

**WITHIN THE SCOPE OF INTEREST-FREE BANKING PRINCIPLES AND
STANDARDS
CUSTOMER INFORMATION FORM
(FUNDING- MUDARABAH)**

This form has been created to inform customers within the scope of the BRSA Communiqué.¹

1. Type of Contract: Mudarabah (Labor-Capital Partnership)

2. Basic Features of the Contract:

Mudarabah is a type of partnership based on the principle of sharing the profit obtained as a result of the operation of one of the party's invested capital with the other party's labor at the rate initially determined. In short, it is a labor-capital partnership.

The parties may terminate the Mudarabah contract unilaterally at any time.

In the Mudarabah contract, the scope of the parties and the labor-capital partnership must be specific. In addition, the business area in which the capital will be used must comply with the principles of participation banking and the parties must have a declaration of intention (offer-acceptance).

The mudarabah capital held by the customer is in the form of trust. If it is proved that there is no intentional defect or negligence on customer's part, the customer will only lose their labor in the resulting damage. Participation bank, on the other hand, incurs the full loss as the owner of the capital.

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

The mudarabah contract is a contract based on the labor capital partnership, and its legitimacy is based on the basic principles of Islamic law. Within this framework, the transactions made by participation banks are in accordance with the principles and standards of interest-free banking.

4. The Position of Customer in the Contractual Framework:

In the established partnership, the participation bank is the fund holder, the customer is the owner of labor.

5. Process and Functioning:

The customer submits the labor capital partnership request to the participation bank. The participation bank makes the necessary evaluations regarding the customer, the sector and the partnership. After the signing of the labor capital partnership contract and other documents by the parties, the participation bank transfers the labor capital partnership fee to the customer. The price that is subject to the partnership is utilized in the activities agreed upon initially. The customer informs the participation bank about all kinds of positive/negative factors affecting the course of the partnership. At the end of the maturity date, the profit from these activities is shared with the customer at the pre-agreed rate. If a loss occurs, the participation bank incurs this loss as the owner

¹ *Communiqué on Procedures and Principles Regarding Informing Customers and the Public Within the Scope of Interest-Free Banking Principles and Standards* that was published by the Banking Regulation and Supervision Agency (BRSA) in the Official Gazette dated 30 November 2021 and numbered 31675

of the capital. The participation bank is not paid any predetermined return and the capital is not guaranteed to be reimbursed in the same amount.

6. Rights and Obligations Enforced on the Parties by the Contract:

The parties may unilaterally renounce the contract before the start of the transaction in the Mudarabah partnership.

The participation bank is responsible for transferring the labor capital partnership cost to the customer after duly performed transactions, and the customer is responsible for the execution of the labor capital activities in line with the contract and participation banking principles.

In case the customer acts intentionally, imperfectly or in violation of the terms of the contract, the participation bank may request a pledge from the customer in order to compensate for damages related to the labor capital partnership activities.

7. Bank Practice in Case of Delayed Payment:

A clause may be included in the financing or partnership contract stating that the participation bank will receive a certain amount as a penalty for delay if the debts are not paid on the specified dates. However, the participation bank cannot benefit from the portion of this amount, that it receives as a delay penalty, above the inflation rate and the compulsory expenses incurred for the collection of its receivables. These amounts collected are classified according to the Uniform Accounting Plan of the participation banks and put into good use in accordance with the principles and standards of interest-free banking.