

**Federal Law no- (6) of 1985  
Regarding Islamic Banks, Financial Institutions and  
Investment Companies**

**We**, Zayed Bin Sultan AI-Nahyan, President of the United Arab Emirates, Having Perused the Provisional Constitution and,

Federal Law No (1) of 1972, regarding jurisdictions of the Ministries and powers of the Ministers, and amending laws thereof, and,

Federal Law No- (7) of 1976 on the establishment of the State Audit Bureau, and,

Union Law No (10) of 1980, regarding the Central Bank, the Monetary System and Organization of Banking and amending laws thereof, and,

Federal Law No (8) of 1984 regarding commercial companies, and,

In accordance with presentations by the Minister of Finance and Industry, endorsed by the Cabinet and the National Federal Council and ratified by the Supreme Union Council,

***Promulgate the following Law:***

**Article (1)**

Islamic banks, financial institutions and investment companies shall mean those whose articles and memorandums of association include a commitment to abide by the provisions of the Islamic Sharia'h Law, and conduct their activities in accordance therewith.

**Article (2)**

- 1- Islamic banks, financial institutions and investment companies shall be established in the country and carry on their activities in accordance with the provisions hereof.
- 2- In respect of whatever is not particularly provided for herein, these banks, institutions and companies shall be subject to the provisions of Union Law No

(10) of 1980 , Federal Law No (8) of 1984 previously referred to, and other established laws and regulations and prevailing practices.

- 3- Those banks, institutions and companies shall take the form of public joint stock companies, and shall be established in accordance with the provisions of Federal Law No (8) of 1984 previously referred to. These banks, institutions and companies shall be subject to the Central Bank's licensing, supervision and inspection in accordance with the provisions of Union Law No (1) of 1980, and in a manner not contravening with the provisions hereof.
- 4- With the exception of those relating to establishment, the provisions stipulated in previous items shall apply to all branches and offices established in the country by foreign Islamic banks, financial institutions and investment companies.

### **Article (3)**

- 1- Islamic Banks shall have the right to carry on all or part of banking, commercial, financial and investment services and operations. They shall also have the right to engage in all types of services and operations practiced by banks and referred to in Union Law No (10) of 1980 and without adherence to the periods stipulated therein, whether those operations and services were conducted for the Islamic Bank own account or for or in partnership with a third party. Islamic banks shall also have the right to establish companies and participate in existing or under establishment enterprises provided that activities of the latter are in conformity with Islamic Sharia'h Law.
- 2- Islamic financial institutions and investment companies shall have the right to carry out lending, credit and other financial operations. They may also participate in existing or under establishment enterprises, invest their funds in moveable assets and receive deposits for investment thereof in accordance with provisions of Islamic Sharia'h. Law.

### **Article (4)**

- 1- Islamic banks, financial institutions and investment companies incorporated in the country, along with branches and offices of foreign Islamic banks, financial institutions and investment companies licensed to operate in the country shall be exempted from provisions of Clause (a) of Article (90) and Clause (e) of Article (96) of Union Law No (10) of 1980.
- 2- Those agencies shall also be exempted from provisions of Clause (b) of Article (90) of Union Law No (10) of 1980 and in a manner not contravening with established legislation in the concerned emirate.

### **Article (5)**

A Higher Sharia'h. Authority shall be formed by a cabinet decision, incorporating Sharia'h, legal and banking personnel to undertake higher supervision over Islamic banks, financial institutions and investment companies to ensure legitimacy of their transactions according to the provisions of Islamic Sharia'h Law, and also to offer opinion on matters which these agencies may come across while conducting their activities. The opinion of the said Higher Authority shall be binding on the said agencies.

This Authority shall be attached to the Ministry of Justice and Islamic Affairs.

### **Article (6)**

The respective articles and memorandum of association of each Islamic Bank, financial institution and investment company should clearly stipulate that a Sharia'h Supervision Authority shall be formed of minimum three members to render their transactions and practices accordant with the principles and provisions of Islamic Sharia'h Law. The respective articles of association of each of these agencies shall determine the way in which this authority shall be formed, the manner in which it will discharge its tasks and its other terms of reference.

Names of members of the Sharia'h Supervision Authority shall be presented to the Higher Authority referred to in the previous article for approval prior to issuance of the formation decision.

### **Article (7)**

In case an Islamic bank, financial institution or investment company is subject to the State Audit Bureau's control as per provisions of Federal Law No (7) of 1976; the Bureau's mission shall be confined to post-audit. The Bureau may not interfere in the process of works of these agencies nor challenge their policies.

### **Article (8)**

Islamic banks, financial institutions and investment companies, along with branches and offices' of foreign Islamic banks, financial institutions and investment companies which are existent at the time this law comes into effect should reconcile their positions with the provisions hereof within one year from date of enforcement thereof.

### **Article (9)**

Ministers and competent authorities in the UAE shall within their respective jurisdictions implement the provisions hereof.

### **Article (10)**

This law shall be published in the Official Gazette and shall come into effect from date of publication thereof.

**Zayed Bin Sultan Al Nahyan**  
**President of the United Arab Emirates**

*Issued by us in the Presidential Court -Abu Dhabi*

*On: 3 Rabiya Al Akher 1406 Hijri*  
*Corresponding to: 15 December 1985*