

## MURABAHA CONTRACT CUSTOMER INFORMING FORM

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

**1. Contract Type:** Murabaha (Sale with Profit Statement)

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

Murabaha is the process of buying a product by the participation bank from the first seller in cash or on a deferred basis by the customer's instruction and promise to buy, and selling it in cash or on a deferred basis, by adding a certain profit to the purchase price or cost, by declaring it to the customer.

In the Murabaha contract; the buyer, the seller, and the subject matter of the contract must be available and specific and must comply with the principles and standards of interest-free banking and forward sales, and the parties must declare their intention (Offer-Acceptance).

At the executing time of the Murabaha transaction, there should not be a pre-concluded sales contract between the first seller and the final customer on the same goods.

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

The legitimacy of the murabaha contract 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 Murabaha transaction, the customer is in the position of the buyer of the goods sold by the bank. In addition, in case of being authorized by the participation bank to receive the goods and/or pay the seller, the customer becomes the proxy of the participation bank.

### **5. Process and Operation:**

The customer submits the financing request for the purchase of an existing product to the participation bank. The participation bank allocates a limit to the customer. Following the approval of the financing request, the participation bank performs the purchase of the goods by passing the order directly to the seller or through giving proxy to the financing customer. After the purchase transaction, the participation bank pays the seller the cost of the goods and then completes the Murabaha transaction by selling the goods 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 in accordance with the current legal regulations.

### **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 murabaha.

Participation bank is not responsible for the defect that will occur in the goods subject to financing, and the customer has the right to apply to the first seller due to the defect.

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<sup>1</sup> Communiqué on Procedures and Principles About Informing Customers and the Public within the Scope of Interest-Free Banking Principles and Standards published in the Official Gazette No. 31675 dated 30 November 2021 by the Banking Regulation and Supervision Agency (BRSA)

## **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 the proxy to perform transactions related to the purchase of the property subject to Murabaha on behalf of the participation bank.

In addition, the customer may be the proxy of the participation bank on all matters relating to the goods like location, selection, collection, loading, transportation, delivery.

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.

The proxy may not make transactions such as selling, consuming, and replacing the goods before the final sale contract is concluded.

## **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 the documents related to the purchase and sale of the goods (invoice, sales contract, a title deed, bill of lading, etc.) subject to the Murabaha as well as 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.