Syrian Arab Republic

Monetary and Credit Council

الجمهورية العربية السورية

مجلس النقد و التسليف

NO. 520/MC/B4
Dated 27 May, 2009

The Monetary and Credit Council,
Based on the provisions of the Central Bank of Syria Law and the Basic Monetary System No. 23 of 2002,
The provisions of Paragraph /C/ of Article /11/ of the Legislative Decree No. (35) for the year 2005 on creating Islamic banks, and within the framework of organizing the relationship between the Islamic bank and its customers on the basis of adherence to the provisions of Islamic Sharia and its principles, and limiting the risks to which the bank may be exposed as a result of weakness or absence of this commitment,
The directorate of banking supervision letter No. 1632/100/3 dated 30/04/2009, and upon considerations in its session held on 27/05/2009,
Decides the following:

Article 1: Islamic banks operating in the Syrian Arab Republic shall adhere to the following rules while entering into murabahah operations:

A. Pre-Murabaha Contract:

1. If the condition option is not applied with the first seller, the bank shall not enter into a murabahah process for the purchase orderer before obtaining a binding promise from the customer.

2. In the event that the customer fails to fulfill his/her binding promise, the bank may not seize the margin of seriousness and its right in it shall be limited to the amount of actual damage by charging the customer the difference between the price of the commodity sold to others and the cost incurred by the bank. The margin of seriousness shall be considered a trust preserved by the bank, which shall not be permitted to dispose, or the customer shall authorize the bank to invest such a difference on the basis of Sharia speculation.

3. In the event that a customer is empowered (if necessary) to purchase the commodity, the following measures shall be taken to ensure that certain conditions are met:

   A. The bank shall start paying the price to the seller himself and not depositing the price of the commodity in the customer's account.
   B. The bank shall get documents from the seller to verify the fact of the sale.

C. The two guarantees shall be separated: The bank guarantee and the customer's guarantee that the bank is responsible for buying the commodity in his/her favor, with a time lapse between the implementation of the agency and the conclusion of the murabahah contract for the purchase orderer between the bank and the customer through a notification from the customer to implement the agency and purchase, then a notification from the bank for the sale.

D. The documents, contracts and papers issued upon the conclusion of the contract for the purchase of the commodity shall be in the name of the bank and not the customer, even if the latter is its agent.

4. The bank shall demonstrate a real or legal seizure of the commodity before selling it to its customer by Murabaha for the purchase orderer.

5. The bank shall be liable for the loss of the commodity after seizing it.

6. Any previous contractual relationship between the ordering customer and the original seller, if any, shall be canceled, and this dismissal from both parties shall be genuine, not fictitious. The contract between the customer and the exporter may not be transferred to the bank.

7. The bank shall take necessary measures to ensure that the commodity seller is a third party other than the customer or his/her agent.

8. The owner of the asset (the bank) shall bear the road risk and all damage and loss that occur to the asset during the period of shipment or storage and it may not be permitted to charge the purchase orderer (the customer) with any of these risks.

B. The Contract Phase

1. The murabahah contract shall include the following definitions where applicable: the murabahah contract (regular or purchase orderer) - seller (the bank) - the purchase orderer- the guarantor - the margin of seriousness - the asset subject of the contract - the documents belonging to the asset.

2. The Murabaha contract shall include the exact date of the contract (hour - minute).

3. The contract shall include that in the event that the customer is offered to receive the goods on the specified date, but deferred that, then the goods shall be under the customer guarantee.

4. In the event that the bank purchases the commodity for the purpose of selling it in murabahah, the bank shall disclose such a purchase to the customer, and the contract shall include details of the expenses that will be

included in the price (transportation, storage, documentary credit charges, insurance premiums, etc.).

5. The contract shall include the phrase: “If the bank gets a discount from the seller on the same sale, the customer benefits from that discount by lowering the total price by the discount”.

6. The contract shall include the cost price (the purchase price + the agreed expenses) and the profit, separately.

7. The contract shall include a schedule for paying installments.

8. In the event of late payment, it may not be permitted to stipulate an increase in the selling price that the bank deserves. The contract shall include the phrase: “In the event that the customer fails to pay the due installments in their scheduled dates, the second party (the customer) shall be obligated to give charity with a specified amount, or a percentage of the price that is spent on charitable deeds through coordination with the bank’s Sharia Supervisory Board, in case it is proven that the customer late payment is not a matter of procrastination.

9. In the event of having a condition on the bank is absolved of all or some of the defects of the commodity, the contract shall include the bank’s authorization of the customer to refer to the first seller regarding compensation for the bank’s fixed defect to compensate him/her against the seller. In the event that the bank does not stipulate a condition that it is absolved of the old hidden defects whose effect appears after the contract, the contract shall include the phrase: “The bank’s responsibility shall be limited to the old hidden defects without the emerging (new) ones.”

10. In the event that an agreement is reached between the bank and the customer to pay the murabaha debt in another currency other than the currency of the debt, the contract shall include that it be done at the exchange rate on the day of payment, and the debt shall be paid in full, or the amount agreed to be spent, so that nothing remains of the amount agreed to be spent.

11. The contract shall include a limit for the guarantees provided by the customer.

12. In the event that the bank requires the customer to present checks or bonds to an order before the conclusion of the Murabaha contract for the purchase orderer, the contract shall include the phrase: “The bank shall not be entitled to use checks or bonds except at their due dates.”

13. Takaful insurance shall be adhered to if insurance is stipulated.

14. The contract shall include the priority of resorting to arbitration to resolve disputes based on the provisions and principles of Islamic Sharia, before resorting to the judiciary in the event of arbitration failure.

15. The contract shall include the phrase: "Except for what is stipulated in the agreement between the two parties, the provisions of the Syrian Civil Law and other applicable laws and regulations, the Bank's Articles of Association, and the existing practices and customs, shall apply to this contract, all in a manner that does not contradict the provisions and principles of Islamic Sharia.

16. The contract shall include the phrase: "The second party (the purchase orderer) shall adhere to the provisions and principles of Islamic Sharia in its dealings with the bank".

17. The contract shall include the customer's confirmation of his/her agreement to and understanding of the terms of the contract. The terms of the contract shall be formulated in a clear, precise, and unambiguous language, and the wording shall not include intentional misleading that may lead the customer to a lack of understanding and comprehension of the implications of the contract.

C. The bank shall liquidate the assets resulting from un-executed murabaha transactions within a period not exceeding six months from the date of their classification within Account No. 15404 as the status of assets from the Islamic banking positions issued by the Council of Ministers in Resolution No. /5492/ of 26/12/2007.

Article 2: This decision shall be notified to whoever is required to implement it.

Damascus on 27/05/2009

Chairman of the Monetary and Credit Council

Dr. Adeeb Mayala

Certified by the Prime Minister

Engineer Mohamed Nagy Otri

Secretary of the Monetary and Credit Council

Layla Tannous