

مصرف أبوظبي الإسلامية

ADIB



Shari'a FAQs

CONSUMER PRODUCTS





General Questions

1. What is the main difference between financing products offered by ADIB and products offered by conventional banks?

Compliance with Shari'a.

ADIB is a Shari'a compliant bank, hence it ensures that all its products and services comply with Shari'a principles and rulings, besides complying with legal requirements and respective regulatory frameworks.

2. What is considered non-compliant to Shari'a in the financial transactions?

In the financial transactions, it is not compliant with Shari'a to borrow and lend money on interest, to have excessive uncertainty, to gamble or to transact in prohibited items, such as liquor, pork, shares of conventional companies, etc.

3. Are there any Shari'a requirements to be observed while financing goods and services?

Yes.

All goods and services financed by ADIB should be Shari'a compliant. Further, the relevant contracts should be executed in the sequence and manner required by Shari'a.

4. Who guides ADIB on matters related to Compliance with Shari'a?

Internal Shari'a Supervisory Committee (ISSC).

It is an independent body of scholars and experts of Shari'a who specialise in the transactional jurisprudence. One of the duties of this committee is to provide Shari'a supervision over all the dealings, activities and code of conduct of ADIB.

5. Does ADIB pay interest on deposits?

No.

ADIB being an Islamic bank cannot charge or receive any interest amounts. Rather it receives deposits on Mudaraba or Investment Wakala basis and profits are distributed as per principles and rules.

6. How ADIB is different from conventional bank in post financing dealings?

ADIB cannot charge an extra amount over the agreed upon amount whether the financing was sale-based or Ijarah-based. Whatever is paid by the customer as charity undertaking will be disbursed in charitable causes as determined fit by the Internal Shari'a Supervisory Committee of ADIB.



Murabaha

1. What is Murabaha?

It's a contract wherein ADIB sells to the customer a tangible asset, goods or shares owned by ADIB and held in the custody of ADIB for a sale price comprising of the purchase cost and an agreed upon mark-up profit.

2. What can be financed on Murabaha?

ADIB can sell any assets on Murabaha that are Shari'a compliant, existing and in the possession of ADIB.

3. What should ADIB ensure about the consumer?

Besides the legal, regulatory and banking requirements, ADIB should ensure that the first seller and the consumer are independent parties, and one of them does not own 50% or more of the other party.

4. What should be ensured by ADIB at the pre-transaction stage?

ADIB is not permitted to enter into Murabaha transaction if the consumer has already purchased the goods from the first seller.

5. Can ADIB sell the asset on Murabaha before purchasing it?

No.
ADIB cannot sell an asset on Murabaha before purchasing the asset from its original owner.

6. What is the importance of stating all the details of the asset and the price in the Murabaha contract?

Not stating details of the asset and the price in an accurate and complete way will lead to lack of knowledge that constitutes a Shari'a violation and should be avoided in the sale contract.

7. Does ADIB bear the risk of the Murabaha asset?

Yes.
The risk of the asset is borne by ADIB from the time of buying the asset from the original seller (dealer/cash seller) and taking its physical or constructive delivery till the time of selling the asset and delivering it to the consumer.

8. When does the risk of the Murabaha asset pass to the consumer?

The risk of the asset passes from ADIB to the consumer after the Murabaha sale and making a physical/constructive delivery of the asset to the consumer.

9. What does Murabaha price comprise of?

Murabaha price comprises of the original cost paid to the seller and the Murabaha profit charged by ADIB.

10. Can part of the Murabaha price be settled prematurely?

Yes.
If mutually agreed between ADIB and its consumer, part of Murabaha price can be settled on spot. The outstanding balance shall be settled as per the schedule of monthly instalments.

11. In which consumer products, Murabaha is used?

ADIB uses Murabaha in Car Finance, Boat Finance, Goods Finance, Covered Card (with Murabaha financing option), Personal Finance.



Ijarah



1. What is Ijarah?

It's a contract of lease wherein ADIB (lessor) leases to the consumer a tangible asset (or a service), that is either identified and owned by ADIB (or taken on lease) or described and to be delivered in the future, for a known period and specified rental installments. Ijarah could finish by transferring ownership of the leased asset to the lessee via an independent contract that transfers the ownership to the consumer.

2. What can be financed on Ijarah?

Usufruct of any Shari'a compliant asset or service can be financed by ADIB on Ijarah basis.

3. From what time does Ijarah become effective?

Ijarah becomes effective only when the asset/service is made available to the consumer.

4. Who bears the cost of major maintenance and insurance?

ADIB.
Since ADIB is the lessor so it must bear the cost related to major maintenance and damage insurance.

5. What should ADIB ensure at pre-transaction stage?

In Service Ijarah, the consumer should have not started using the service before ADIB entering in a contract on it.

6. What is the importance of stating all the details of the asset and the rent in the Ijarah contract?

Not stating details of the asset and the price in an accurate and complete manner will lead to lack of knowledge that constitutes a Shari'a violation and should be avoided in the Ijarah contract.

7. In which consumer products, Ijarah is used?

ADIB uses Ijarah in Home Finance, Education Finance and Travel Finance.



1. What is Istisna?

It's a contract between ADIB (manufacturer) and the consumer (orderer) wherein the seller sells an asset to be manufactured for the buyer by agreeing on the detailed descriptions of the asset, the sale price, its payment terms and the date of delivery.

2. What can be financed on Istisna?

ADIB can sell any asset on Istisna that is Shari'a compliant, that is manufacturable and would be delivered by ADIB upon the delivery date.

3. Can ADIB execute Istisna sale contract before owning the asset?

Yes.

ADIB can execute the Istisna sale contract with the consumer before owing the asset sold on Istisna or before taking the custody of ADIB.

4. How does ADIB determine the Istisna price?

Istisna price comprises of the profit margin to be achieved by ADIB along with the cost without stating the profit amount separately.

5. Can part of Istisna price settled on spot?

Yes.

If agreed between ADIB and its consumer, part of the Istisna price can be settled on spot as well, and the balance will be settled in instalments.

6. What is the importance of stating all the details of the asset and the price in the Istisna contract?

Not stating details of the asset and the price in an accurate and complete manner will lead to lack of knowledge that constitutes a Shari'a violation and should be avoided in the Istisna contract.

7. When does the risk of the Istisna asset passes to the consumer?

Risk of the Istisna asset passes to the consumer once the asset is delivered by ADIB to the consumer as per required in the contract.

8. Can ADIB sell Istisna asset on "as it" basis?

No.

As per Shari'a, the Istisna seller will be liable for any defects in the asset which were existing prior to delivery of the asset.

9. In which consumer products, Istisna is used?

ADIB uses Istisna in Home Finance, Boats Finance and unfinished Goods Finance.



Mudaraba

1. What is Mudaraba?

It's a contract between ADIB and the consumer wherein the consumer (Rab al-Mal) provides a specified amount of money, and ADIB (Mudarib) invests the funds in the general pool. The profit is distributed as per the sharing ratio agreed in the contract, and the In case of loss occurring due to Mudarib's misconduct, negligence and/or breach of any conditions of Mudaraba contract, the loss in capital will be borne by the Mudarib, otherwise the loss will be borne by Rab al-Mal (i.e., the consumer).

2. Is Mudaraba deposit capital-guaranteed?

No.
Any funds deposited as Mudaraba capital will not be guaranteed by ADIB, unless there was negligence, misconduct, or violation of the Mudaraba terms and conditions by the Mudaraba (i.e. ADIB).

3. Is Mudaraba profit guaranteed by ADIB?

No.
Mudaraba profit will not be guaranteed by ADIB in all the cases.

4. Where does ADIB invests the funds collected as Mudaraba capital?

In the General Pool of Mudaraba that comprises of shareholders' contribution, funds deposited by current accountholders (and borrowed by the shareholders) and funds deposited pursuant to the Wakala investment depositors.

5. Can ADIB donate its amount of profit to the Mudaraba-based depositors?

Yes.
ADIB can determine as per its own assessment to donate an amount out of its own profit, either fully or partially, to the accountholders of Mudaraba-based deposits. It is not permitted that such a matter is not stipulated as a condition in the contract or held as customary practice.

6. How does ADIB manage the profit expectations and risk performance in Mudaraba-based deposits?

ADIB retains a portion of accrued and distributable profits of the accountholders as the Investment Risk Reserves (IRR). Such measures help to balance the profits to be actually distributed in case the required profit was not achieved in the future.

7. Can Mudaraba be time-bound?

Yes.
Pursuant to agreement between ADIB (as Mudarib) and the consumer (as Rab Al Mal), Mudaraba can be time-bound, so Rab Al Mal cannot withdraw his funds during the agreed upon period unless approved by ADIB. The same applies to Investment Deposit Accounts.

8. Can the depositor prematurely withdraw the Investment Deposit?

Upon ADIB's discretion, the depositor may prematurely withdraw his investment deposit. and this shall be on the basis of redemption at an amount agreed at that time.

9. In which consumer products, Mudaraba is used?

ADIB uses Mudaraba in Savings Account, Ghina Savings Account, Ghina Salary Account, Banoon Children's Savings Account, Short Term Investment Account, Investment Deposit Account.