

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

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

1. Type of Contract: Profit and Loss Partnership (Musharakah)

2. Basic Features of the Contract:

Musharakah is a partnership established by two or more parties to do business together and share profits or losses that may take place by investing a certain amount of capital. In short, it is a profit-loss or capital partnership.

The parties are involved in the loss as much as their own shares, and in the profit in accordance with the agreement between them.

In the musharakah contract; the parties and the scope of the 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).

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

Musharakah contract is a partnership contract 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 and the customer are the owners of the capital.

5. Process and Functioning:

The customer submits the 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 partnership contract and other documents by the parties, the participation bank transfers the 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.

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

The musharakah contract cannot be waived unilaterally.

The participation bank is responsible for transferring the partnership cost to the customer after duly performed transactions, and the customer is responsible for the execution of the partnership activities in line with the contract and participation banking principles. Participation bank may appoint the client as an attorney for the execution of the partnership activities.

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 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

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

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.