



مصرف الإمارات العربية المتحدة المركزي  
CENTRAL BANK OF THE U.A.E.

Notice No. : CBUAE/BSN/N/2018/970 إشعار رقم : CBUAE/BSN/N/2018/970  
Date : 3 June 2018 التاريخ : 3 يونيو 2018  
To : All Banks & Finance Companies إلى : جميع البنوك وشركات التمويل  
Subject : The Higher Shari'ah Authority Resolution No. 12/2/2018 الموضوع : قرار الهيئة العليا الشرعية رقم 2018/2/12

**After greetings,**

بعد التحية،

The Central Bank of the UAE is pleased to attach herewith the Higher Shari'ah Authority's ("HSA") resolution No. 12/2/2018 which concerns financial institutions that all or some of its activities are in accordance to Islamic Shari'ah rules, regarding :

يسر مصرف الإمارات العربية المتحدة المركزي أن يرفق لكم قرار الهيئة العليا الشرعية رقم 2018/2/12، والمعنية به المؤسسات المالية التي تمارس كافة أو بعض أنشطتها وفقاً لأحكام الشريعة الإسلامية، بخصوص ما يلي:

1. The annual Shari'ah reports,
2. The appointment, renewal, dismissal or resignation of any member of internal Shari'ah supervision committee, and the head of the internal Shari'ah control,
3. Approval of new financial products.

1. التقارير الشرعية السنوية،
2. تعيين وإعادة تعيين وإقالة أو استقالة أعضاء لجان الرقابة الشرعية الداخلية، ورئيس قسم الرقابة الشرعية الداخلية،
3. اعتماد المنتجات المالية الجديدة.

Please bring this resolution to the attention of the board of directors of your institution at their next meeting.

يرجى عرض هذا القرار على مجلس إدارة مؤسستكم في اجتماعه القادم.

The HSA resolution is mandatory and effective from the date of this notice .

علماً أن قرار الهيئة العليا الشرعية يعتبر ملزماً وساري المفعول ابتداءً من تاريخ هذا الإشعار.

For more information, you may contact the HSA Secretariat via the following email:

وللمزيد من المعلومات، يمكنكم التواصل مع أمانة سر الهيئة العليا الشرعية من خلال البريد الإلكتروني التالي:

[shariaauthority@cbae.gov.ae](mailto:shariaauthority@cbae.gov.ae)

Yours faithfully,

وتفضلوا بقبول فائق الاحترام،

عن /مساعد المحافظ لشؤون الرقابة على البنوك

For/ Assistant Governor for Banking Supervision



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### Guidance Note on the Application Process for No Objection to Offer New Shari'ah Compliant Products

The Central Bank of the United Arab Emirates (CBUAE) has issued a notice No. CBUAE/BSN/N/2018/970 regarding the Higher Shari'ah Authority (HSA) resolution No. 12/2/2018 which requires Licensed Financial Institutions that conduct all or part of their businesses and activities in compliance with Islamic Shari'ah ("Islamic Financial Institutions" or "Institutions") to submit applications for all new standard Shari'ah compliant products and services intended for public offering ("the Products") to the HSA for review prior to offering them to their customers.

In accordance with this notice, Islamic Financial Institutions are required to use this guidance note ("Guidance Note") when applying for "no objection" from the HSA prior to offering relevant products, as specified in the table (No.1) below. The application should include a detailed description of the product, including its basic features, the underlying structure used, the target market or customers, and other information (as described below).

**Characteristics of products, for which a "no objection" from the HSA must be obtained before offering them to the public, are outlined in this table:**

CHARACT-ERISTIC	MEANING
NEW	<p>a. all new products that an Institution will start offering to its customers after the date of issuance of the Guidance Note ("Issuance Date"). Products that were introduced prior to this date are treated in accordance with the previous guidance note (related to product application) issued on 22.01.2019.</p> <p>b. introducing new material changes in an existing product after the Issuance Date. This covers modifications that change Shari'ah conceptualization, or require a new Shari'ah ruling ("Material Change").</p> <p>c. combination of products (such as bundling of products for marketing purposes) in a way that prompts (if such combination is implemented) a new Shari'ah conceptualization ("Products Combination").</p>



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	Determination as to whether a change/combination is deemed Material Change/Products Combination (respectively) should be referred to the Internal Shari'ah Supervision Committee (ISSC) for decision.
<b>STANDARD</b>	Includes all off-the-shelf products with standard structures and documentation offered to the public. Bespoke/customized products are outside of the scope.
<b>PUBLIC</b>	The Product is offered to retail and corporate banking customers.

**Table 1:** Characteristics of products, for which the Institution must obtain a “no objection” from the HSA before offering them to the public.

#### Important Notes:

1. Every Institution must obtain a letter of no objection from the HSA (“Letter”) prior to introducing products that are New, Standard and offered to the Public.
2. The Institutions must use the forms in the Guidance Note (as per the appendices) for submission of their application/s to the HSA. The applications should be submitted in accordance with what is outlined in (Table 2).
3. The HSA’s resolution (in the Letter) is based on the review of the product description, its diagram, and other information provided in the application form submitted as per the Guidance Note.
4. The HSA may request, at any stage of the product perusal, more information/documentation (“Additional Requirements”) to be submitted for review, and in such case the Institution must submit the Additional Requirements in order to complete the application.
5. The commencement of the review will be subject to the completion, clarity and adequacy of the information provided in the application form (including Additional Requirements).
6. The Letter obtained from the HSA must not be used for any promotional purposes or materials, and receiving the Letter does not absolve the Institution from obtaining other mandatory approvals from the relevant authorities.



An Institution may submit its application in accordance with the methods outlined in this table:

	Method for Product Application to the HSA	Requirements of the Application
1	<p><b>Initial Submission:</b> Submission of the application to the HSA for no objection to the Product's structure that the Institution seeks to develop.</p> <p>(The method (No. 1) of this table may only be used in cases where an institution is committed to introducing a product and has obtained all necessary approvals from the senior management of the institution.)</p>	<p>a. All requirements of this Guidance Note save for appendix (C), and sections (4 and 5) of appendix (B), and section (7) of appendix (A).</p> <p>b. ISSC's endorsement of the Product's structure.</p> <p>c. In case the HSA concludes its review of the Product's structure with no objection, such resolution cannot be considered as no objection for the Product, and the Institution remains obliged to submit a new application (Final Submission) in accordance with the method outlined under (No.2) of this table before offering the Product.</p>
2	<p><b>Final Submission:</b> Submission of the application in accordance with the HSA's resolution No. 12/2/2018</p>	<p>All requirements of this Guidance Note.</p> <p>(Submission of the Initial Application is not a precondition for submitting the Final Application)</p>

**Table 2:** Methods for submission of product application to the HSA.



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**(Appendix “A”)**

**Product Application Form**

- 1 To : The Higher Shari’ah Authority at CBUAE
- 2 Date : **(insert name of the institution)** (“Institution”)
- 3 Re :
- 4 Name of the Product :
- 5 Customer Segment :
- 6 Brief description of the product or product /variation :
  
- 7 Changes in the Product’s Structure (applicable only in the event that Final Application was preceded by Initial Application in accordance with Table (No. 2) of the Guidance Notice.) : “The Institution confirms that no changes were made to the structure presented in the Initial Application.” **(Delete if not applicable)**



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**(Appendix “B”)**

**PRODUCT INFORMATION FORM**

<b>1.0</b>	<b>Introduction</b>	
a	Reason for submission	
b	Customer’s need that the product fulfils ( <i>such as purchase of a property, personal finance, investment, deposit, etc.</i> )	
c	Objectives of the Institution for launching the product ( <i>such as obtaining liquidity, fee income, hedging, etc.</i> )	
d	Expected date of the Product launch.	
e	Product tenure ( <i>example: in case of car financing the maximum tenure should be stated, such as 5 years</i> )	
<b>2.0</b>	<b>Product Details</b>	
a	The product is composed of the following underlying contracts / documents /deeds: ( <i>The Institution should list all applicable contracts, documents and deeds such as in case of murabahah-based financing, it could involve:</i> i. <i>Purchase Agreement, and</i> ii. <i>Murabaha Sale Agreement,</i> iii. <i>Promise, etc.</i> )	
b	Roles of the contracting parties: ( <i>The Institution should list all roles of the contracting parties in the underlying contract/s, such as in case of murabahah based financing:</i> i. <i>Customer is the promisor, and the Institution is the promisee ,</i> ii. <i>the Institution is the purchaser in the Purchase Agreement, whilst the vendor is the seller,</i> iii. <i>the Institution is the seller in the Murabaha Sale Agreement, whilst the customer is the purchaser,</i> iv. <i>and other roles that may be part of the structure, such as guarantees, takaful, etc.)</i> )	
c	Combination of Contracts/Deeds (if applicable) ( <i>The Institution should elaborate on:</i> i. <i>combination of contracts as part of operating the product,</i> ii. <i>methods of compliance with parameters of combination of contracts in accordance with AAOIFI Shari’ah standard number (25) regarding combination of contracts.</i> )	
d	Alternatives to Financial Derivatives (if applicable) ( <i>The Institution should specify if the product will involve Shari’ah compliant alternatives to derivatives (such as hedging arrangements) directly or indirectly.</i> )	



3.0	Diagram of the Product and the Main Steps of Implementation													
	<p>(This section should contain:</p> <ul style="list-style-type: none"> <li>i. diagram and written explanation of the main steps in operationalizing the product;</li> <li>ii. cash flows involved in operationalizing the product. This includes all potential cash flows from drawdown until the settlement takes place, including charity charges and compensation for actual losses due to late payments;</li> <li>iii. specifying underlying contract that governs respective steps and cashflows, as per table below.)</li> </ul> <table border="1" data-bbox="272 842 1393 1041"> <thead> <tr> <th data-bbox="280 842 345 873">No.</th> <th data-bbox="354 842 1174 873">Detailed Steps/Cash Flows in Operating the Product</th> <th data-bbox="1182 842 1385 873">Agreement</th> </tr> </thead> <tbody> <tr> <td data-bbox="280 884 345 957">1</td> <td data-bbox="354 884 1174 957">(example: the customer pays instalments of the price from Murabaha sale)</td> <td data-bbox="1182 884 1385 957">(Murabaha agreement)</td> </tr> <tr> <td data-bbox="280 968 345 999">2</td> <td data-bbox="354 968 1174 999"></td> <td data-bbox="1182 968 1385 999"></td> </tr> <tr> <td data-bbox="280 1010 345 1041"></td> <td data-bbox="354 1010 1174 1041"></td> <td data-bbox="1182 1010 1385 1041"></td> </tr> </tbody> </table>		No.	Detailed Steps/Cash Flows in Operating the Product	Agreement	1	(example: the customer pays instalments of the price from Murabaha sale)	(Murabaha agreement)	2					
No.	Detailed Steps/Cash Flows in Operating the Product	Agreement												
1	(example: the customer pays instalments of the price from Murabaha sale)	(Murabaha agreement)												
2														
4.0	Review by the ISSC													
	<p>The Islamic Financial Institution confirms that all information relevant to the product endorsement process (or information referred to in the application) has been disclosed to the ISSC in a timely manner, and has also been approved by the ISSC. including information related to (as applicable):</p> <ul style="list-style-type: none"> <li>a. the product manual and procedures;</li> <li>b. product agreements, contracts, documentations, terms and conditions, collateral etc.,</li> <li>c. relevant aspects of accounting entries/treatment,</li> <li>d. fees and charges, (if applicable), and</li> <li>e. relevant aspects of information technology system.</li> </ul>													
5.0	Additional Information													
a.	The Product Information Form should be accompanied with a signed endorsement of the ISSC (as per appendix C).													
b.	In the event that the Final Application was preceded by an Initial Application in accordance with Table (No. 2) of the Guidance Notice, then the institution must confirm in the Final Application (in section (No. 7) of Appendix “A”) that no changes were made to the structure presented in the Initial Application.													



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**(Appendix “C”)**

**Endorsement of the Internal Shari’ah Supervision Committee**

To: The Higher Shari’ah Authority at CBUAE (“HSA”)

Date:

From:

Re: (*specify name of the product*)

بسم الله الرحمن الرحيم

The Internal Shari’ah Supervision Committee of (*specify name of Institution*) (“ISSC”) has reviewed (*specify name of the product*) product, including the following:

- Underlying structure of the product,
- Product’s agreements, contracts, documentations, terms and conditions, etc.,
- Product Manual and Procedures
- Relevant aspects of accounting entries/treatment,
- Fees and charges, (if applicable), and
- Compatibility of the IT system with Islamic Shari’ah in relation to operationalization of the product.

The ISSC hereby confirms unanimously / by majority (*delete the one that is not applicable*) that the Product and the abovementioned aspects are compliant with Islamic Shari’ah within the framework of the rules, standards and general principles set by the HSA.

(Note: In case the ISSC arrived at the decision based on the majority view, reasoning of the opposing view/s must be provided.)

This document is issued to obtain Letter of No objection from the HSA regarding the (specify name of the product).

Name of the Chairman/Member of the ISSC

Signature.....