

## **ISTISNA'A (CONTRACT OF WORK) CUSTOMER NOTIFICATION FORM**

This form was created in order to inform customers within the scope of the BRSA Communiqué<sup>1</sup>.

**1. Contract Type:** Istisna'a (Contract of Work)

**2. Basic Properties of the Contract:**

Istisna'a is an agreement to produce a specific subject matter for a certain fee.

In the Istisna'a; the manufacturer, employer, type, title, quantity, desired features, price, maturity, and delivery conditions of the contracted goods must be certain, the goods must comply with the principles of participation banking, and the parties must declare their intention (offer-acceptance). An existing and manufactured good cannot be the subject of a Istisna'a.

**3. Compliance of the Product or Service with Interest-Free Banking Principles and Standards:**

Istisna'a is a contract of purchase and sale and its legitimacy is based on the basic principles of Islamic law. In this context, the transactions conducted by participation banks are compliant with the principles and standards of interest-free banking.

**4. Customer's Position Within the Contract:**

In the first Istisna'a contract, the participation bank is the contractor for the customer and the customer is the employer. In the second Istisna'a contract, the participation bank is the employer for the manufacturer and the manufacturer is the subcontractor.

**5. Process and Operation:**

The customer submits a financing request for an incomplete product purchase to the participation bank. The participation bank allocates a limit to the customer. Once the financing request has been approved, the participation bank shall execute an Istisna'a, either by ordering directly to the manufacturer or by delegating the customer. Following that, the participation bank makes the payment to the manufacturer and debits the customer by selling with the profit and maturity initially determined. After receiving the goods, the customer submits the document subject to purchase and sale to the participation bank.

**6. Rights and Obligations Imposed on the Contracting Parties:**

The Customer accepts and declares to make the financing payments according to the payment plan specifically created for the Istisna'a.

The participation bank is responsible for the production of the goods and the payment of the price to the manufacturer after the duly performed transactions, and the customer is responsible for the delivery of the goods as the proxy of the the participation bank.

Since the Istisna'a is binding on the parties, those who make the contract cannot unilaterally break the contract.

If the contractor (bank) has produced the goods in accordance with the conditions specified in the contract, the employer (customer) cannot refuse the goods. Otherwise, the employer (client) has the right to refuse it or accept it as it is. However, the parties may mutually agree to reduce the price of the goods.

### **7. Rights and Obligations Arising from the Power of Attorney to the Parties:**

The participation bank may appoint a customer or a third party as a proxy to perform transactions related to the manufacturing of the property subject to the Istisna'a on behalf of the participation bank.

In transactions based on the power of attorney; before the participation bank appoints the customer as a proxy, the goods must not have been delivered to the customer; no payment (down payment, cheque, promissory note, etc.) must have been made to the manufacturer by the customer, and the manufacturer should not have issued the document (invoice, dispatch note, contract, a title deed, etc.) subject to the purchase and sale in favor of the customer.

### **8. Delivery of Documents Subject to Purchase and Sale to the Participation Bank:**

The Customer accepts and undertakes to deliver to the participation bank within the determined period one copy of the documents related to the purchase and sale of goods subject to the Istisna'a and other documents that may be requested by the participation bank.

### **9. Bank Application in Case of Late Payment:**

The principles of interest-free finance are in place, where an article is inserted in the contract stating that the participation bank shall receive a delayed penalty if the debts are not paid on the specified dates. However, the participation bank and customers cannot benefit from these amounts, which are levied as delay penalties. Collected amounts are classified according to the Uniform Chart of Accounts of participation banks and evaluated according to interest-free banking principles and standards.