

**In the name of Allah, the Most Gracious, the Most Merciful**

**ISLAMIC TERM FINANCE BY STANDARD CHARTERED BANK PAKISTAN LIMITED  
PRONOUNCEMENT OF THE SCB SHARIAH BOARD**

**All praise is due to Allah, the Cherisher of the World, and peace and blessing be upon the Prophet of Allah on his family and all his companions**

The Shariah Board has reviewed the agreements relating to SCBPL's Islamic Term Finance Product offered in Pakistan:

1. Musharakah Agreement
2. Asset Usage and Payment Agreement
3. Undertaking to Purchase
4. Agency Agreement
5. Asset Purchase Agreement
6. Letter of Hypothecation

The idea behind the Islamic Term Finance product is to facilitate customers to finance plant, machinery and other fixed assets through medium to long term financing facilities designed in accordance with the principles of Shariah. The product is being offered under two structures:

**Structure 1**

This will be used in cases where the Customer wants to purchase a fresh asset from a third party. The transaction would work as follows:

1. The Bank and the Customer will enter into a joint participation arrangement to invest in some fixed assets on the basis of Diminishing Musharakah. The title of the assets can remain with the customer whereas the bank's beneficial share in the assets will be established through the Musharakah agreement.
2. The Bank may obtain a security charge over the assets through a hypothecation/ mortgage agreement for the obligations contained in the above agreements.
3. The Bank will provide the larger share of the purchase price of the assets.
4. The Bank will rent out/ allow usage of its share of the assets to the customer. The customer will agree to make periodic payments for the use of the assets under the Asset Usage and Payment Agreement.
5. The customer will be made the agent for the maintenance of the assets through the Agency Agreement.
6. The customer will also make regular scheduled payments to increase its equity in the assets. Thus with each payment the ownership of the customers in the Musharakah grows increasing its share of the assets.
7. Once the customer has purchased the full share of the bank in the assets, the security charge will be released and the customer will have free and clear title to the assets.

**Structure 2**

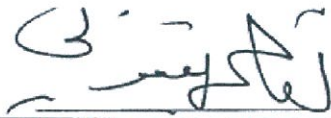
This will be used in cases where the Customer already owns the assets and needs financing for some other business use. The transaction would work as follows:

1. The customer will sell a portion of its ownership in the assets to the Bank through the Asset Purchase Agreement.
2. The Bank will enter into a joint participation arrangement to invest in the assets on the basis of Diminishing Musharakah. The title of the assets can remain with the customer whereas the bank's beneficial share in the assets will be established through the Musharakah agreement.

3. The Bank will rent out/allow usage of its share of the assets to the customer. The customer will agree to make periodic payments as rent for the use of the assets under the Asset Usage and Payment Agreement.
4. The customer will be made the agent for the maintenance of the assets through the Agency Agreement.
5. Customer will start purchasing a portion of the bank's share in the assets after 12 months from the date of acquisition by the bank. This restriction of 12 months has been kept to prevent the transaction from becoming Bai-al-Inah.
6. The customer will also make regular scheduled payments to increase its equity in the assets. Thus with each payment the ownership of the customers in the Musharakah grows increasing its share of the assets.
7. Once the customer has purchased the full share of the bank in the assets, the security charge will be released and the customer will have free and clear title to the assets.

Based on this concept, the Shariah Board has reviewed the above mentioned Agreements and hereby rules that the Islamic Term Finance offered by SCB is in accordance with the principles of Shariah and that customers can take advantage of the facility which relieves them from interest-based financing.

And Allah Almighty knows best.



**Shaikh Nizam Yaqouby**  
Chairman Shariah Board



**Mufti Muhammad Abdul Mubeen**  
Member Shariah Board



**Mufti Irshad Ahmad Aijaz**  
Member Shariah Board



**Mufti Muhammad Abdullah**  
Resident Shariah Board Member

**SCBPL Shariah Board**  
Date: March 30<sup>th</sup> 2016