customer refuses after the bank purchases the merchandise, there are two scenarios:
 - a. If there is an agreement between the bank and the merchant allowing the return of the merchandise to the merchant if it is not sold by the bank (known as the "Khiyar AlShart/conditional option"), then the bank will not incur any costs or losses in this case.
 - b. If there is no agreement between the bank and the merchant regarding the Khiyar AlShart/condition option, then the bank may sell the merchandise to any party, and the customer who refused to purchase will bear the cost of the difference between the agreed-upon merchandise price and its sale price to the third party, if the sale occurs at a lower price.

2. Arrival of merchandise without accompanying documents:

The sales contract is concluded with the customer in a foreign currency (as a security) under account (on margin), and a foreign exchange contract is concluded (attached to the previous contract) after determining the actual cost of the merchandise in local currency based on the exchange rate on the payment date to the correspondent bank.

3. Upon the arrival of the goods and the receipt of documents include a sharia non-compliant issues (issued in the name of the customer):

- The customer is requested to make the necessary corrections to the documents, and a commitment is obtained from the customer to terminate the contract and deduct the transaction value from the customer's account if it is not possible to correct the documents. After correction, the Murabaha contract is then concluded.
- OR, a termination contract "Iqala" is signed between the customer and the supplier, and then the bank purchases the goods through an exchange of Offer and Acceptance notices with the supplier. The bank then concludes the Murabaha contract.

These two procedures can be avoided if a prior Wakala contract was signed between the bank and the customer, through which the bank authorizes the customer to request the goods on behalf of the bank.

4. Supplier's request to pay a down payment of the merchandise value:

- First Scenario: If the goods arrive as a single shipment without the possibility of being divided, it is then possible (subject to bank approval) for a down payment to be made to the supplier under account (on margin) in foreign currency. The contract should be concluded for the entire merchandise upon its arrival, indicating the exchange rate for the first installment on the date of payment to the correspondent bank.
- Second Scenario: If the merchandise can be divided into parts upon arrival, in this case, a Murabaha contract can then be concluded for each part. Financing for the upfront payment can be facilitated through Murabaha, then entering into a Diminishing Musharaka/partnership on the merchandise with the customer followed by the sale of the bank's shares to the customer, after the bank has acquired the goods from the supplier.

5. Supplier's insistence on shipping the goods in the customer's name under Murabaha:

- It is possible, provided that a Wakala contract is signed between the bank and the customer (initially), whereby the bank appoints the customer to receive the goods on its behalf.

6. Customer requests the bank to pay the amount directly to the company owner:

- There is no objection, provided that the customer's trust is ensured, and there is a Wakala contract for payment to the supplier.

7. A customer owns multiple companies with a shareholding exceeding 50% and requests financing through Murabaha to purchase from one of his companies and sell the goods to another:

- Financing through Murabaha is not permissible, but recourse to a Tawarruq product is possible. After depositing the amount into the customer's account, the bank then issues a cash-backed L.C., as it has now become fully covered.

8. Proof of a pre-contract between the client and the seller due to an advance payment from the client without a Wakala/agency contract:

- The signed Master Murabaha agreement contains the "Iqala"/contract cancellation, while ensuring to sign the Wakala contract before the Murabaha contract or before receiving the advance payment; otherwise, the customer is considered to have bought for himself before being authorized to do so.

9. Opening a documentary credit for a customer requested equipment from outside Bahrain for Ijarah/Leasing and sub-leasing, with the supplier providing only the invoice without a bill of lading or any other document:

- If the customer wishes to lease equipment from outside of Bahrain, and if the merchant requests a confirmed letter of credit or a confirmed guarantee, the transaction can then be executed as a cash L.C. or fully covered whereby it is debited directly from the customer's account. If the customer cannot pay the lease amount, he can be financed through Tawarruq, subject to the bank's approval.

Bills of Collection (Local and International)

1. The customer refuses to purchase the merchandise

Refer to documentary credit.

2. Customer requests a Murabaha transaction after the arrival of the goods at the port

If a Wakala agreement is not signed: These type of bills cannot be financed except by terminating the contract (Iqala/discharge) between the customer and the supplier, with both parties signing this termination. Then, the bank enters into a purchase contract with the supplier through the exchange of notices or their equivalents, provided that the goods have not been used by the customer.

If a Wakala contract has already been signed: the Murabaha transaction can then be carried out.

3. Receipt of documents in the customer's name:

If it is proven that the bill of lading or the final invoice was issued in the name of the customer before the bank's approval of financing, then this is not permissible because the sale has already occurred with the customer, and not the bank. However, if it is proven that the bill of lading or the invoice was issued in the name of the customer after the bank's approval of financing, this is then acceptable, especially if the customer is the bank's agent and the invoices cannot be issued except by the customer's name.

4. Conclusion of the Murabaha contract and transferring the amount to the beneficiary in advance:

The Murabaha contract is concluded, and the amount is transferred to the beneficiary in advance; the beneficiary then delivers the goods to the customer. Upon arrival, the customer sends a copy of the Bill of lading along with the goods inspection certificate to the bank, which then stamps them with the date of receipt.

Administration fees conditions

- Administrative fees can be charged as a fixed amount or as a percentage.
- A fixed amount fee can be charged on the amendment of the L.C.
- It is generally not permissible to charge a fee for extending the L.C. period or confirming the L.C., and only fees at cost can be calculated as a fixed amount.

Forms used (According to the Sharia sequence)

Sharia Guidelines
Local Letters of Credit
First: Initial Procedures
1. Proposal letter. 2. Master Murabaha Agreement. 3. Wakala contract (only for exceptional cases where the supplier insists on shipping the goods in the name of the customer).
Second: Implementation Procedures
1. Purchase request form. 2. Opening and issuing the letter of credit and printing the L.C. form. 3. Receiving shipping documents (invoice/ delivery order) and verifying them against the purchase request form. 4. Printing an intimation of document arrival and obtaining the customer's signature on it. 5. Signing an internal purchase request form for Murabaha. 6. Transferring the amount to the beneficiary. 7. Inspection certificate of the goods. 8. Murabaha sales contract. 9. Cheques (optional - requested by the bank only).

Sharia Guidelines

International Letters of Credit

First: Initial Procedures

1. Offer Letter.
2. Master Murabaha Agreement.
3. Wakala Contract (for exceptional cases only where the supplier insists on shipping the goods in the customer's name).

Second: Implementation Procedures

1. Application Form.
2. Quotation.
3. Opening and issuing the letter of credit and printing the L.C. form through SWIFT.
4. Receipt of Documents (Insurance Policy, Shipping Bill, Invoice, Certificate of Origin, Health Certificate, Correspondence from the Correspondent Bank, Packing List, and any other required documents).
5. Printing the Notice of Document Arrival and obtaining the customer's signature on it (Intimation of document arrival).
6. Transfer of the amount to the beneficiary (according to the type of L.C.).
7. Authorizing the bank issuing the documents to debit from its account at the correspondent bank (varies depending on the L.C.).
8. Goods Inspection Certificate.
9. Murabaha Sale Contract.
10. Installment Cheques.

Sharia Guidelines

Bills of Collection (Local and International)

First: Preliminary Procedures

1. Offer Letter.
2. Master Murabaha Agreement
3. Wakala Contract (the contract is used in all cases, and in case the supplier wishes to ship the goods in the customer's name, the other form of the agency contract is used).

Second: Implementation Procedures

1. Customer submits the Purchase Request, promise to Purchase (Collection Order Bills), and Quotation to the bank.
2. Documents (Invoice, Certificate of Origin (optional), and any other documents requested by the bank).
3. Printing a Notice of Document Arrival and obtaining the customer's signature on it (Intimation of document arrival).
4. Transfer of the amount to the beneficiary.
5. Goods Inspection Certificate.
6. Murabaha Sale Contract.
7. Cheques.
8. Shipping Bill.

CREDIT CARDS

The Shariah Guide to the Procedures and Controls of BisB Products

CREDIT CARDS

FIRST: CREDIT CARDS

Retail and Corporate Sectors

SHARIA GUIDELINES

SHARIA ADAPTATION

Qard al-Hasan, whereby the cardholder returns the funds without paying interest.

CARD FEES

The non-interest loan card fees based on Qard al-Hasan apply to the following provisions:

- A. Fees that are permitted to be charged on the cardholder:** these are the actual direct card fees (fees paid to a third party), and fees paid to Visa and MasterCard organizations which are divided into two categories:
- Costs restricted to fees (not subject to increase): issuance, renewal, replacement, cash withdrawal, fees exceeding the card's maximum limit, installment fees, currency exchange fees, gift and benefit costs, card delivery and issuance fees, collection fees, and legal fees.
 - Costs not restricted to fees: commissions and services paid to the sponsoring company, and ATM fees if the bank is not the owner of the machine.
- B. Fees that are not permissible to be charged on the cardholder:** these include employee costs, opportunity costs, cost of funds, cards department rental fees, and bank administrative and general expenses.
- C. Fees are determined upon signing the terms and conditions of the card;** so that these fees are clear, transparent, and fixed. The bank may subsequently waive all or part of these fees, but it is not permissible for the bank to increase them beyond the announced fees.

Type of Service		Not permissible to be added	Permissible to be added	
			Restricted to actual costs (not subject to increase)	Not restricted to actual costs
1	Issuance		*	
2	Renewal		*	
3	Replacement		*	
4	Cash withdrawal		*	
5	Maximum limit increase		*	
6	Installment Fees		*	
7	Currency Exchange		*	
8	Cost of free benefits (gifts and perks)		*	
9	Card delivery and issuance		*	
10	Collection fees		*	
11	Commissions paid to card sponsoring companies			*
12	Employee costs	*		
13	Opportunity Cost	*		
14	Cost of Funds	*		
15	Cards department rental fees	*		
16	Bank administrative and general expenses	*		
17	Transportation	*		

D. Credit card fees are calculated based on its services and benefits according to the type of card, which varies in benefits, services, and features; fees are not related to the credit limit. Also, all fees must be published through the bank's communication channels.

E. The most important services and fees imposed on the credit card are:

- **Service Type:** Card Service Fee
Beneficiary Party: Bank
Fees: 3060 annually/255monthly

Fee Waiver	Fee Calculation
The bank waives the entire issuance fee (without obligation) in the following cases: • Non-usage of the credit amount on the card. • Usage of the credit amount on the card and repay it full before the grace period expires.	When using the credit amount on the card and not repaying it in full before the grace period expires, the bank then only waives a part of the fees. The customer is estimated to pay fees (not waived) amounting to approximately 1-2% of the outstanding balance monthly. In any case, the fees the customer must pay do not exceed the monthly fee for the card.

- **Service Type:**Exceeding the card limit
Beneficiary Party: Bank/Charities
Fees: BD 5.000 fixed

Fee Waiver	Fee Calculation
-	The fee is deducted when the cardholder exceeds the permitted credit limit, and the bank is entitled to it only once (considered as a fee for increasing the credit limit service). In the event of fees being charged more than once, the bank then donates the fees to charity.

- **Service Type:** Late payment fees (commitment to donate)
Beneficiary Party: Charities
Fees: BD 5.000 fixed

Fee Waiver	Fee Calculation
Paying the minimum amount due (5%) of the outstanding balance.	Using the credit amount on the card and not paying the minimum amount due before the grace period expires.

- **Service Type:** Cash Withdrawal
Beneficiary Party: Bnak
Fees: 4% (BD 4.000 Minimum)

Fee Waiver	Fee Calculation
-	A fee is deducted when cash is withdrawn from ATMs not owned by the bank, when cash cannot be withdrawn from bank-owned ATMs. This fee is considered as compensation for the service provided and the cost incurred, with the bank benefiting only minimally from this fee which is considered as a fee for providing the cash withdrawal service from the credit card.

- **Service Type:** Cash Transfer
Beneficiary Party: Bank
Fees: Flat fees divided into tiers.

Fee Waiver	Fee Calculation
-	A deduction occurs when the customer wishes to make a cash transfer from their credit card account to their personal account.

PRIZES

1. The lender (bank) may grant or give the borrower (customer) prizes, gifts, money, or other benefits, including tickets, points, or others, and some of these benefits are provided directly by the organization.
2. Prizes granted by the bank must be donations from the funds and accounts of the Shareholders.

CARD USAGE

1. The card is issued to its holder for use in purchasing goods and services that are Sharia compliant, and the bank may terminate the card if it is used in what violates the provisions of Islamic Sharia.
2. The bank provides cardholders with the benefit of internal life insurance.

SECOND: PRE-PAID CARDS

Card Type	Definition
Pre-Paid Card	It is a card whereby the customer deposits a cash balance and uses it to purchase available goods and services.
Arcade Card	It is a prepaid card for purchasing services, devices, and electronic games.
Future Leaders card	It is a prepaid card designed for children to encourage them to use new payment methods, and to assist their parents in managing and tracking their children's expenses within a specified budget, using either a wristband or cards.

CARD FEES

The bank charges a one-time flat fee for the service.

SHARIA GUIDELINE

1. Ensuring the customer's signature on the application form and the terms and conditions, or electronically agreeing to the terms and conditions.
2. The bank does not deduct fees higher than the prescribed limit.

IJARAH MUNTAHIA BILTAMLEEK

The Shariah Guide to the Procedures and Controls of BisB Products

IJARAH MUNTAHIA BILTAMLEEK (IJARAH WITH PROMISE TO PURCHASE)

Definition

It is the lease in which the promise of ownership of the leased property is applied to the lessee (the customer) at the end or during the Ijarah term through one of the recognized Shariah methods.

Sectors applied

Real estate in all its forms (lands, houses and villas, apartments)

Year Product Approved

2007

Product User Sectors

Individuals, Mid-Corporates, large corporates

SHARIA GUIDELINE

1. Application

The property that the customer wishes to purchase is owned by another party, and the customer, in this type of lease, wants to acquire the property for himself.

2. Application Form

Ensure that all data is filled out completely and accurately, and that the customer signs it.

3. Property Terms

1. The following conditions are necessary for properties to be leased by the bank:
 - a. The property must not be leased, and if leased, the existing lease must be terminated before proceeding with the purchase and lease process.
 - b. The property must be ready for delivery and usable immediately.
 - c. Its value should approximate the required financing amount. There may be a variation in the price of up to approximately 20%, and to ascertain this, the property must be appraised by an authorized appraiser to determine its true value.
2. The bank should inspect the property, if possible.
3. It is necessary to ensure all specifications of the property are met (document number, serial number, property details).
4. It is not permissible to purchase a property and then lease it for a purpose that violates Islamic Sharia provisions.

4. Administration Fees

1. The bank may charge an administrative fee on real estate financing to cover the effort and costs involved. This fee includes file opening, property appraisal fees, real estate agency commission, expert fees, and financial feasibility study costs.
2. The administrative fee, except for the file opening fee, may be included in the financing cost and profits calculated on it if financed by the bank for the customer, as it is considered a cost for the financed item. However, if the customer pays it directly, it cannot be included in the financing cost, and profits cannot be calculated on it.
3. The bank does not calculate profits on any costs at present except if the bank finances the cost of life insurance for the customer.

5. Purchase and Ownership

1. It is essential to ensure that the customer does not pay any amount to the property owner. If it is proven otherwise, a termination contract (Iqala) must be signed between the customer and the owner. If the owner refuses to sign the Iqala, the bank can convey to the buyer (customer) to recover the amount from the seller. If that is not possible, the bank may then enter into a Musharaka transaction with the customer after purchasing the property.

2. The bank may take a deposit for the Ijarah agreement, which is categorized as follows:
 - If the amount is taken before the contract, it is considered Hamish Jiddiyah. It can be considered as the first installment of the lease after both parties sign the contract by mutual agreement. If the customer cancels, the bank will only take the actual damages from the amount.
 - If the bank takes a deposit after the contract, it is then considered as an advance rent for the property. If the customer cancels, the bank has the right to take the rent, and it is preferable to deduct only the actual damages.
3. Ownership must be done through the signing of a sale contract (transfer of ownership) between the bank and the property owner and the following conditions must be met:
 - Both parties must sign the contract with the date of signature, and each page must be initialed.
 - The customer should receive a copy of the contract.
 - All details should be filled out.
 - The sale contract must be signed before the lease contract.

6. Registration and Mortgage

1. The bank legally registers the property in its name for lease transactions. In exceptional cases, it may not register the property in the bank's name but instead place it under mortgage for the benefit of the bank.
2. The bank may obtain additional collateral (mortgage) for another property to enhance the guarantee.

7. Property Insurance

- It is the bank's responsibility to insure the property (fire insurance) throughout the financing period as it is the legal owner of the property. The bank may delegate the customer to carry out this task, with the cost of insurance borne by the bank. Meanwhile, the lessee has the option to insure the contents of the property.
- The current practical application involves the customer insuring the property before the bank takes ownership of it, after which, the bank commits to insuring the property for the subsequent years.

8. Ijarah

1. Rental with a promise to ownership contract must include the following:
 - Both parties signing the contract with the date of signing mentioned, and each page should be initialed.
 - Providing the customer with a copy of the contract.
 - Accurate completion of all data fields.
2. The Ijarah contract should be dated either during or after the sales contract.
3. The lease contract must be signed before deducting the rent installment. If the signing occurs after the deduction due to procedural reasons, the rent taken from the customer can be considered as rent on-account, and upon confirmation of property usage it will then be added to the rent.
4. Important lease clauses include:
 - Stating the total lease tenure, and clarifying that the rent charged to the customer is an annual rent that is automatically renewed. The rent may be increased by up to 25% each year as per the contract, provided that the bank notifies the customer of this increase.
 - If the lessee fulfills all the obligations, notably paying the annual lease installments, the lessor then promises to transfer the ownership of the property to the lessee through a separate contract, with the lessee bearing all registration, transfer of ownership, and documentation fees (if applicable).
5. Basic maintenance is the Bank's responsibility (lessor), while routine maintenance is the customer's responsibility (lessee).
6. The bank signs an attached service agency agreement, delegating to the customer the use of the property and the arrangements for insurance and maintenance agreed upon.

Emergency events

1. Customer request for additional financing in a Ijarah with promise of ownership transaction.

1. The bank can finance the customer through the following methods:

- Financing through TASHEEL Product (Personal Tawarruq).
- The bank can enter into a joint financing arrangement with the customer for another property by purchasing the property and then leasing it back to the customer.
- The bank can increase its share in the property by purchasing a common share of the property and then leasing it to the customer.

2. Termination and then Ijarah or Musharaka

- If the property is owned by the bank, the bank can terminate the previous Ijarah contract by sending a termination letter. Then, the ownership of the property is transferred to the customer in the property registry. Subsequently, the bank enters into a new contract with the customer to purchase the property, followed by leasing the property back to the customer with a new lease agreement. Additionally, the bank can enter into a Musharaka contract after terminating the lease, with the option of keeping the property registered under the bank's name in the property registry.
- If the property is owned by the customer, the bank can terminate the sale and lease contracts by sending a termination letter. Then, the bank enters into a new purchase contract with the customer, followed by a new lease or Musharaka agreement.

2. Changing the tenant of the property

1. In the event of a new tenant to occupy the property, reconciliation between the parties can be achieved in this regard, based on the following options:

- The bank reconciles with the old tenant for an agreed-upon amount, by terminating the Ijarah contract and vacating the property. The bank also clears itself from the previous obligation through a memorandum of understanding between the parties in this regard. Then, the bank signs an Ijarah contract with the new tenant according to the bank's applicable regulations.
- Alternatively, the old tenant can be vacated from the property with the agreement of the new tenant, then the bank signs an Ijarah contract with the new tenant.

3. The bank purchases a leased property and then lease it to the customer

The bank can purchase the property from its owner, but it is not permissible for the bank to lease it because the property's usufruct is occupied by another lease. Therefore, the property is transferred to the new owner (the bank) under the same lease agreement, and the bank is entitled to the agreed-upon rent from the previous lease contract for the duration starting from the date of transfer of ownership. However, if the customer and the previous owner agree to terminate the previous Ijarah contract before the sale is concluded between them, then the bank is permitted to purchase the property from the previous owner and lease it to the customer through the Ijarah contract.

4. The customer wants to replace the Ijarah Muntahia Biltamleek property

1. It can be executed according to the following steps:

- Terminating the lease for the property intended to be replaced with a memorandum of understanding between the bank and the customer. The customer settles the value of the property and the rent due until the termination date and releases any mortgage on the property.
- The bank purchases the new property from the owner through a sale contract.
- The bank leases the new property to the customer under the Ijarah with promise of ownership contract.

5. Increasing and Decreasing Monthly Rent:

1. Increase in Rent:

The bank is not allowed to increase the rent for past periods under any circumstances. However, for subsequent periods, the bank can increase the rent on the customer according to the percentage specified in the Ijarah contract. This can be done through mutual agreement with the customer or by increasing it according to what is stipulated in the contract. Generally, the increase is applied at the end of the agreed Ijarah period. At that time, the bank only needs to send a notification to the customer about the new rent without requiring the customer's signature. If the increase occurs before the end date of the agreed period, the bank must then obtain the customer's consent.

The bank can increase the rent after agreement with the customer, either directly or by adding the additional rent to the last installment of the financing.

2. Decrease in Rent:

There is no objection to reducing the rent with the consent of both parties. If the reduction occurs during the Ijara period, an addendum should be signed between the parties. In the case of agreement after the Ijara period, the bank can send a notification to the customer without requiring the customer's signature.

6. Increasing or decreasing the Ijarah period:

This can be accomplished by signing an addendum to the Ijarah contract specifying the new duration.

7. Deferring Lease Payments:

Ijarah payments can be deferred without increasing the rent and without charging fees for the deferral except for actual costs incurred. The guidelines outlined in the Central Bank of Bahrain's decision regarding this matter apply (where a fee of 10 Bahraini Dinars is charged for each deferral). The customer's signature is required on the deferral request form, indicating the procedures to be undertaken by the bank.

8. Full Payment of the Property and Transfer of Ownership:

1. In the event that the customer pays off the entire outstanding amount, the process will be as follows:

- **Final Ownership (Full Payment):**

At the end of the Ijarah term, the customer becomes the owner of the property after paying all due Ijarah payments. This is achieved by signing a formal or customary sale contract at the agreed-upon price between the parties. It is important to transfer the property ownership to the lessee without linking the sale contract to any previous agreements.

- **Early Ownership (Full Payment During the Ijarah Term):**

The lessee has the right to terminate the transaction early by purchasing the property from the bank. This is done by signing a formal or customary sale contract at the agreed-upon price between the parties. Subsequently, the property ownership must be transferred to the lessee. In this case, according to the decision of the Central Bank of Bahrain, the bank must accept the full payment while canceling all remaining profits accounted but keeping the principal amount along with the approved fees, which are 200 Bahraini Dinars and the profit for the last month, for residential properties. As for investment properties, it is subject to the regulations set by the bank.

9. Partial Payment of the Property:

Customers have the option to make partial payments towards the Ijarah amount. It's possible to reduce the remaining amount, provided that the previous installments are not affected. Any changes to subsequent installments can only be made through an addendum signed by both parties, specifying the new Ijara amount for the revised period. This is subject to the bank's decision.

10. Request to register the property in the name of one of the contracting parties or a third party:

1. If the customer consists of more than one person, the transaction is executed as follows:

- The parties sign the lease contract as tenants with a promise of ownership, committing jointly to pay the rent installments.
- The clause regarding property transfer in the lease contract is amended to specify the parties' agreement to transfer ownership of the property at the end of the lease contract and after full payment of the rent to the person or persons they designate.
- The bank undertakes in the sale contract through which it will acquire the property in the transaction to transfer ownership of the property to the person or persons they designate upon their request when transferring ownership
- Both parties jointly sign a non-objection letter, authenticated before a notary public, granting the bank the right to sell the property to others, according to the approved declaration format of the bank.

11. Division of an Ijarah Muntahia Biltamleek property

1. Customers' Desire to Split the Property After Development: The bank can agree with the customers to terminate the lease contract and the current service agency agreement, and sign a lease contract with a promise of ownership and a service agency agreement for each customer individually after separating the two properties and issuing their respective documents, while dividing the rights and obligations among the partners.

2. Tenant's (Customer's) Action Regarding the Bank's Property after Development and Desire to Sell a Portion of It: The customer, as the tenant, may be allowed to sell the added portion of it on behalf of the bank and obtain a letter of approval - subject to the bank management's approval of this action - with the bank retaining the option to protect itself by requesting additional guarantees from the customer to safeguard against any decrease in the property's value. The bank may also stipulate that the customer cannot sell any part or unit without obtaining written consent from the bank, as the property is currently owned and registered in the bank's name.

12. Properties Under Construction:

1. The bank purchases the land at market price or at any agreed-upon price between the parties, even if it exceeds its market value (equivalent to the price of the land and the construction to be erected on it). It can be recorded in the bank's books at the total price of the land and the construction.
2. The bank leases the land to the customer at a rate representing the price of the land and the unit erected on it.

13. Selling Land or Properties Owned by the Bank

The bank can sell land it owns through one of the following methods:

- Direct Sale to the Customer or a Financial Institution on behalf of the customer:

In this case, the bank records the full profits immediately upon the sale.

- Deferred Sale to the Customer:

In this scenario, the transaction profits are recognized according to the accrual accounting method, which involves recording profits annually based on the customer's payments.

Note: In both of the aforementioned methods, legal ownership of the land is transferred to the customer immediately after the sale. The bank may delay transferring ownership to the customer until the full amount due to the bank from the sale is paid.

Lease with Promise of Ownership:

- In this arrangement, the bank retains ownership of the land throughout the Ijarah period. Profits from the Ijarah are recorded based on the rent paid by the customer, and the bank is not entitled to record the full accounting profits immediately.

- The bank can finance the customer interested in purchasing through the Tawarruq product, then the customer pays the bank the amount from the granted amount, and the ownership of the land is transferred to the buyer immediately.

in this case, the bank can immediately record the profit realized from the sale of the sold land in its accounts, provided that there is no overlap between the Tawarruq and sale contract. Each contract should have a separate status in the relationship between the parties (the bank and the customer).

- The bank can terminate the Ijarah agreement by mutual consent between the parties. Then, a sales contract is concluded for the property in one of the aforementioned methods (direct sale, through the Tawarruq product, or through another financier). The amount previously paid by the tenant can be considered as an advance payment for the sale, and the tenant pays the remaining amount of the price.

14. Lease of common portion

The bank may purchase a portion of the property and lease this portion, which it owns, to the customer.

15. Death of Tenant

The death of the tenant does not necessarily terminate the Ijarah, and it passes to the heirs under the same conditions, unless the heirs wish to terminate the Ijarah. If the heirs do not request the termination of the Ijarah and fail to continue paying the monthly rent despite benefiting from the property, the bank may, due to their delay, sell the property on the market according to legal procedures and collect its dues from the rent; the heirs should be informed of this procedure. The bank should also reimburse the difference between the fair/comparable rent and the rent of the Ijarah Muntahia Bittamleek to the heirs after fulfilling its right. Additionally, the bank may charge the heirs for the expenses of the sale, litigation, and attorneys' fees, or deduct them from the obligations, as applicable.

16. Subleasing the bank's property

The tenant must inform the bank of their intention to sublease the property, and it is up to the bank to approve or reject.

17. Ownership of an adjacent corner in the property.

- If the tenant undertakes to pay for the corner:

The bank has the option to either authorize the tenant to purchase the corner and pay the amount while continuing the Ijarah as is, providing the bank with the tenant's approval in writing. Alternatively, the bank may purchase the corner on behalf of the tenant and adds it to the property in the documentation, with the bank acknowledging to pay the price of purchasing the corner on behalf of the tenant. In the latter case, the bank incurs the cost of this service.

- If the tenant wishes to obtain financing to purchase the corner:

The bank purchases the corner and then adds the property in the documentation. Afterward, the Ijarah can be amended by increasing the rent or terminating the lease and entering into a new Ijarah agreement.

18. Presence of a defect in the leased building:

- In case if the property developer cooperates:

Agreement can be reached between the developer and the tenant on one of the following methods:

Proposed Bank's Role	Property Developer's Role
First: The current Ijarah is terminated, and a new Ijarah is signed with the same remaining installments without any changes. The bank will deduct the amount paid by the customer to the developer for the price difference.	The developer compensates by replacing the villa with a different one (the new villa is likely to be more expensive), and the customer pays the difference between the price of the first and second villas either to the developer or to the bank.
Second: The bank retains the refunded amount from the developer as the actual lessor and uses it to pay the current Ijarah. When the customer purchases a new property, the bank will finance it with a new lease.	The purchase price is refunded to the tenants.

Third: The bank agrees to the demolition and rebuilding, providing the relevant authorities and the bank's developer with this approval. The bank may continue to collect rent from the customer as an interim measure until the building is rebuilt. Alternatively, the bank may directly collect the rent from the developer and refund the difference to the tenant, if applicable.

The building is demolished and rebuilt suitably, and the developer compensates the customer with a monthly rental assistance.

- In case if the property developer does not cooperate:

It becomes the bank's responsibility to compensate the customer with a new property or repair the defect in the property, and then the developer is obliged to pay the compensation.

19. Purchasing or leasing land within a plan that is still at sea

It is permissible for the bank to Purchase or lease land within a sea; the bank can also be a partner. However, it is not permissible to lease or rent the land (at sea) unless there is a way to benefit from it in any form. The bank must ensure the land documents are available to safeguard its rights.

20. Purchasing a property from the same customer and leasing it back to him

The bank is allowed to purchase the property from the customer and then lease it back to them under an Ijarah contract, and that is in case the customer needs cash. However, it is required that a period of no less than one year elapses if the bank wishes to sell the property back to the customer again.

SHARIA COMPLIANT PROCEDURAL STEPS

- In general, customers can be financed through the Ijarah product to purchase or develop real estate, or to obtain cash, with the property being registered in the bank's name (and it is possible, as an exception, to exempt mortgaging the property for the bank's benefit without the need for registration).
- In the current procedures (for reasons unrelated to Sharia compliance), the bank uses the Ijarah agreement when the customer wishes to purchase property from a third party, and the property is then registered in the bank's name.

Procedural Steps	Documents	Executing Department
FIRST: INITIAL STEPS		
Receive a copy of the property's ownership document	The Title document	Branches/ Sales
Customer signs the following documents (order is not mandatory): A. Application form (including the promise to purchase clause). B. Commitment form to fulfill the financing obligations. C. Authorization form for installment deduction in case of absence from the bank. D. Bank authorization for deduction from the account if the customer wishes to pay a down payment or insurance fees.	A. Finance application form B. Commitment form C. Authorization form for installment deduction for Ijarah/Musharaka. D. Bank authorization for deduction from the customer's account.	Branches/ Sales
Ensure all property specifications are met.	-	Branches/ Sales
Ensure the customer has not paid any amount to the property owner; if confirmed, a termination contract must be signed between the customer and the owner.	Termination Agreement	Branches/ Sales

Procedural Steps	Documents	Executing Department
Obtain a property appraisal report.	-	Support Services
Issue bank's approval (a letter from the bank to the customer).	-	Credit
Receive the life insurance document (the customer has the option to choose between internal or outside insurance).	-	Branches/ Sales
SECOND: EXECUTION PROCEDURES		
Print the following documents: Ijarah contract Service Agency contract	a. Ijarah contract with the promise of ownership b. Attached (2) Service Agency contract	Operations
Customer's signature on the main terms form (Retail sector) or Offer letter (Corporate sector).	Summary of the main terms of the Ijarah contract Tax invoice (KTD) / Offer letter	Notary
The bank owns the property by entering into a Sale contract between the bank and the property owner.	-	Notary
The bank legally registers the property in its name for Ijarah transactions, and in exceptional cases, it may not register it in the bank's name but rather mortgage it in favor of the bank.	-	Notary

Procedural Steps	Documents	Executing Department
The bank insures the property (fire insurance), and the customer can be authorized to undertake this task, provided that the cost of insurance is borne by the bank. In the current procedures, the customer initially insures the property for one year before the bank takes ownership, then the bank commits to insuring the property for the subsequent years.	-	Financial control
The bank leases the property to the customer through the Ijarah contract with the promise of ownership (the date of the Ijarah contract must be on or after the date of the sale contract, and if they sign on the same day, the Ijarah contract date must be after the Sale date).	Ijarah Contract with the promise of ownership	Notary
The bank appoints the client to maintain and insure the leased property on its behalf throughout the contract period.	Attached (2) Service Agency contract	Notary
The customer's signature on the official acknowledgment of the bank's ownership of the property.	Acknowledgment	Notary
Signing the mortgage contract if the property is mortgaged. (In the current procedures, properties are registered in the bank's name in Ijarah transactions, and the property is mortgaged to the bank in the Musharaka transactions).	-	-
Signing the final sale contract between the bank and the customer at the end of the term or upon early repayment.	-	Notary

FINANCING PRIVATE PROJECTS THROUGH IJARAH MUNTAHIA BITTAMLEEK

DANAT AL-LAWZI

Project details

The project offers units under construction ranging in value from 110,000 dinars to 120,000 dinars. The properties are owned by the Eskan Bank and mortgaged to the bank within a pre-existing agreement between the Eskan Bank and the Corporate Finance Department at the bank.

Sharia Steps

The bank finances the unit constructed on the land through a two-phase Ijarah (ending with ownership) system as follows:

First Ijarah

This lease is for financing the first rent payment ranging from 18,000 dinars to 27,000 dinars, according to the requirements of the Eskan Bank, during the construction period after the customer reserves the unit and pays a 10% down payment of the property value to the Eskan bank as a Hamish Al Jiddiyah (Seriousness Margin Payment).

1. The Eskan bank and the customer sign an Iqala contract (termination).
2. The Eskan bank relinquishes ownership of the property to the bank in exchange for the total amount required (the entire financing amount), or the bank may purchase the land from the Eskan bank through a Sale contract for the corresponding amount mentioned above.
3. The bank leases this acquired portion to the customer under an Ijara contract, where the Ijarah is made only on the land.

Second Ijarah

This Ijarah will occur after the completion of the construction period and the unit's suitability for living (with the financing amount for the second lease fixed at 81,000 dinars according to the ceiling set by the Ministry of Housing for the Mazaya Program).

1. The bank purchases the remaining part of the residential unit from the Eskan bank (the bank will not purchase the property if the relinquishment is approved).
2. The bank leases the remaining portion to the customer through the Ijarah Muntahia Bittamleek contract where the Ijarah will be on the construction only.
3. The bank signs a service agency contract with the customer.

BIN FAQEEH

Project details

Ready Properties.

Sharia Steps

1. The customer reserves the property and pays a deposit to Bin Faqeeh Company.
2. The customer then gives up their rights and obligations by means of a waiver agreement, whereby the bank then takes over.
3. The bank purchases the property from Bin Faqeeh Company under a preliminary sales contract, and the bank pays 85% of the amount to the company.
4. The bank leases the property to the customer under the Ijarah Muntahia Bittamleek contract.
5. The bank signs a service agency agreement with the customer.
6. The parties notarize the sales contract in the Land Registry while paying the remaining percentage of the property (15%).
7. A supplementary agreement to the Ijarah contract is signed, referencing the property document number.

The bank provides financing for residential units under construction to customers interested in purchasing these units. The bank purchases the land designated for the customer from the company, and the land document is issued in favor of the bank upon its purchase. Additionally, the bank finances the construction of the land according to the agreed-upon plans and specifications. The value of the property ranges from 100 to 200 thousand dinars.

Sharia Steps

The bank finances the unit constructed on the land through a two-stage Ijarah Muntahia Bittamleek system, as follows:

- 1.** The bank purchases the land at market price or at any agreed-upon price between the parties, even if it exceeds its market value (i.e., at a price equivalent to the land and the building to be erected on it). The transaction can be recorded in the bank's books at the total price of the land and the building.
- 2.** The bank leases the land to the customer at a rate representing the value of the land and the unit constructed on it. Additionally, a clause is added to the Ijarah contract allowing the bank to benefit from anything already constructed or to be constructed on the land.

Project details

The project includes apartments ready for occupancy; however, their documents have not yet been prepared.

Sharia Steps

1. The customer reserves the property and pays a deposit to the company, approximately 10%.
2. The customer gives up their rights and obligations by means of a waiver, transferring these to the bank. The customer also waives any advance payments made to the developer. The amount paid by the customer to the company serves as an advance rental upon the customer's waiver of their rights to the bank. This advance rental is documented in the Ijarah contract.
3. The bank purchases the property through a preliminary sale contract and pays 85% of the financing amount to the company.
4. The bank leases the property to the customer under the Ijarah contract.
5. The bank signs a service agency agreement with the customer.
6. The parties notarize the sales contract in the land Registry, paying the remaining percentage (15%) of the financing amount.
7. An Ijarah agreement addendum is signed, referencing the property document number.

DIYAR ALMUHARRAQ PROPERTIES

Project details

The project includes residential units (villas) that are still under construction. The bank wishes to participate as a financier for eligible individuals to own these units, which range in value from 95,000 dinars to 120,000 dinars.

Sharia Steps

The financing is carried out through executing two Ijarah Muntahia Bittamleek (on the land and the property), where the first Ijarah will be on the land upon which the residential unit will be built. (Note that the land will be registered in the bank's name at this stage). The second Ijarah will be on the residential unit after its completion by the developer. The bank intends to finance the purchase of residential units (plots) in one of Diyar Al Muharraaq's projects by purchasing the land and then leasing it with the promise of ownership to customers, according to the steps approved by the Sharia Supervisory Board in other projects as follows:

1. The customer reserves their residential unit (plot) and pays the reservation fee (not less than 500 BHD) to Diyar AlMuharraaq.
2. The customer signs a reservation contract with Diyar Al Muharraaq for the residential unit and pays the required amount.
3. After the bank approves the customer's financing, a termination contract is signed between Diyar Al Muharraaq and the customer.
4. The final sale contract is signed between the bank and Diyar Al Muharraaq and notarized in the Land Registry, with the property being registered in the bank's name.
5. The Ijarah Muntahia Bittamleek contract is signed on a joint basis (for the land only), and the bank authorize the customer through a services agency contract for construction, issuance of permits, and other matters.
6. After completing the construction of the building, the bank and the customer conclude a second lease contract (for the building only) after the bank owns the building and ensures that it can be used.

COMMUNITY LIVING PROJECTS

The Shariah Guide to the Procedures and Controls of BisB Products

COMMUNITY LIVING PROJECTS

Year

2023

Product used

Ijarah

STEPS ARE AS FOLLOWS

1. The customer selects the residential unit they desire and pays a minimum upfront payment equal to 10% of the financing amount as a Hamish ALJiddiyah amount.
2. The Ministry evaluates the specified residential unit's value – if it's from outside the designated projects.
3. The beneficiary submits a financing request to the Ministry of Housing for the desired residential unit, and upon approval, the customer chooses a bank for financing.
4. The beneficiary, submits a signed application form from Ministry of Housing along with the bank's credit department requirements to obtain approval.
5. The beneficiary notifies the Ministry of Housing of the bank's approval, and then the Ministry issues a financial assistance certificate to the beneficiary.
6. The bank appraises the residential unit, then purchases it from its owner through a Sale contract (after the beneficiary signs a termination contract with the owner in case the beneficiary pays a reservation fee).

In case the customer wishes to obtain an additional amount

- A)** The customer can either finance through the TASHEEL product (if the salary allows).
- B)** Or enter into an Ijarah agreement with a common percentage, as follows:
1. The bank leases the residential unit to the beneficiary under the Ijarah contract with the promise of ownership (each Ijarah contract represents a common percentage of the property)
 2. The bank entrusts the beneficiary with a service agency contract.
 3. The customer pays the monthly rent to the bank for both contracts as follows:
 - Rent for the first contract: This is the rent for the portion that Eskin bank covers, which is more than 25% of the beneficiary's salary to the bank. Then the customer's share of this rent gradually increases with their salary increase, while the bank's share decreases (without increasing the monthly installment).
 - Rent for the second contract: This is the rent representing the additional portion of the common share of the property, and the Lessee commits to paying it in full according to the agreement.

In case the customer does not wish to obtain an additional amount

1. The bank leases the residential unit to the beneficiary through the Ijarah contract with the promise of ownership+ a service agency contract, according to the mechanism followed in the Ijarah financing.
2. The customer pays the rent monthly, which represents, in total, two shares: 25% of the customer's salary plus the installment of the Eskin bank, which will donate the difference. The customer's share gradually increases with an increase in their salary, while the share of the Eskin bank decreases (without increasing the monthly installment). The bank commits to sending a monthly statement to the Eskin bank with the names of all beneficiaries of this service.
3. The beneficiary pays a maximum of 25% of their salary monthly throughout the Ijarah period, and if the rent installment covers 25% of the beneficiary's total salary, the assistance from the Eskin bank will stop.

Joint Mortgage (Pari passu)

The Shariah Guide to the Procedures and Controls of BisB Products

JOINT MORTGAGE (PARI PASSU)

Year

2015

Product used

Ijarah

STEPS ARE AS FOLLOWS

First Case: Settling the Customer's Debt with Eskin bank.

The bank's settlement of the customer's debt arising from the commercial real estate financing granted to them by Eskin bank, then participating with the Eskin bank in the ownership of the property or in its mortgage (if it's in the customer's name) according to the circumstances, to serve as collateral for the social financing granted by Eskin bank and the commercial financing provided by the bank.

If the property is in the name of the customer

If the property is in the name of the Eskin bank

1. Confirmation Letter of the Unified Offer from Eskin bank + Bank + Customer.
2. Request for termination of the Ijarah Muntahia bittamleek contract (from the Customer to Eskin bank).
3. No Objection Letter of the termination of the Ijarah Muntahia bittamleek Contract (from Eskin bank to the Customer).
4. Settling the customer's debt for the commercial financing from Eskin bank by purchasing and owning a shared portion of the property through a cheque or bank transfer.

If the property is in the name of the customer	If the property is in the name of the Eskin bank
5. Execution of a sale and purchase contract (Mubaya'a) internally between Eskin bank and the bank as buyers and the customer as the seller.	5. Execution a Sale and Purchase contract (Mubaya'a) between the bank and the Eskin bank, whereby the bank purchases a common share in the property from the Eskin bank, then registering the property as jointly owned between the Eskin bank and the bank, each according to their share in the financing.
6. Signing the contract for Ijarah of the common share between the Eskin bank and the customer (taking into account the amount paid by the customer to the Eskin bank as principal for the debt). 7. Signing the Ijarah contract between the bank and the customer. 8. Signing a waiver of the customer's right to purchase the property agreement directed to the Eskin bank + the bank. 9. Signing the service agency contract of common shares between the Eskin bank and the customer. 10. Signing the service agency contract of common shares between the Bank and the customer. 11. Signing an addendum to the debt documentation contract between the Eskin bank and the bank as creditors, and the customer as a debtor.	

Second Case: Repayment of the customer's debt arising from existing financing with another commercial bank.

This occurs through financing from both parties to the customer in exchange for participation in the ownership of the property or its mortgage to repay the customer's debt to other commercial banks.

If the property is in the name of the customer	If the property is in the name of the other bank
1. Confirmation letter of the unified offer between the Eskin bank, the bank, and the customer.	1. Confirmation letter of the unified offer between the Eskin bank, the bank, and the customer

If the property is in the name of the customer

2. Signing an internal sale and purchase contract between the bank and the Eskin bank as buyers, and the customer as the seller, for the acquisition of the property by the bank and the Eskin bank.
3. Releasing the mortgage on the property pledged in favor of the commercial bank, and repaying the debt amount by the bank and the Eskin bank through two checks delivered to the commercial bank - each according to their financing - considering the amount as the price for selling the property to the customer.
4. Signing the Ijarah Muntahia bittamleek contract of common share between the Eskin bank and the customer.
5. Signing the Ijarah Muntahia bittamleek contract of common share between the bank and the customer.
6. Signing a waiver of the customer's right to purchase the property agreement directed to the Eskin bank + the bank.
7. Signing the service agency contract of common share between the Eskin bank and the customer.
8. Signing the service agency contract of common share between the bank and the customer.

If the property is in the name of the other bank

2. Signing a promise-to-lease contract of the common share between the Eskin bank and the customer.
3. Signing a promise-to-lease contract of the common share between the bank and the customer.
4. Repayment of the customer's debt to the commercial bank by the bank and the Eskin bank through two checks delivered to the commercial bank - each according to their financing.
5. Signing a sale and purchase contract (Mubaya'a) notarized in the Land Registry between the bank and the Eskin bank as buyers, and the commercial bank as the seller.
6. Registering the property under joint ownership between the Eskin bank and the bank (each according to their share in the financing).
7. Signing the Ijarah Muntahia bittamleek contract with joint ownership between the Eskin bank and the customer.
8. Signing the Ijarah Muntahia bittamleek contract with joint ownership between the bank and the customer.
9. Signing a waiver of the customer's right to purchase the property agreement directed to the Eskin bank + the bank.
10. Signing the agency services contract with joint ownership between the Eskin bank and the customer.

If the property is in the name of the customer	If the property is in the name of the other bank
9. Signing a formal mortgage contract between the Eskin bank and the bank as creditors, and the customer as a debtor.	11. Signing the agency services contract with joint ownership between the bank and the customer. 12. Signing an addendum to the debt documentation contract between the Eskin bank and the bank as creditors, and the customer as a debtor.

The third Case: Joint financing from both parties to the customer from the outset.

In this case, the assets with joint ownership are in exchange for the financings provided by both parties to the customer at the same time.

If the property is in the name of the customer	If the property is in the name of the other bank
1. Confirmation letter of the unified offer between the Eskin bank, the bank, and the customer. 2. Termination of the contract (if applicable). 3. Signing the promise-to-lease contract of commons share between the Eskin bank and the customer. 4. Signing a promise-to-lease contract of common share between the bank and the customer. 5. Signing a sale and purchase contract (Mubaya'a) that is notarized in the Land Registry between th bank and the Eskin bank as buyers, and the owner as the seller. 6. Registering the property under joint ownership for the benefit of the Eskin bank and the bank (eacaccording to their share in the financing). 7. Signing the Ijarah Muntahia bittamleek contract of common share between the Eskin bank and the customer. 8. Signing the Ijarah Muntahia bittamleek contract of common share between the bank and the customer. 9. Signing a waiver of the customer's right to purchase the property agreement directed to the Eskin bank + the bank.	

If the property is in the name of the customer

If the property is in the name of the other bank

10. Signing the service agency contract of common share between the Eskin bank and the customer.
11. Signing the service agency contract of common share between the bank and the customer.
12. Signing an addendum to the debt documentation contract between the Eskin bank and the bank as creditors, and the customer as a debtor.

The fourth scenario: Eskin bank financing for a customer who previously obtained financing from the bank.

This is done in exchange for participation in the ownership of the property or using it as collateral for the financings.

If the property is in the name of the customer

If the property is in the name of the bank

1. Confirmation letter of the unified offer between the Eskin bank, the bank, and the customer.
2. Request for the cancellation of the Ijarah Muntahia bittamleek contract directed from the customer to the bank.
3. No Objection letter for the cancellation of the Ijarah Muntahia bittamleek contract from the bank to the customer.
4. Signing an internal sale and purchase contract between the bank and the Eskin bank as buyers, and the customer as the seller, for the acquisition of the property by the bank and the Eskin bank.
5. Signing the Ijarah Muntahia bittamleek contract of commons share between the bank and the customer (taking into account the amounts paid by the customer to the bank as principal for the debt according to the decreasing balance).
4. Signing a promise-to-lease contract of common share between the bank and the customer.
5. Signing a sale and purchase contract (Mubaya'a) that is notarized in the Land Registry whereby the Eskin bank owns a portion of the common share of the property.

If the property is in the name of the customer

6. Signing the Ijarah Muntahia bittamleek contract of common share between the Eskin bank and the customer.
7. Signing a waiver of the customer's right to purchase the property agreement directed to the Eskin bank + the bank.
8. Signing the agency services contract with joint ownership between the Eskin bank and the customer.
9. Signing the service agency contract of common share between the bank and the customer.
10. Signing a formal mortgage contract between the Eskin bank and the bank as creditors, and the customer as a debtor.

If the property is in the name of the bank

6. Registering the property under joint ownership for the benefit of the Eskin bank and the bank (each according to their share in the financing).
7. Signing the Ijarah Muntahia bittamleek contract of common share between the bank and the customer (taking into account the amounts paid by the customer to the bank as principal for the debt according to the decreasing balance).
8. Signing the Ijarah Muntahia bittamleek contract of common share between the bank and the customer.
9. Signing a waiver of the customer's right to purchase the property agreement directed to the Eskin bank + the bank.
10. Signing the service agency contract of common share between the Eskin bank and the customer.
11. Signing the service agency contract of common share between the bank and the customer.
12. Signing an addendum to the debt documentation contract between the Eskin bank and the bank as creditors, and the customer as a debtor.

FINANCING THE NEW PROJECTS OFFERED BY THE MINISTRY OF HOUSING

The Shariah Guide to the Procedures and Controls of BisB Products

FINANCING THE NEW PROJECTS OFFERED BY THE MINISTRY OF HOUSING

TASHEEL REAL ESTATE - CONSTRUCTION

Details of the Financing

This is a product that provides financing for the purchase of a ready property or the construction of a residential property for the beneficiary on the financed land registered in the bank's name. In return, the same customer can obtain financing from the Eskin bank for the purpose of construction on it. The Eskin bank requests confirmation from the bank of approval, in addition to the requirement to register the property jointly in the name of both the Eskin bank and Bahrain Islamic Bank. The Eskin bank provides financing to beneficiaries of up to 70,000 BHD.

STEPS ARE AS FOLLOWS

In the case of a ready property		In the case of purchasing the Land and constructing on it	
1	Obtaining approval from the Ministry of Housing to grant the financing amount to the customer (the difference between the Eskin bank's financing and the bank's financing).		
2	-		Terminating the previous Ijarah Muntahia Bittamleek contract with the customer (in case of previous financing only).
3	Conducting a property valuation, then the bank purchases the property.		The Eskin bank then re-evaluates the property (land only) and acquires a common share in the property representing the amount paid.

In the case of a ready property		In the case of purchasing the Land and constructing on it
4	Signing the Ijarah Muntahia Bittamleek contract with the customer.	Signing a new Ijarah Muntahia Bittamleek contract between the bank and the customer with a common share percentage on the land and what's constructed on it. Also, on the other hand, signing an Ijarah Muntahia Bittamleek contract between the Eskin bank and the customer with a common share percentage.
5	If the customer desires additional financing, an Ijarah Muntahia Bittamleek contract on common ownership can be concluded between the bank and the customer.	
6	Registering the property in the Land Registry in the bank's name.	Registering the property in the land registry in the name of the bank and the Eskin bank according to the land price and construction amount.
7	The Ministry of Housing pays the full amount due to the customer's account with the bank as an advance payment for the Ijarah contract.	
8	-	The bank releases the amount periodically according to the construction stages after its approval and valuation of the property, and after ensuring that the construction process is progressing smoothly.
9	The ownership of the property is transferred to the customer at the end of the term or upon early repayment through an official sale contract.	

TASHEEL-ALBAIT ALAOOD TASHEEL-ALBAIT ALAOOD

Details of the Financing

This is a product that enables the customer to obtain financing facilities from Bahrain Islamic Bank for the purpose of purchasing or owning a portion (an extension to the house) in the property owned by one of the customer's close relatives (first-degree relatives). The ESKAN bank supports this type of facility by paying the difference between the profit rate of Housing financing, which is 3%, and the profit rate of commercial bank financing, which is 6%, as a one-time cash payment for the entire financing period into the customer's account with the bank. The bank will request the property owner's signature on the consensual division contract to prove the bank's right to the property.

STEPS ARE AS FOLLOWS

The procedures for financing through the Ijarah Muntahia Bittamleek product are as follows:

1. Obtaining approval from the ESKAN bank to grant the financing amount to the customer.
2. The bank obtains a consensual division contract from the property owner.
3. The bank purchases a percentage of the property from the owner through an internal (customary) sales contract; then, the property will be mortgaged in favor of the bank.
4. The ESKAN bank pays the funding to the customer.
5. The bank leases the percentage it owns to the customer through an Ijarah Muntahia Bittamleek contract.
6. The bank sells its ownership percentage of the property to the customer at the end of the period or upon early payment through a customary sale contract; then, the mortgage is canceled.

TASHEEL-ALTAAWON

Details of the Financing

This is a product that enables a group of customers to collectively obtain financing facilities from Bahrain Islamic Bank. They will collectively purchase a single property with a single ownership document. The Ministry of Housing will support this type of facility using the same mechanism mentioned in the al bait alaood Financing without the need for registration or mortgage.

STEPS ARE AS FOLLOWS

The procedures for financing through the Ijarah Muntahia Bittamleek product are as follows:

- 1.** Obtaining approval from the Eskin bank to grant the financing amount to the customer.
- 2.** The bank takes ownership of the property through an official sale contract notarized in the Land Registry, and the property is registered in the bank's name.
- 3.** The Eskin bank pays the funding to the customer.
- 4.** The bank leases the property to tenants through a single Ijarah Muntahia Bittamleek contract.
- 5.** Transfer of property ownership to customers at the end of the term or upon early repayment.

DIMINISHING MUSHARAKA

The Shariah Guide to the Procedures and Controls of BisB Products

DIMINISHING MUSHARAKA

Definition

It is the Musharaka/Partnership between the bank and the customer in a property owned by the customer, whereby the bank will later sell or lease its shares to the customer. The Musharaka concludes with the customer purchasing all of the bank's shares, thereby owning the entire property.

The bank applies the Diminishing Musharaka method, ending with ownership, with the shares of both parties remaining constant throughout the Ijarah period. During this time, the customer pays rent for the bank's share, and the bank's shares are sold in one lump sum at the end of the term. Diminishing is reflected by considering the rent paid by the customer to the bank in the Ijarah contract, which exceeds the market price.

Areas Applied

Various types of real estate (leased properties, properties under construction, refinancing on the same property when the customer needs liquidity, properties for investment purposes).

Product Launch Year

2007

Sectors Using the Product

Retail, Mid-sized companies, Large corporates.

MUSHARAKA SITUATIONS

Type of Musharaka

Musharaka between the bank and the customer in the customer's property.

Situation Applied	Contracts used and Execution Procedures
A client owns a property and needs cash.	1. Signing a Diminishing Musharaka contract through which the bank participates with the customer in the property and purchases the required shares. 2. The bank leases its shares to the customer through a Shares Ijarah contract. 3. The bank sells its shares through a Sale contract.

Type of Musharaka

Musharaka between the bank and the customer in a property owned by either the customer or the bank.

Situation Applied	Contracts used and Execution Procedures
The customer has an Ijarah financing and wants to obtain an additional amount to develop the property.	1. Signing an Ijarah termination agreement that stipulates considering the previous rent as the customer's share in the new Musharaka. 2. Signing a Diminishing Musharaka contract through which the bank participates with the customer in the property and purchases the required shares. 3. The bank leases its shares to the customer through an Ijarah contract. 4. The bank sells its shares through a Sale contract.

Type of Musharaka

Musharaka between the bank and the customer in a property owned by the customer or a third party.

Situation Applied	Contracts used and Execution Procedures
The customer wants to acquire a property or already owns one and desires to obtain cash through it.	1. Signing a Mudaraba contract between the bank and the customer as buyers, and the property owner as the seller. 2. Signing a Diminishing Musharaka contract through which the bank partners with the customer in the property and purchases the required shares. 3. The bank leases its shares to the customer through an Ijarah contract. 4. The bank sells its shares through a Sale contract.

SHARIA GUIDELINES

Administration Fee

1. It is permitted for the bank to impose an administrative fee on real estate financing, which covers the effort and cost involved, including file opening fees, property appraisal fees, real estate agency commissions, expert fees, feasibility studies, and studying the customer's financial situation.
2. It is permitted for the bank to add the administrative fee to the financing cost and calculate profit on it if the bank finances it for the customer because it is considered as a cost of the financed item, except for the file opening fee. However, if the customer pays it directly, it cannot be included in the financing cost, and profit cannot be calculated on it.
3. The bank does not calculate profits on any costs except if the bank finances the cost of life insurance for the customer.

Registration and Mortgage

1. The bank typically mortgages the property for its benefit, and it may register it in its name if required.
2. The bank can obtain an additional mortgage on another property as an additional security.

Insuring the Property

In principle, each party should ensure their share of the property, and one of the following two approaches can be followed:

1. The bank insures the entire property, and then reimburses the customer for the insurance value of their share, or increases the profit from selling or leasing shares later.
2. The customer ensures all shares, and then reimburses the bank for its share, or the customer waives the insurance amount for the bank's shares.
 - The current application involves the customer insuring the property initially before the bank takes ownership, then the bank commits to insuring the property for the subsequent years.

SHARIA COMPLIANT PROCEDURES

- In general banking practices, the customer who wishes to purchase a property, develop it, or obtain cash can be financed through the Diminishing Musharaka product, with the bank registering its ownership of the property in its name (although property can be mortgaged for the bank's benefit without being registered).
- In the current practice (for reasons unrelated to Sharia compliance), the bank resorts to a Diminishing Musharaka contract when the customer seeks cash or wishes to develop the property previously entered into through Ijarah or for investment purposes, and the property is mortgaged for the bank's benefit.

	Procedural Steps	Documents	Executing Department
FIRST: INITIAL STEPS			
1	Receiving a copy of the property ownership document	Ownership Document	Branches/Sales
2	A. Customer's signature on the following documents: (Order is not required) B. Financing Application Form (including the promise to purchase clause). C. The Undertaking form to fulfill financing obligations. D. The Authorization Form for installment deduction in case of non-attendance at the bank. E. Authorization for the bank to deduct from the account if the customer wishes to pay a down payment or insurance fees.	A. Financing Application Form. B. Undertaking. C. Authorization for the Bank to Deduct Ijarah/Musharaka Installments. D. Authorization for Deduction from the Account.	Branches/Sales
3	Assuring of all property specifications.	-	Branches/Sales
4	Receiving Property Evaluation Report	-	Support
5	Bank's Approval	-	Credit
6	Receiving the life insurance document (the customer has the option to choose between internal or outside insurance).	-	Branches/Sales

	Procedural Steps	Documents	Executing Department
SECOND: EXECUTION PROCEDURES			
1	Print the following documents: Purchasing the property from the owner. Diminishing Musharaka Contract. Ijarah Agreement for Shares. Service Agency Contract.	A. Internal Sales Contract. B. Diminishing Musharaka Contract. C. Appendix (1) Ijarah Shares contract. D. Appendix (2) Service Agency Contract.	Operations
2	Customer's signature on the main terms form (for Retail sector) or the Offer letter (for corporate sector).	Statement of the main terms of the Ijarah / Tax Invoice (KTD) / Offer Letter	Notary
3	The bank's ownership of the property (or a percentage of it) is achieved through the signing of a Sale contract between the bank and the property owner.	-	Notary
4	The bank's insurance on the property (fire insurance) can be delegated to the customer, with the cost of insurance borne by the bank. (The current practice involves initially insuring the property for the customer for one year before the bank takes ownership, then the bank commits to insuring the property for subsequent years.)	-	Financial controls
5	Signing a Diminishing Musharaka Contract	Diminishing Musharaka Contract	Notary

	Procedural Steps	Documents	Executing Department
6	Signing of Ijarah Shares agreement	Appendix (1) Ijarah Shares agreement	Notary
7	The bank appoints the client to maintain and insure the leased property on its behalf throughout the contract period.	Appendix (2) Service Agency Contract.	Notary
8	Signing the mortgage contract if the property is mortgaged. (In the current application, Ijarah financed properties are registered in the bank's name, and the property is mortgaged for the bank's benefit in the Musharaka.)	Official contract for a legal mortgage deed / Authorization for mortgage, mortgage release, and property sale.	Notary
9	The bank sells the property (or the percentage it owns) to the customer upon the maturity of the final installment, at the end of the term or upon early repayment.	Shares sale contract	Notary

Sudden Events

1. Customer's request to receive additional financing

The bank can finance the customer through the following methods:

1. Financing through TASHEEL product (personal Tawarruq).
2. Terminating the current Musharaka and entering into a new Musharaka with the required share.
3. The bank increasing its share in the property and paying the value of the share to the customer (repurchasing it from the customer), by signing an addendum to the Musharaka contract, or terminating the current Musharaka and entering into a new Musharaka.

2. Transferring the debt of a real estate finance deal to the bank from another bank (Buy-Out)

It is allowed for the bank to purchase the property from the previous financier, then enter into a Musharaka contract with the customer, where his share represents the amounts he paid to the other bank, and the bank's share represents the difference between the two amounts. Then, the bank can either lease out or sell its shares.

3. The customer changing the Musharaka property

1. If the Musharaka was for one property, and the customer wishes to change it:
 - If the customer desires to sell the property, then the Musharaka in the previous property is terminated, and a new Musharaka contract is signed for the new property.
 - If the customer wishes to retain or postpone the sale of the property, the bank can amend the Musharaka through an addendum signed by both parties, while listing the details of the new property and canceling the old one. This occurs after evaluating the new property and determining each party's share.
2. If the Musharaka involves more than property, and the customer wants to change one property without affecting the others:

An addendum can be signed to the Musharaka contract and listing the details of the Musharaka in the new property.

4. Change of Mortgage

The customer and the bank can agree to change the mortgage, according to Sharia, but this procedure should take into account the legal and credit risks associated with it.

5. Increasing or decreasing the installments of lease or sale of shares.

1. The customer and the bank can agree to change the mortgage contract in accordance with Sharia principles, but legal and credit risks should be considered in this process.

A. Increasing the installment amount:

- In the case of leasing shares:

The bank may increase the rent for subsequent periods after the expiration of the initial Ijarah period according to the Master agreement or the offer letter signed by both parties, or by mutual agreement.

- In the case of selling shares:

The bank may increase the price of shares that have not been purchased at the specified times by entering into a new share sale contract with the agreement of both parties. However, if it is proven that transactions have been concluded between the bank and the customer for the sale of all shares at once, the bank then is not allowed to increase the profit from the sale thereafter, as it would constitute a debt owed by the customer that cannot be increased. An agreement can be reached with the customer to voluntarily terminate the transaction and enter into a new one or refinance it through Tawarruq.

B. Reducing the installment amount:

The bank and the customer can agree to reduce the monthly rent or installment for the sale of shares by signing an addendum to the Ijarah of shares contract or the sale of shares contract, which includes the new price. In the event of an agreement after the expiration of the Ijarah period or the current installment for the sale of shares, the bank can send a notification without the need for the customer's signature, according to the Master agreement or the Offer letter signed by both parties or by mutual agreement.

6. Changing the Musharaka Period

The bank and the customer can agree to change the duration of the Musharaka by sign-ing an addendum to the Musharaka contract that specifies the new period.

7. Amending the duration of the Musharaka or any clause.

An addendum to the Musharaka contract is signed includes the agreed-upon amendment.

8. Postponing the Ijarah installment or the Sale of Shares

- It is possible to postpone monthly rental installments without increasing the rent and without charging fees for the deferral except for the actual cost as per the approved fee schedule by the Central Bank of Bahrain.
- The customer's signature is required on the deferment request form, specifying the procedures undertaken by the bank and the repayment method.

9. Ending the Musharaka (full early repayment).

Final Ownership:

If the customer pays off all the installment payments for the sale of shares, ownership of the property automatically transfers to him from a Sharia perspective. Legal procedures must then be undertaken to transfer the property ownership to the customer's name (in case the property was registered under the bank's name initially).

If the customer only pays off the rental payments for the shares, the bank then must sell the shares to the customer so that his ownership becomes Sharia compliant.

Early Ownership (Full Payment During the Musharaka Period):

The partner has the right to terminate the transaction early by purchasing the remaining shares from the bank through signing a contract to buy all the shares. In this case, according to the decision of the Central Bank of Bahrain, the bank must accept the payment, cancel all remaining accounting profits, take the principal amount plus the fees approved by the Central Bank of Bahrain. As for investment property, it will be subject to the regulations set forth by the bank.

10. Partial Payment (Accelerated Purchase of Shares):

The customer can make partial upfront payments towards the value of the shares and can also reduce a portion of the rental amount provided that the bank's right is confirmed to profit from the previous shares that have been calculated. Subsequent installments can only be modified through an addendum signed by both parties, specifying the new rental amount, remaining balance, and revised duration. This is in accordance with the bank's decision or by mutual agreement with the customer.

11. Introducing a new partner in place of the current partner.

In case the partner does not wish to continue the Musharaka and a new partner is to replace them, reconciliation between the parties can be achieved through the following steps:

1. The bank reconciles with the old partner on an agreed-upon amount by terminating the Musharaka, vacating the property, and relieving the bank of previous obligations through drafting a Memorandum of Understanding between the parties regarding this matter.
2. The bank signs a new Musharaka contract with the new partner according to the bank's standard procedures.

12. Leasing shares of the leased property.

1. The bank can engage in this method with a leased property under the premise of leasing common shares rather than leasing the entire property. It should be noted that ownership of the shares is transferred to the partner through a sale contract which can be concluded later.

13. Calculating the rent for the shares not yet purchased.

1. The bank has the option to choose between:
 - Participating with the customer in the actual rent of the property according to its ownership share.
 - Leasing its share to the customer (which is how the bank operates).
2. The rent is calculated monthly based on the number of shares owned by the bank, and a schedule is established for this purpose to determine the bank's entitlement when the partner wishes for early purchase. If the partner delays in purchasing the agreed-upon share, they will be charged rent for that share.
3. It is permissible in the contract to agree on the rental value for each share in the first year or the first period and subsequent periods thereafter, even if this value differs between the two periods.

14. The customer forgoes his shares in exchange for the bank's entitlement to the rent for the grace period.

- If the project is operational and generating income

The customer is permitted to forgo some of his shares after the grace period in exchange for the amount due from them.

- If the project is under construction

The bank is not allowed to automatically increase its share beyond what it contributed to the capital at the end of the grace period. However, the bank may promise the customer to buy their share after the grace period at a price determined at that time. Additionally, after the bank completes the sale, the customer can offset the debt owed by entering into a new Diminishing Musharaka contract with shares in the project.

15. The bank's participation with the customer in a property, then selling its shares to the customer, followed by repurchasing and reselling them.

The bank is allowed to participate with the customer in a property, then sell the shares to the customer, and subsequently repurchase them, under the following conditions:

1. There should be no collusion on this matter at the time of contracting.
2. A period of time should pass during which market conditions change, with a minimum duration of one year.
3. The sale and repurchase should occur at market prices.
4. This process should not be repeated multiple times.

16. Extending the Ijarah Period

Extending the Ijarah period of the shares or selling the shares can be done through an addendum specifically prepared for this purpose without incurring additional fees.

17. Musharaka with a common percentage

The bank can engage in two participations by signing two partnership contracts, each representing a common percentage share of the property, as needed, following these steps:

1. The bank enters into a Musharaka with the customer for a common percentage share of the property (e.g., 70%, for instance).
2. The bank enters into another Musharaka with the customer for another common percentage share of the property (e.g., 30%, for instance).
3. The bank leases its shares for both Musharakas through separate Ijarah share contracts.
4. The bank sells its shares at the end of the term or upon early repayment through separate share sale contracts.

Note: The two Musharakas will be linked since they are contracted on the same property, using the same clause adopted in the Ijarah contracts which states that the customer's default in one transaction is considered a default in all transactions.

LETTER OF GUARANTEE

The Shariah Guide to the Procedures and Controls of BisB Products

LETTER OF GUARANTEE

Definition

It is a written commitment issued by the bank at the request of one of its clients, in which the bank undertakes to pay a specific amount to the beneficiary in case of a demand for payment, provided that the demand reaches the bank no later than the due date specified in the Letter of Guarantee.

It is permissible for the bank to renew the commitment and extend the maturity date based on the agreement of both parties (the bank and the customer).

Product Utilization Sectors

Companies and institutions of all types.

SHARIA GUIDELINES

Sharia Adaptation

- Fully covered Letter of Guarantee: Wakala (Agency).
- Uncovered Letter of Guarantee: Kafala (Deed of Guarantee)
- Partially Covered Letter of Guarantee: Wakala for the covered part, Guarantee for the uncovered part.
- The bank only issues covered letters of guarantee, and may grant uncovered and partially covered letters of guarantee to some customers as an exception.

Parties

1. **The Customer:** This is the person who requests and obtains the bank's letter of guarantee for their own account.
2. **The Beneficiary:** This is the party for whom the bank issues the letter of guarantee.
3. **The Issuing Bank (The Guarantor):** This is the entity that issues the letter of guarantee on behalf of its customer, agreeing to guarantee the beneficiary for the specified amount.

The Contract

1. The customer requests the Letter of Guarantee from the bank using the request form.
2. The bank issues the Letter of Guarantee with of its details.

Fees

1. It is not permissible to charge or receive a fee in exchange for an uncovered Letter of Guarantee because it constitutes a deed of guarantee. The guarantor (the bank) is entitled to recover the actual expenses, incurred for the guarantee, for preparing feasibility studies and document preparation which the bank imposes at a nominal percentage on the services provided.
2. Fees for extending the guarantee period are only permissible if they correspond to the actual services provided.
3. Fees may be charged for fully covered letters of guarantee, either as a fixed amount or as a percentage. However, for partially or uncovered letters of guarantee, the general principle is that it is not allowed to charge fees except only to cover actual expenses and associated studies costs.
4. Fees are fundamentally tied to effort and cost, not risk. Therefore, the bank cannot charge fees after the expiration of the letter of guarantee unless a new letter is issued, at which point the stated fees would apply.

Types

PROVISIONAL LETTER OF GUARANTEE -BID BOND

- It is what the contractor includes in the bid submitted by him in the tender or auction, representing a certain percentage of its value. This is to reassure the tender or auction authority about the seriousness of the bids submitted and to ensure that the bidder does not withdraw if prices change or if they realize an estimation error.

FINAL LETTER OF GUARANTEE - PERFORMANCE GUARANTEE

- This guarantee must be provided by the bidder who wins the tender to ensure the proper execution of the obligations agreed upon with the benefiting parties, according to the terms of the contract. The final guarantee letter remains valid in full until its purpose is fulfilled or its duration expires.

MAINTENANCE GUARANTEE

- It is the guarantee requested by the beneficiary party in anticipation of any hidden defects or vulnerabilities in the project executed by the client, ensuring the completion of necessary repairs or addressing any deficiencies that may arise in the project after its handover within a specified period.

ADVANCED PAYMENT GUARANTEE

- It is the letter granted to the bidding contractor with the aim of receiving an advance payment, which is typically a percentage of the agreed project value. This advance payment is often used to prepare the initial requirements for the project, including materials, tools, and equipment.

LETTERS OF GUARANTEE FOR ITEMS BORROWED BY CONTRACTORS

- These guarantees are issued in cases where the beneficiary, owner of the project, provides the contractor with machinery, equipment, or models to carry out the assigned task. The purpose of these guarantees is to ensure the return of the leased items in their original condition upon completion of the task.

CONFIRMATION OF THE CREDIT

- This is the guarantee issued by a bank to support a guarantee issued by another bank for the customer.

OTHER GUARANTEES

- These are issued based on the agreement between the customer and the beneficiary, with the condition that they comply with Sharia guidelines.

Note: The bank typically issues guarantee letters for those who have full cash coverage for the guarantee amount. Occasionally, a guarantee letter may be issued with partial coverage, depending on the applicant's solvency and trustworthiness.

The letter cannot be granted to a customer or beneficiary for the purpose of guaranteeing interest-bearing amounts or Sharia non-compliant projects.

Procedures:

1. The Offer letter (upon request).
2. Filling out the application request form to issue the Letter of Guarantee.
3. Issuing the Letter of Guarantee.

Emergency Events

1. Financing the customer through Tawarruq instead of using the Uncovered Letter of Guarantee.

The bank may finance the customer through Tawarruq if it precedes the utilization of the Letter of Guarantee (before the bank's payment to the beneficiary), contingent upon the following conditions: the bank issues the Letter of Credit, the customer was required to settle with the beneficiary, and the customer returned to the bank to settle the amount.

2. The merchant requested the customer to obtain a Letter of Credit or Counter Guarantee

The transaction can be executed either as a cash Letter of Credit directly deducted from the customer's account or as a fully covered Letter of Guarantee.

3. Providing a Letter of Guarantee to a party engaging in hotel activities

In principle, it is permissible as long as the services offered do not explicitly violate the provisions and principles of Sharia. It is preferable for the bank to send a letter to the company stating that any use for purposes contrary to Sharia is not the bank's responsibility.

4. Granting a Letter of Guarantee to a conventional bank

It is not permissible if it is for lending or borrowing with interest, but if it is for a permissible purpose, it is acceptable.

INVESTMENT MURABAHA REVERSE MURABAHA

The Shariah Guide to the Procedures and Controls of BisB Products

INVESTMENT MURABAHA (REVERSE MURABAHA)

Definition

It refers to Murabaha transactions executed by the bank in the international markets for investment purposes on behalf of clients, with fixed returns.

Scope of Application

Dealing with banks/corporates/individuals.

Procedures

1. The client signs the contract (terms and conditions) and pays the amount in cash to the bank.
2. The client appoints the bank to purchase goods on his behalf.
3. After the bank purchases the goods for the client, it buys them back from the client on deferred payment terms through an Offer and Acceptance.
4. The bank then sells the goods in the market.
5. The bank then uses the funds obtained from the sale to provide other profitable services and financings.

SHARIA GUIDELINES

Product Features

Investing clients' funds in international commodity Murabaha transactions with fixed returns.

The purchased commodity

The following conditions must apply when purchasing commodities:

1. Specific and distinguishable from others.
2. Ensuring the actual receipt of the commodity physically or constructively through documented evidence.
3. The commodity must be sold to someone other than the original seller (a third party).
4. There should be no link between the first purchase contract (between the customer and the commodity owner) and the second sales contract (between the customer and the bank).
5. The customer should not appoint the bank to sell the commodity purchased by the bank on his behalf.

Commodity Sale (Murabaha Contract)

1. The customer's offer to the bank to enter into the transaction:

- Notification from the customer to the bank is mandatory and must be signed.

2. Sale Notification (Offer Notice) from the bank to the customer:

- The Offer notice is only sent after the customer has taken possession of the commodities.
- The description of the commodities must be clearly stated, including the cost, profit, and final selling price
- The bank must sign the notice and send it to the customer, ensuring that the customer has indeed received it.

3. Acceptance Notification (from the customer to the bank):

- The customer is required to send this notification to the bank to express acceptance of the commodity's price and specifications.
- Both the customer and the bank must sign their approval on this notice.

Note: The bank may enter into a Master agreement with the customer, and later exchange Offer and Acceptance notices for each transaction.

EMERGENCY EVENTS

- **Early withdrawal of the deposit**

Agreement can be reached with the customer regarding a withdrawal time (breaking the deposit) and granting them lower profits according to the bank's approved calculation.

- **Time of purchasing the commodity**

The bank may conduct a sale and purchase transaction of the commodity upon signing the Murabaha agreement and upon the exchange of sale and purchase notices with the customer, even if the investment deposit amount hasn't been deposited in the customer's account, this is because the sale and purchase transaction is separate from the deposit, and because the bank aims to foster customer trust through these sale transactions.

- **Time of calculating the deposit's profit**

The bank may calculate the profit of the deposit that is based on the Murabaha upon the immediate signing of the sale and purchase notices. Moreover, the customer has the right to demand their share of the profit from the bank for the period during which the bank delayed the purchase.

- **Executing back-dated reverse investment Murabaha transactions in the bank's system:**

1. It is not permitted for the bank to purchase the commodity and consider it as a back-dated sale because the purchase takes effect after the Offer and Acceptance. Since the customer requests the bank to start calculating the profit of the Murabaha from the time of transfer, the bank can, as a donation, increase the customer's profit to include the period between the date of the transfer and the purchase date.
2. Back-dated profit calculation for deposits are allowed only under the following conditions:
 - Sign all documents related to the goods on the actual date of purchase.
 - The reason is because of a delay during public holidays.
 - There should be no excessive delay.

• Investments with Variable Profit (Floating Rate Murabaha)

The transaction begins with the customer providing the investment amount, after which the bank purchases the commodity on behalf of the customer and sells it to him through Murabaha after determining the profit rate. In this Murabaha, there is a mutual promise (Waad) between the bank and the customer to conduct another Murabaha when the index rises or falls from the profit rate specified in the Murabaha. The index is reviewed periodically, and if the bank provides a profit higher than the index rate, the customer enters into a Murabaha with the bank based on their previous commitment, and the bank profits from the difference. If it is found that the bank has provided the customer with a profit lower than the index, the bank enters into a Murabaha with the customer and profits from the difference. The bank has prepared a special agreement for this type of transaction.

SHARIA COMPLIANT PROCEDURAL STEPS

Procedural Steps	Documents		The Executing Dept.	
	Retail	Corporate	Retail	Corporate
1. The customer signs the Reverse Murabaha agreement (the agreement is signed only once for each new transaction, and there is no need to repeat it upon renewal).	Reverse Murabaha Agreement		Sales and Branches	Corporates and Financial Institutions
2. The customer appoints the bank to purchase a commodity on their behalf (the Agency is signed only once for each new transaction, and there is no need to repeat it upon renewal).	Purchase Agency		Sales and Branches	Corporates and Financial Institutions

Procedural Steps	Documents		The Executing Dept.	
	Retail	Corporate	Retail	Corporate
3. The customer deposits the amount into his account with the bank	-		Sales and Branches	Corporates and Financial Institutions
4. The bank contacts the first merchant (Fajr Company) to purchase the commodity on behalf of the customer.	E-mail	Bank's System	Sales and Branches	Corporates and Financial Institutions
5. Notification of acceptance from the first merchant (Fajr Company) to the bank on behalf of the customer.	Seller's Offer	Supplier's Offer	Sales and Branches	Corporates and Financial Institutions
6. The bank purchases the commodity on behalf of the customer.	Commodity Certificate		Sales and Branches	Corporates and Financial Institutions
7. Notification of Commodity purchase on behalf of the customer (from the bank to the customer)	Paragraph (1) of the Purchase on behalf of the Investor Document		Sales and Branches	Corporates and Financial Institutions
8. Offer Notice (from the bank to the customer)	Paragraph (2) of the Purchase on behalf of the Investor Document		Sales and Branches	Corporates and Financial Institutions

9. Acceptance Notice (from the customer to the bank)	Paragraph (3) of the Purchase on behalf of the Investor Document		Sales and Branches	Corporates and Financial Institutions
10. The bank sells the commodity to the second merchant (Ashton Company) and receives cash.	Purchase Confirmation	Bank's System	Sales and Branches	Corporates and Financial Institutions
11. Initiating or renewing the transaction in the bank's system.	-		Operations	
12. Depositing the profit in the client's account.	-		Operations	

INVESTMENT WAKALAH

The Shariah Guide to the Procedures and Controls of BisB Products

INVESTMENT WAKALAH

Companies and Banks Sectors

BANK AS AGENT

Definition

It is when one of the parties appoints the bank to invest its funds in the bank's pool or in a reversible investment Murabaha.

Areas of application

With banks (Islamic and conventional) - companies

Purpose

The desire of the other party to invest their funds

Investment Domains

Unrestricted Investments

1. Investing in the bank's general pool.
2. Investing in commodity Murabaha transactions (reverse Murabaha).
3. Any other legitimate investment.

Restricted Investments

Investing in Islamic Sukuks in Bahrain and internationally.

SHARIA GUIDELINES

1. It is not permissible to commit to a specific profit at the time of signing the contract, but the expected profit can be stated.
2. Investment funds in the agency are not guaranteed, and the agent only guarantees through willful misconduct, negligence, or violation of conditions.
3. Investment Wakalah executed in banks are considered as a “necessary agency” because it is a temporary agency with a defined duration that ends with the termination of the investment. It is not permissible for any party to cancel unless both parties agree.
4. The agency can include a specified fee determined by the contract or without a fee.
5. In principle, the Muwakil has the complete entitlement to the profit (Principal), except if an expected profit is specified whereby any excess over and above the expected profit belongs to the agent as an incentive including the agreed fee, or the profit is distributed according to the agreement.

PROCEDURES

Corporates and Institutions

First: Preliminary Procedures

Financial Institutions Department (FI)

1. Presenting the agreement to the Sharia Supervisory and Legal Affairs (if received from the client).
2. Signing the M.O.U. agreement with the client

Second: Execution Procedures

A. Treasury Department

1. Communicating with the agent to present the goods and their specifications from abroad (if the purpose of investment is buying and selling international goods).

B. Operations Department (Back Office)

1. Depositing the client's funds into their account in the bank.
2. Exchanging investment notifications.
3. Depositing the required amount including the profit for the client.

Banking Sector

WAKALA (Bank as Agent)		WAKALA (Bank as Muwakil)
Definition	It is when one of the parties appoints the bank to invest its funds in the bank's pool or in a reversible investment Murabaha.	It is when a bank appoints another bank to invest its funds
Areas of application	With Islamic and Conventional banks-Corporates-Retail	With banks only, but if the bank was Conventional then the funds must be invested in Sharia Compliant investments outside of the Wakil/bank's pool under a Sharia compliant contract approved by a Sharia Supervisory Board.
Purpose	The desire of the other party to invest their funds.	The desire of the bank to invest its funds.

SHARIA COMPLIANT PROCEDURAL STEPS

	Procedural Steps	Documents	Executing Department
FIRST: INITIAL STEPS			
1	Presenting the agreement to the Sharia Supervisory Board and Legal Affairs (if received from the client)	-	Corporate and F.I.'s
2	Signing the M.O.U. with the client	-	Corporate and F.I.'s
SECOND: EXECUTION PROCEDURES			
1	Communicating with the agent to present the commodities and their specifications from the international market (if the investment purpose involves buying and selling international commodities)	-	Treasury
2	Depositing the client's amount into their account at the bank	-	Operations (back office)
3	Exchange of investment notifications	-	Operations (back office)
4	Depositing the required amount including the profit for the client.	-	Operations (back office)

MUDARABAH

The Shariah Guide to the Procedures and Controls of BisB Products

MUDARABAH

Definition

It is a partnership between Rab AlMaal (the client) and the Mudarib (the bank), whereby the bank invests the client's funds and distributes the profit between them according to the agreement. Losses fall on the Rab AlMaal unless Gross negligence, willful misconduct, or violation of conditions by the Mudarib is proven.

Areas of application in the bank

Various types of investment deposits, savings accounts/Vivo/ Tejoori/ Iqra.

Sectors utilizing the product

Individuals, companies, banks (wherein the bank sometimes utilizes the investment agency or reverse Murabaha in international commodities with banks, and uses the Reverse Murabaha if the client desires a fixed profit).

Product Approval History

Savings accounts

1980

Private deposits

1980

Tejoori account

2008

Iqra account

2008

Vivo account

2009

Type of Mudarabah

Un-Restricted Mudarabah

SHARIA GUIDELINES

First: Investment Allocation

1. The bank invests depositors' funds in the common investment pool between it and the depositors (Rab AlMal) through Un-Restricted Mudarabah.
2. The common assets pool refers to the set of assets funded by the Investment Account holders (based on Mudarabah) and the funds invested by Bahrain Islamic Bank (as a partner in the pool).
3. Profits generated from the common assets pool are distributed among the partners of the pool (Bahrain Islamic Bank and Investment Account Holders). Bahrain Islamic Bank deducts its share as a Mudarib upon actual or juristic liquidation. The remaining profits are then distributed among the Investment Account Holders according to the profit calculation and distribution methodology outlined in this policy.
4. The common assets pool may include low-risk assets with low returns, medium-risk assets with medium returns, or high-risk assets with high returns.
5. The common pool contains Sharia-compliant products typically offered by the bank.
6. Funds in the common pool cannot be used in investment and financing transactions that do not comply with Sharia principles.
7. Funds in this pool are invested in investment and financing activities in accordance with Islamic Sharia principles, including:
 - Murabaha transactions which include trade finance, working capital, auto financing, and documentary credits.
 - Mudarabah.
 - Musharaka.
 - Ijarah Muntahia Bittamleek (lease to own).
 - Sukuk.

Second: Investor and Bank's Rights Guidelines

1. The bank is entitled to its profits from its own investments as an investor, while it earns profits in the depositors' pool only as a Mudarib. In this case, it first earns profits as a Mudarib and then takes what corresponds to its contribution as an investor.
2. The bank shall not be liable for any losses incurred in the joint pool except for losses resulting from gross negligence or willful misconduct on the part of the bank, or as a result of the bank's violation of the terms and conditions agreed upon between the bank and the Investment Account Holders.
3. The bank invests the depositors' withdrawable deposits at any time in products with reasonable returns to mitigate risks while complying with the Islamic Sharia rules.
4. Profits arising from investment or financing activities are divided between Bahrain Islamic Bank and Investment Account Holders based on the proportion of each party's capital in the joint pool, in addition to the bank's share as a Mudarib.
5. Assets can be grouped together into different categories based on certain criteria such as liquidity, maturity period, risk, or return.
6. All investors in the pool, including the bank, bear all losses proportionally to their contribution to the capital.
7. Cash and balances with the central bank, as well as deposits with other banks and financial institutions, are considered part of the joint pool to maintain liquidity requirements within the pool. Therefore, the profits of Investment Account Holders in these assets are lower compared to other types of investments.

Third: Profit Distribution Methodology

1. Profit distribution ratios among shareholders and depositors must be clear, well-known, and specified, based on common ratios such as 50% - 50% or 40% - 60%, etc. It is not permissible to specify a certain profit percentage, such as 3% or 1%, or a specific amount like 1000 dinars. Instead, profits can be estimated based on studies and expectations where the profit is anticipated but not guaranteed.
2. Profit distribution follows the following steps:
 - A- Deduction of Mudarabah expense.
 - B- Allocation of an amount for the Profit Equalization Reserve account (a reserve account in case of unexpected profit downturns, shared between the Mudarib (the bank) and Rab AlMaal (depositors), before deducting the bank/Mudarib share of profits, with the allocation ratio clarified.
 - C- Deduction of the bank's profits (shareholders) as Mudarib.
 - D- Allocation of an amount for Investment Risk Reserve account (a reserve account used for depositors' accounts to cover losses resulting from abnormal circumstances), with the allocation ratio clarified.
 - E- Distribution of profits to depositors according to the announced speculation ratio (profits are presented as a common percentage between total profits and total invested funds).
3. The bank must invest the reserve pools as follows:
 - A- Profit Equalization Reserve: The bank invests it for the reserve account (shared between Mudarib and Rab AlMaal), and profits are distributed between them based on the agreed-upon ratio after deducting the bank's share as a Mudarib.
 - B- Investment Risk Reserve: The bank invests it on behalf of depositors, and the bank is entitled to its share only as a Mudarib.

4. Profits are distributed after deducting all direct expenses, and the bank is not entitled to charge depositors for indirect expenses such as advertisements or employee costs, etc.
5. Profits should be distributed after constructive liquidation (evaluation) and not based on any other criteria, estimating profits after the specified period ends.
6. The bank must distribute profits based on their actual realization, and the bank does not bear the difference between the expected and realized profit percentages. If the bank wishes to waive a portion of its profits, it must obtain authorization from the general assembly or as delegated by the board of directors, disclosing it in the annual financial statements.

Note: The bank may distribute profits to some accounts before reconciliation or maturity, these are on-account profits granted to account holders, with settlements made later by compensating any shortfall or refunding any excess after constructive or actual liquidation.

7. The ratios of invested funds allocated to each type of deposit should be clarified through the bank's advertising channels.
8. Funds received from investment account holders are calculated based on the actual receipt date of funds.
9. Profits are calculated based on the average daily balances for profit distribution.

- 10.** Accounts of investment account holders are measured based on their book value at the end of the financial period (i.e., the balance in the bank's books).
- 11.** Investment profits are distributed between the bank and Investment Account Holders according to each party's contribution to the joint pool.
- 12.** The utilization rate is considered if liquidity and reserves are not within the pool, except for demand accounts which has a minimum utilization rate of 40%.
- 13.** Suitable weights or utilization rates should be assigned to each category of accounts based on predetermined criteria.
- 14.** Different weights or utilization rates may be assigned to each category of accounts based on the investment amount and maturity period. For example, term accounts for six months will have higher weights compared to term accounts for three months, and the higher the investment amount and the longer the investment maturity period, the higher the assigned weights or utilization rates will be.
- 15.** If the Mudarabah profits calculated at the end of the financial year exceed the realized profits of the depositor's matured deposit, the excess profit is considered waived in favor of existing account holders at the time of calculating the realized profits at the end of the year, based on the principle of commingling (Khulta) and mutual relief from commitment (Mubaraah).

Fourth: Documents Used

1. Account Terms and Conditions Form.
2. Deposit Certificate (issued for private deposits only).

Fifth: Prizes

1. Prizes for Tejoori Accounts

The bank may encourage depositors by granting them incentive awards through draws, subject to the following conditions:

- a) Investment of accounts through Sharia Compliant means and granting depositors (Rab AlMaal) realized profits.
- b) The awards must be given as gifts from the shareholders' account.

Early withdrawal (closing it before its maturity)

1. In case of early withdrawals, the bank may apply a lower weightage to the investment deposit, leading to a reduction in the account holder's investment profits.
2. If the account holder closes their investment account before its maturity, the bank will then allot the account's profit according to the approved equations.
3. The required percentage of the maturity period to be completed as a minimum is the completed duration until the end of the specified maturity term in the certificate of deposit divided by the account's maturity period.

CURRENCY TRADING

The Shariah Guide to the Procedures and Controls of BisB Products

CURRENCY TRADING

Customers and Banks Sectors

FX EXCHANGE

Definition

It is the transactions that are executed by the bank through current accounts involving the buying and selling of currencies with other banks. These transactions are considered non-binding Mawa'dah (Bilateral binding promise) contracts.

Product Goal

Achieving profit or managing liquidity.

Applications

Banks only.

PROCEDURES

First: Initial Procedures

Signing the purchase and sale agreement (in the case of entering into an agreement with another bank).

Second: Implementation Procedures

A) Treasury Management

1. Determining the currency exchange rate according to the market rate.
2. Buying and selling the currency.

B) Operations Management (Back Office)

1. Agreeing on the price and fixing it.
2. Executing the purchase and sale transactions through exchanging Offer and Acceptance notices.
3. Simultaneous exchange (delivery and receipt) at the same time.

SHARIA GUIDELINES

Trading and exchanging currencies are permissible under the following conditions:

1. Not engaging in futures markets.
2. Signing Master agreements for transactions.
3. Ensuring that one of the promises is not binding to avoid forbidden Mawa'dah (bilateral binding promises).
4. Exchanging Offer and Acceptance notices upon execution.
5. Simultaneous exchange before parties part ways (i.e., delivery and receipt at the same time), with limited delays being forgiven due to the nature of transactions.

CURRENCY EXCHANGE AND WAAD (SWAP)

Definition

It is a currency swap transaction where one currency is exchanged for another on the agreed-upon date, with a commitment to reverse the exchange for the same currencies at a specified future date, based on an exchange rate determined at the time of promise.

The bank conducts this transaction (known as a hedging process) through a binding promise from one party, where the bank commits to re-exchanging the previously exchanged currency at the agreed-upon rate on the day the agreement is signed. The parties proceed with the exchange if the market rate is higher than the agreed-upon rate, and if the rate remains unchanged or is lower, the transaction is not executed.

Product Goal

Achieving profit, managing liquidity, or hedging against exchange rate fluctuations.

Applications

Banks only.

PROCEDURES

First: Preliminary Procedures

1. Signing the exchange and promise agreement.
2. Signing a promise from the bank to the client.
3. Signing a promise from the client to the bank.

Second: Implementation Procedures

A) Treasury Management

1. Determining the currency rate according to the market rate.
2. Informing the client and the bank's account agent about the profit rate and proceeding with the trade.

B) Operations Management (Back Office)

1. Executing the promise of purchase and sale within the agreed period at the promised price.
2. Exchanging Offer and Acceptance notices.
3. The client pays the price, and the bank transfers the currency and receives the other currency from the other bank.
4. In case the currency rate remains unchanged (according to the market), the trade is canceled. If the rate increases (according to the market), each party executes its promise to the other to proceed with purchasing the goods.

SHARIA GUIDELINES

Trading and currency exchange are permissible under the following conditions:

1. Not engaging in futures markets.
2. Signing organized agreements for transactions.
3. One of the parties must not be bound to avoid forbidden transactions.
4. Exchanging Offer and Acceptance notices upon execution.
5. Simultaneous exchange before parting ways (i.e., delivery and payment at the same time), and limited delay is forgiven due to the nature of transactions.

CURRENCY EXCHANGE FOR FUTURE DELIVERY

Definition

It is a promise to conduct an immediate currency exchange (selling one currency for another) on a specific date in the future, according to a predetermined exchange rate. Transactions are conducted based on the agreement made between the bank and the customer, and are carried out through two mechanisms:

1. Standard Futures: Completing the exchange in one installment on the specified future date.
2. Flexible Futures: Completing the exchange in one installment or different installments at any time between the promise date and the specified settlement date, according to the customer's needs and preferences. The flexible future option is designed for those who want to hedge against fluctuations in exchange rates without knowing the exact timing of their future payments or imports.

Product Goal

Achieving profits, liquidity management, or hedging against exchange rate fluctuations.

Applications

All customers

PROCEDURES

Regular Currency Exchange Product

1. The customer buys Euros from the bank and sells US Dollars.
2. The customer and the bank agree on the reserved amount, settlement date, and exchange rate.
The customer commits to the bank to execute this transaction.
3. The customer can request partial or full execution of the transaction at any time between the trading date and the settlement date (in the Flexible Term mechanism, and as an exception in the Regular Term mechanism - if needed).
4. Settlement of any remaining amount from the total amount on the settlement date.

Initial Procedures

1. Signing the Mubadala and Waad Agreement (Islamic Financial Market Agreement - IIFM).
2. Signing the customer's promise to the bank.

Execution Procedures

A) Treasury Management

1. Determining the two currencies.
2. Specifying the amount the customer wants to exchange.
3. Setting the settlement date (Regular Term mechanism) or specifying the period during which the customer can buy or sell the currency (Flexible Term mechanism).
4. Informing the customer by the bank's account agent about the exchange rate which is set at the beginning (when issuing the promise).

B) Operations Management

1. Executing the promise on the settlement date (in the Regular Term mechanism) or during the agreed period (in the Flexible Term mechanism), and settling according to the customer's instructions.
2. Exchanging Offer and Acceptance notices.
3. Transferring the currency and receiving the other currency from the other bank.

SHARIA GUIDELINES

Trading and currency exchange are permissible under the following conditions:

1. Not dealing in futures markets.
2. Signing Master agreements that organize the transactions.
3. Ensuring that one of the promises is not binding in order to avoid forbidden Mawa'dah (bilateral binding promises).
4. Exchanging Offer and Acceptance notices upon execution.
5. Simultaneous exchange before parties part ways (i.e., delivery and receipt at the same time), with limited delays being forgiven due to the nature of transactions.

CURRENCY EXCHANGE AND TRANSFER

Definition

These are the transactions that the bank executes upon the customer's request to transfer a local amount to abroad in a different currency.

Product Goal

Achieving profit by providing exchange services to all customers.

Applications

All Customers

PROCEDURES

Initial Proceduers:

Sign the transfer request form and specify the fee.

Execution Proceduers:

A) Treasury Management

1. Determining the currency rate according to the market rate.
2. The bank collects the amount available in the customer's current account.

B) Operations Management

3. Transferring the amount in the foreign currency.

SHARIA GUIDELINES

1. Simultaneous exchange before parties part ways (i.e., delivery and receipt at the same time), with limited delays being forgiven due to the nature of transactions.
2. The bank's entitlement to service charges in accordance with the specified fees.

RE-SCHEDULING OF PAYMENTS AND INSTALLMENT DEFERRALS

The Shariah Guide to the Procedures and Controls of BisB Products

RE-SCHEDULING OF PAYMENTS AND INSTALLMENT DEFERRALS

DEFINITIONS

Procrastinating Debtor

A debtor who is solvent but refuses to pay his overdue debt to the bank without a legitimate excuse. His delinquency begins from the moment of delay in payment and notification by the bank without proof of insolvency. Whether he is affluent or insolvent is determined by evidence and proofs. Delaying payment by a debtor capable of repaying the debt is prohibited by Sharia law.

Distressed Debtor

A debtor who is unable to fulfill his debt to the bank due to a legitimate excuse. Sharia law requires the bank to grant him a grace period, and the burden of proving insolvency and providing evidence to the bank falls on him.

Defaulting Debtor

The debtor who owns assets that can be liquidated but cannot repay his debt due to his own or his company circumstances, either due to lack of necessary liquidity or other reasons.

Penalty Clause

The clause related to imposing a financial penalty, either in cash or in kind, when the customer delays in fulfilling his financial obligations. Judicial claims for this compensation or compensation for opportunity cost are not permissible. Instead, the bank can claim compensation for the actual damages incurred. The penalty clause imposing financial compensation, whether in cash or in kind, for the delay in performing a specific task or delivering a specific item is permissible.

Repayment Rescheduling

Rescheduling is achieved by terminating the financing contract and entering into a new financing contract when the customer defaults on repaying his debt or wants to obtain financing in addition to the previous one. It can also be done to modify transaction installments by increasing or decreasing their duration without increasing their amounts.

Installment Deferment

It means deferring the repayment of one or more installments of financing without increasing the financing amount or profit. The bank charges actual fees for this which are approved by the Central Bank of Bahrain.

Commitment to Donate

It obligates the delinquent customer to donate to charitable organizations if requested by the bank, either entirely or partially. The amount is deducted directly from the customer's account upon delay in payment and transferred to the Zakat Committee for disbursement to sectors determined by the Sharia Supervisory Board, with the possibility of deducting administrative and legal expenses incurred by the bank due to this delay. For credit card transactions, the amount is deducted from the customer's account as a fixed amount and as a percentage for other financing transactions according to the following equation:

$$\text{Commitment to Donate Amount} = \frac{A \times B \times C}{360}$$

"A" represents the unpaid amounts.

"B" represents 15%.

"C" represents the number of days from the period starting from the due date of the unpaid amount to the date when the customer pays all his obligations.

FIRST: RETAIL SECTOR

A) Procedures for dealing with delinquent and distressed individuals in case of payment delay:

1. Notifying the customer through text messages (3 messages) to alert them of the delay.
2. Telephone communication or field visits.
3. Referring the case to legal affairs to start legal proceedings, granting the distressed debtor a longer period.
Note: If the customer signs the debt-acknowledgment-form, the case is raised immediately.
4. The bank initiates legal proceedings after 180 days of customer delay.
5. If the collateral is real estate, it is seized, and legal action is taken to start the foreclosure process. If the court rules in favor of the bank, ownership transfers to the bank and it is sold at a public auction by the court. If there is an excess amount, it is returned to the customer.
6. Repayment rescheduling: If the customer is willing to pay (provided they have a steady income), rescheduling is done by entering into other operations to repay the previous debt.
7. Installment Deferment: When a customer requests installment deferment, they submit their request to the branch or to the Collections Department. They are granted a deferment for a period of 6 months in normal cases, and in exceptional cases, another 6-month extension may be granted, with only deferment fees being charged.
8. Customer Decease: In the event of the customer's death, if there is insurance, the insurance company is notified of the death, and the bank requests repayment of the deceased's debt. If there is no insurance or if the insurance company refuses compensation, the amount of the debt is deducted from the customer's accounts with the bank, if any. If the customer does not have any accounts, the bank decides whether to claim from the heirs or write off the debt.

B) Special Provisions Regarding Insolvency:

1. It is the responsibility of the debtor who is unable to repay to prove his insolvency by providing the bank with all the necessary evidence, such as personal assets, commercial records, pension statements, etc. His delay and neglect in providing evidence of insolvency are considered as a lack of insolvency. Therefore, the bank can refer him to court. Additionally, if a debtor's insolvency is proven, the bank can refer the case to court for a prolonged period until the court declares insolvency to prevent the accumulation of claims. The bank is not allowed to impose lawsuit fees on distressed individuals. In case of disagreement regarding insolvency, the matter is referred to the Sharia Supervisory Board for judgment.
2. In principle, the bank does not file a lawsuit against the distressed customer until their insolvency is confirmed. Due to the high number of non-payers and the difficulty in distinguishing between the distressed and the affluent, the relevant department may consider the customer as distressed if the following conditions are met:
 - Loss of employment with no other source of income for the customer.
 - Permanent disability due to an accident or illness without receiving a pension.
 - Death without having any insurance coverage for their debt.

C) Sharia Guidelines for dealing with the Distressed and the Procrastinator

The Case	The Distressed	The Procrastinator
Charging late payment fees when overdue (Penalty Clause)	Not Permissible	
Charging Commitment to Donate fees when client is overdue	The fee is not charged, but if got charged, it will be returned to him after proving his insolvency.	The Fee can be charged on him
Compensation for Opportunity Cost	Not Allowed	

The Case	The Distressed	The Procrastinator
Filing a legal claim in case of delay	It is possible provided that the grace period has elapsed and there is no expectation of an improvement in his condition.	Allowed
Calculating legal fees (lawyer fees - lawsuit fees - collection fees)	Not allowed	Allowed
Judicial claim for financial compensation for payment delay	Not Allowed	
Charging actual administrative fees for following up on transaction procedures after the delay	Not charged to the client	Can charged to the client
Extending the repayment period (rescheduling)	Possible, but without increasing the amount	
Refinancing the remaining debt	It is possible with the condition that his profit does not exceed the amount of the previous remaining debt, unless he obtains income that shifts him to an affluent status.	Possible
Calculating legal or administrative fees within financing when refinancing the remaining debt	Not allowed	Allowed
Mortgage liquidation	It is not permissible except if the customer is unable to pay, and if the property is not his personal residence.	Allowed

The Case	The Distressed	The Procrastinator
Waving the Commitment to Donate Fees	Allowed	
Financing the client to pay off the Commitment to Donate Fees	Not allowed	
Paying the customer's debt from the bank's Zakah	It is allowed only in accordance with the sharia guidelines set by the SSB.	Not allowed

D) Rescheduling Procedures:

1. General Rescheduling:

- Rescheduling is granted to individuals upon their request for additional financing or when they encounter difficulties in repaying their debt. In the latter case, rescheduling can be done through TASHEEL product, Ijara, or Musharaka, depending on the type of previous financing and the availability of property for the customer, by the following guidelines:

The Procedure	Rescheduling Guidelines done through Tawarruq	Rescheduling Guidelines done through Ijara	Rescheduling Guidelines done through Musharaka
Contract Procedures	The bank may terminate the contract by mutual agreement with the other party and open a new transaction between them regarding Murabaha or Tawarruq transactions. Alternatively, or amend the Murabaha contract with the new installments through an addendum.	Modifying the rent for previous periods is not permissible. However, the rent for future periods can be adjusted by signing an addendum to the Ijara agreement or by signing a new Ijara agreement with a clause allowing the customer to continue the transaction in the new agreement or in the modification addendum upon its closure in the bank's computer system to preserve the bank's rights.	The bank may sell its remaining shares or lease them according to the agreement.

The Procedure	Rescheduling Guidelines done through Tawarruq	Rescheduling Guidelines done through Ijara	Rescheduling Guidelines done through Musharaka
Calculating fees for the new transaction	It can be calculated when entering into a new contract, and it is not permissible when amending the contract.		
Increasing the amount of the new transaction	The bank is not allowed to compensate itself by increasing the debt in the new transaction due to the customer's delay in the previous transaction. The bank may rely on market profit or the profit rate associated with the annual credit rating in the new transaction.		
The independence of the transaction	The new transaction must be independent from the old one, without any conditions linking them.		
Issuance of credit approval	Credit approval from the relevant department is required.		
Depositing the price in the customer's account	The price must be deposited into the customer's account, and then deducted from the account. The bank may request the customer's signature to acknowledge the use of the set-off clause, in addition to a letter from the customer requesting the direct deduction of the debt.		

2. Rescheduling in Emergency Events:

- In principle, the bank can carry out rescheduling operations in emergency events through one of the following methods:
 1. Refinancing the entire remaining debt through a Tawarruq transaction.
 2. Refinancing only the deferred installments through a new Murabaha transaction to be repaid after the current Murabaha expires.
 3. Suffice with profit calculation only and deferring the principal amount until the end of the term
 4. Charging administrative fees for the deferral process.

The management has chosen the second option for several reasons. One of the reasons is that this option is financially and administratively preferable for the bank, as it minimizes the impact on the bank's operations and financial losses. Additionally, it is reasonable to apply administratively and technologically.

Due to the current exceptional health and economic circumstances and by the Central Bank of Bahrain's directive to all banks to provide deferred payment service for financings until the end of 2021, without affecting banks' liquidity and financial viability, profits will be calculated by banks for individuals and companies during the deferral period.

Given the difficulty of providing flexible financial products or services in profit calculation for the large number of customers expected to benefit from the service, the deferred installments can be refinanced through the personal Murabaha (Tawarruq) product for individuals and companies with Murabaha transactions for cars, TASHEEL Product, Ijara, and Musharaka (with the possibility of deferring interest-free loans without initiating a new process and without charging administrative fees other than life insurance). This mechanism is the most suitable for customers and the bank, being the least costly option in the current period and due to the short timeframe. This is done by providing the deferral service to interested parties according to the following steps:

- 1. The bank sends a text message with the aim of initially collecting requests. Through this message, the customer enters their ID number via the available link, and the following guidelines shall be followed:**
 - The deferral service is granted to Bahraini nationals and residents who are not in default.
 - Profit is calculated on the new Murabaha transaction multiplied by the remaining months of the previous transaction. Installments commence deduction immediately after the expiry of the previous term, in compliance with the Central Bank of Bahrain's instructions not to increase the current installment.

- No administrative fees are charged on the new Murabaha transaction, while Takaful life insurance fees are calculated once along with a fee equivalent to the installment deferral fee.
 - Reference is made to the possibility of early settlement and obtaining a discount in accordance with the Central Bank's instructions to educate customers and encourage early repayment.
2. After the bank's approval, another text message with the profit and installment calculation is sent to customers.
 3. A third text message is sent to initiate the Murabaha transaction process. The bank purchases a bulk quantity of goods and petroleum by-products to use them in the purchase and sale transactions through the agent. Then the Murabaha transaction is conducted according to the approved Sharia guidelines by the Sharia Supervisory Board.
 4. Repayment of installments for the new transaction are then deferred until end of the current transaction.
 5. There will be no linkage between old and new transactions in the contract or any other document. The customer then authorizes the bank, in his own free will, to deduct the amount from his account for the monthly installment payments.
 6. The bank is permitted to sign the contract on behalf of the customer and a clause is added in the contract whereby the the bank's signature on the contract is sufficient, eliminating the need for the customer's signature, in the event the parties come to an agreement through electronic communication channels. Moreover, the customer must be able to access the contract at their convenience.

E) Deferred Installment Guidelines:

Installments for financing can be deferred according to the bank's regulations under the following conditions:

1. Deferral should not include amounts or additional profits on the debt. Actual administrative fees may be deducted, subject to the approval of the Central Bank of Bahrain (calculated at a fee of 10 dinars for each deferral process). The customer then signs on the deferral request form which includes the procedures undertaken by the bank.
2. The installment, or the deferred installments, can be postponed or extended until the end of the term or divide the installments over any of the financing periods or after the end of the financing without increasing the debt or adding additional profits on the debt. Administrative fees may be charged with the approval of the Sharia Supervisory Board.
3. In the event that the customer pays part or the full amount of the debt, the transaction is organized as follows:
 - Full Payment: A portion of the profits can be waived (profit reduction) if the customer pays off the financing amount early, provided that this is not agreed upon in advance. According to the decision of the Central Bank of Bahrain, the bank must accept the payment and cancel all remaining profits and retain the principal amount plus approved fees, which are 1% or 100 dinars (whichever is less).
 - Partial Payment: The customer can partially pay off the financing amount with the bank's approval. The bank may waive the remaining profit under the condition:
 - There is no prior agreement on the amount of waiver.
 - The previous installments that have been calculated are not affected, and only the subsequent installments can be altered by signing an addendum to the Murabaha contract.
4. In the event if the customer delays in paying the installment, the bank is entitled to deduct an amount as a Commitment to Doanate, which is disbursed for charitable purposes, provided that the customer is not insolvent. If the customer is insolvent, this deduction is not permissible, and if taken must be returned.

SECOND: THE CORPORATE SECTOR

A) Procedures for Rescheduling for Corporates:

1. The same procedures mentioned in the general rescheduling for Retail are applicable, with the details provided below.
2. In principal, it is not permissible for the bank to increase the profit rate for Tawarruq transactions completed during the installments' period if the BIBOR (Bahrain Interbank Offered Rate) increases because the sale was concluded at a specified price for specific goods. Additionally, the bank is not allowed to offer or pressure the customer into terminating the current financing and starting a new one to increase the bank's profits on the previous deal.
3. If the bank wishes to increase its profit, it may do so by signing a short-term Murabaha contract with the customer, then conclude another Murabaha with new installments and new goods after the completion of the first Murabaha at the rate determined by the index at the time of the deal. This does not apply to defaulted Murabaha transactions or those in which the customer requested additional financing or repayment of obligations from previous transactions.
4. There is no objection if the customer requests the termination of the current Murabaha and initiates a new Murabaha with their consent. According to the prevailing circumstances, it is possible to agree with the customer to cancel or terminate the current Murabaha and start a new one at the agreed-upon price in accordance with AAOIFI Debt Sale standard No 59 which include:
 - It is essential to ensure that there is no linkage between the initial and subsequent transactions in any documentation, and to retain the amount of the new transaction in the customer's account for a full working day, without requiring immediate payment from the customer. To mitigate risks associated with this procedure, the bank may request the customer to provide authorization for immediate

deduction from their account, either through a formal letter or by incorporating such a provision in the Master Agreement, in the Terms and Conditions, or Offer Letter. Additionally, the bank can rely on set-off clauses in contracts to deduct any outstanding debts directly from the customer's accounts within the bank. It is imperative to include such provisions in all financing contracts for Retail and Corporates. Furthermore, the bank may issue credit approval to the customer for an amount exceeding the required debt, then provide financing equivalent to the previous debt, and subsequently finance the customer with the additional amount if necessary.

- The bank should not compensate itself by increasing the profit of the new transaction due to the customer's delay in the previous transaction. Since the bank uses the expected profit based on the credit rating, there is no legal objection to this practice.
5. The bank can engage with the customer in an Ijarah or Diminishing Musharaka agreement for real estate or equipment owned by the customer, whether by registering them under the bank's name or retaining them under the customer's name.
6. The bank can enter into a profit-swapping agreement with the customer through Murabaha or Ijarah, based on the Risk-Free Rate (RFR) index, with one of the following options:

- **First: Murabaha**

Option One: Commence with a deferred long-term Murabaha, followed by another Murabaha or multiple Murabahas at the end of the term or at the end of each repayment period by applying the promise clause outlined in the Murabaha agreement which stipulates the execution of a Musawama contract or an immediate Murabaha, wherein the entitled party is compensated upon an increase in the index through a new Murabaha.

Option two: Entering into a long-term Murabaha contract based on the prevailing market profit + a profit allowance, then the bank waives the profit allowance if the index rate stabilizes. Additionally, the bank can be entitled to the profit allowance if the index rate increases.

- **Second: Ijarah Muntahia Bittamleek (ending with ownership)**

Option One: Convert the rent to a daily rent instead of monthly, and linking the daily rent to a variable profit rate. The customer is then regularly provided with the daily rate and settles any differences, if applicable, at the end of the agreed-upon period. An electronic approval or rejection is then linked along with the new rate whereby the customer can accept or decline the new rate directly. If the new rate is declined, the customer's commitment in the contract to early purchase the property can be used.

Option two: Engage in two sub-Ijarah periods, the first starting from the pricing date until the start of the profit calculation, and the second beginning as soon as the profit is calculated based on the index, then settling the price difference as rent for the second period.

B) Restructuring Procedures for Companies during Crises:

1. Global Financial Crisis

The bank provides numerous financings through Tawarruq to some businesses for various purposes by allocating a ceiling for each of them, then dividing the amount among them. Due to occasional defaults by customers, the bank sometimes is forced to enter into additional Tawarruq transactions aimed at refinancing the same customer, where the customer settles the profit of the previous and current transaction only, while deferring the payment of the principal amount to a later date. Therefore, the bank must adhere to the following guidelines:

1. Debt restructuring transactions (debt rescheduling) are granted only to entities with good credit or to non-delinquent companies that are capable of repayment. These transactions are carried out by increasing the installments of the same transaction through a new Tawarruq financing. However, it is not permissible to carry out these transactions for defaulting or distressed parties, as it would constitute prohibited debt restructuring or restructuring with interest, which is forbidden in Sharia.

2. Extending the repayment period for procrastinating customers is permissible, provided that no additional charges are taken.
3. Financing is granted to customers with good reputations.
4. Committing to refrain from resorting to Tawarruq except in cases where financing cannot be provided through other Sharia-compliant products.
5. Engaging in refinancing through Tawarruq is not permitted if the customer can obtain financing from another party to repay the debt, or if collateral can be liquidated to settle the debt, or if the customer has substantial cash reserves available for this purpose.
6. For cases other than those mentioned, bank employees must refrain from conducting any refinancing transactions through Tawarruq until verifying that the customer lacks liquidity. If the customer defaults thereafter and no other product can address their debt issue, the following guidelines should be followed:
 - The customer should be given a reasonable timeframe to prevent adverse effects on the customer and the bank.
 - The second transaction should be entirely separate from the first debt, disregarding duration and amount of the first debt.
 - The bank should attempt to have the customer repay a portion of the previous debt if possible.
 - To enable the customer to access the Tawarruq amount.
 - Conduct the Tawarruq transaction before the debt maturity date if possible, in this case the debtor can deposit this amount into an investment deposit with the bank and earn profits.
 - The repayment of the first Tawarruq should not be stipulated in the agreement.
 - The renewal of the Tawarruq contract should not be a general policy of the bank.

- Tawarruq transactions should be presented to the Sharia Supervisory Board every three months.
- Refinancing transactions are intended for old delinquent transactions, while new transactions are not eligible for this service. And Allah knows best.

2. Corona Pandemic

The rescheduling service is available to those interested in International Commodity Murabaha transactions and for those customers who have availed Tawarruq, Ijarah, and Musharaka financing without charging fees for these transactions through the following steps:

1. Sending a message to customers offering the service and initiating a new Murabaha transaction to repay the deferred installments. Sending the message from the bank will be considered as an Offer and Acceptance for the purchase transaction. The customer's approval will be considered as an Acceptance and authorization for the bank to buy and sell, and this should be stated in the sent message. The authorization is only restricted to this matter and during this extraordinary pandemic situation.
2. The customer's failure to respond to the Offer within the specified period will be considered as a rejection of the service.
3. The profit rate and cost should be written if possible, or to indicate that the profit will be in line with the profit rate for the previous transaction, while adhering to the instructions of the Central Bank of Bahrain.

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