

## **GUARANTEE CONTRACT CUSTOMER INFORMATION FORM**

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

### **1. Type of Contract: Guarantee**

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

Guarantee means that the guarantor (participating bank) undertakes to pay the performance or non-performance of the debt to the creditor (the addressee) by participating in the responsibility of the principal debtor (customer/beneficiary) regarding the performance of a debt.

The work performed by the addressee and the secured receivables must comply with the principles and standards of participation banking. It is appropriate to limit the guarantee to a certain period of time and certain conditions and to set an upper limit on the amount of the guarantee. One may be a guarantor for an existing debt or a debt that is likely to arise in the future or that is conditioned.

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

The legitimacy of the guarantee agreement is based on the fundamental 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 guarantee contract, the customer is the principal debtor/beneficiary and the participation bank is the guarantor.

### **5. Process and Functioning:**

The customer submits the non-cash financing request subject to the guarantee contract to the participation bank. The participation bank allocates a limit to the client and the necessary documents are signed. After this stage, a guarantee contract will be established between the parties. If the performance subject to the guarantee agreement is not duly fulfilled by the customer and the creditor requests the relevant amount, the participation bank pays the amount it is obliged to pay to the creditor. Subsequently, the said amount is collected from the customer together with the costs by the participation bank.

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

The participation bank has the right to collect from the customer the expenses incurred and other fees that may be collected within the scope of interest-free banking principles and standards.

The customer is obliged to show due diligence in fulfilling the debt or commitment subject to the financing relationship in a timely manner and completely. In the event that the customer does not fulfill their obligation, the participation bank is responsible for paying (compensating) the subject guarantee amount to the addressee. In such a case, the participation bank recourse to the customer the compensation paid to the addressee, together with all the accessory obligations that can be obtained within the scope of interest-free banking principles and standards.

As a principle, the guarantee contract is binding on the participation bank from the moment it is established, and the participation bank may not unilaterally withdraw from the transaction unless the creditor consents.

### **7. Bank Practice in Case of Delayed Payment:**

The inclusion of a clause in the contract stating that the participation bank will receive a delay penalty in case the debts incurred against the bank pursuant to the guarantee contract are not paid on the specified dates is in accordance with the principles and standards of interest-free banking, however, the

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<sup>1</sup> 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) and in the Official Gazette dated 30 November 2021 and numbered 31675

participation bank may not benefit from the portion of the amount 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.