

DA AFGHANISTAN BANK
(CENTRAL BANK OF AFGHANISTAN)
Product Outline: Ijarah (Asset Financing)

Product Outline: Ijarah (Asset Financing)

| | |
|-----------------------------------|----------------------------------|
| Accountable Executive & Custodian | Islamic Banking Division |
| Policy Owner | Head of Islamic Banking Division |

| | | |
|---|-------|---------------|
| Approved by DAB Shariah Supervisory Board: | | Date |
|---|-------|---------------|

DA AFGHANISTAN BANK
(CENTRAL BANK OF AFGHANISTAN)
Product Outline: Ijarah (Asset Financing)

Contents

| | |
|---|----|
| PART A: PREAMBLE..... | 3 |
| 1 Background..... | 3 |
| 2 Legal Provision..... | 4 |
| PART B: PRODUCT OUTLINE – IJARAH (ASSET FINANCING)..... | 5 |
| 3 Definition..... | 5 |
| 4 Product Features..... | 6 |
| 5 Product Structure and Process flow..... | 7 |
| 6 Suggested Documentation..... | 10 |
| 7 Suggested Accounting Entries..... | 13 |
| 8 Risks Associated with the Product..... | 15 |
| 9 Product Pricing..... | 19 |
| 10 Common mistakes..... | 22 |
| 11 Custodian of the Product Outline..... | 23 |
| 12 Effective Date of the Document..... | 23 |

**DA AFGHANISTAN BANK
(CENTRAL BANK OF AFGHANISTAN)
Product Outline: Ijarah (Asset Financing)**

ISLAMIC REPUBLIC OF AFGHANISTAN

DA AFGHANISTAN BANK, PRODUCT OUTLINE – IJARAH (ASSET FINANCING)

PART A: PREAMBLE

1 Background

- 1.1. This product outline for Ijarah (Asset Financing) (hereinafter referred to as “the Product Outline”) is issued by the Da Afghanistan Bank (hereinafter referred to as “DAB”) which shall be adopted and become the guiding principles for Islamic Financial Institutions, Financial Institutions operating with an Islamic Window and Financial Institutions operating with an Islamic Unit (collectively referred to as “the Bank”) in the Islamic Republic of Afghanistan offering Islamic financial products.
- 1.2. This Product Outline is intended to:
 - 1.2.1 Enable Banks to develop their own Ijarah (Asset Financing) products using this Product outline as a baseline for the product development process; and
 - 1.2.2 Illustrate to the Bank global best practices in adopting the Product Outline.
- 1.3. The objectives of this Product Outline are to:
 - 1.3.1 Facilitate the development of Ijarah (Asset Financing) products in Banks in the Islamic Republic of Afghanistan; and
 - 1.3.2 Establish a precedent Product Outline that the Banks shall use when developing and operationalising their own Ijarah (Asset Financing) products.

DA AFGHANISTAN BANK
(CENTRAL BANK OF AFGHANISTAN)
Product Outline: Ijarah (Asset Financing)

- 1.4. Any particular exemption to any of the provisions as provided herein shall only be permitted via a formal application being submitted by the Bank after prior consultation with its Shariah Board (hereinafter referred to as "the Shariah Board"), to the Shariah Supervisory Board of DAB (hereinafter referred to as "the SSB") outlining the reasons and justifications for such requests.
- 1.5. If any new or additional guidelines on the Product Outline are to be adopted, the Shariah Board of the Banks shall always be consulted first before the adoption of same.

2 Legal Provision

- 2.1. This Product Outline is issued pursuant to Article 2.2 of the Afghanistan Bank Law gazetted on 12/17/2003 (corresponding to 30/10/1382) in relation to the powers of DAB to regulate and supervise Banks in the Islamic Republic of Afghanistan and any amendments thereto.
- 2.2. This Product Outline shall be read together with the following manuals/guidelines:
 - 2.2.1. National Shariah Governance Framework;
 - 2.2.2. Ijarah Shariah Parameter;
 - 2.2.3. Shariah Review Manual;
 - 2.2.4. Shariah Compliance Manual;
 - 2.2.5. Guidelines on Ibra;
 - 2.2.6. Guidelines on Late Payment Charges
 - 2.2.7. Other relevant regulations guidelines, Product Outlines or circulars that Da Afghanistan Bank ("DAB") may issue from time to time.

PART B: PRODUCT OUTLINE – IJARAH (ASSET FINANCING)

3 Definition

- 3.1 The word Ijarah, from the Arabic language literally translates into “to give something on rent”. This refers in normal context to an operating lease whereby the lessee never intends to own the leased asset at the end of the tenor of the lease arrangement.
- 3.2 Ijarah financing is the mode for leasing the assets in Islamic Banking. Ijarah involves a contract where the Bank buys an item and then leases it to a customer for a specified rental over a specific period. The duration of the lease, as well as the basis for rental, are set and agreed in advance.
- 3.3 Ijarah/Financing lease is an arrangement/contract under which one party (Lessor) agrees to transfer the usufruct (right to use) of an asset to another party (Lessee) for a mutually agreed tenor, rent and other terms and conditions while the ownership of the corpus of leased asset remains vested in the Lessor.
- 3.4 Ijarah Muntahia Bi al-Tamleek, literally translated as “lease that ends up with the transfer of ownership” is the term that defines a lease that ends with the transfer of ownership of the asset to the lessee which is similar to a “financing lease” in terms of financial behaviour.

DA AFGHANISTAN BANK
(CENTRAL BANK OF AFGHANISTAN)
Product Outline: Ijarah (Asset Financing)

4 Product Features

- 4.1. Islamic Fiqh has outlined specific rules that should be adhered to when conducting an Ijarah (financing lease) transaction that amounts to a “mode of financing” rather than an operational lease.
- 4.2. The transfer of the usufruct of an asset is the essence of an Ijarah transaction. Any asset that does not have any usufruct shall not be capable of forming part of an Ijarah transaction.
- 4.3. The subject matter of the lease should be valuable, identifiable and quantifiable.
- 4.4. An Ijarah transaction involves the transfer of usufruct of an asset from the Lessor to the Lessee for an agreed period of time for an agreed rental. Under a Financing Lease structure, the ownership of the asset may then be transferred permanently to the Lessee.
- 4.5. The Ijarah asset shall at all times remain under the ownership of the Lessor so long as it is within the leasing period. At the end of the Ijarah term, ownership of the asset may be transferred to the Lessee at his own option but both of the transactions i.e. lease and transfer of ownership mechanism shall be entirely independent from each other.
- 4.6. It shall not be a condition under the Ijarah agreement that at the end of the lease term, ownership of the asset shall definitely be transferred to Lessee.
- 4.7. The lease term must be specifically determined at the execution of the Ijarah agreement.
- 4.8. The Lessor and the Lessee must be able to identify with certainty of the asset that is subjected to the lease transaction.
- 4.9. All liabilities connected with the ownership of the asset shall be borne by the Lessor but liabilities pertaining to the use of the asset shall be under the responsibility of the Lessee. This requirement ensures that all costs incurred for maintenance which is required as a result of using the asset and needed in order to ensure continuous utilization of the asset shall be borne by the Lessee.
- 4.10. All risks associated with the leased asset shall be borne by the Lessor during the entire lease term. It means that any loss to the asset caused by factors

DA AFGHANISTAN BANK
(CENTRAL BANK OF AFGHANISTAN)
Product Outline: Ijarah (Asset Financing)

beyond the control of Lessee such as natural disaster events shall be borne by the Lessor.

- 4.11. The Lessee will indemnify the Lessor for any loss caused due to his own negligence or misuse of the asset.
- 4.12. Rental payment can only be charged and collected by the Lessor after the full delivery of the usufruct of the asset to the Lessee.
- 4.13. The rental payment amount must be determined for the specified period at the time of the execution of the contract. Different rental amounts are permissible for different periods provided that the benchmark for the rental calculation for each phases are specifically agreed upon by both parties at the time of affecting the lease. If the benchmark for a subsequent phase of the lease term has not been determined or is being stated to be at the full discretion of the Lessor, then such leasing period shall not be valid.

5 Product Structure and Process flow

5.1 Islamic Financing Lease (Ijarah) Product Structure

Below are the normal process flow and sequencing of event for a Financing Ijarah structure:

- a) Upon the customer's request, and subject to the credit risk assessment of the customer and other banking procedures, a Bank will purchase a property, as desired by the customer from the seller and pay the full/partial purchase price to gain full legal and beneficial ownership of the property.
- b) Upon settlement of the purchase price by the Bank, the legal title of the property will be transferred to the Bank and accordingly, the Bank will assume full rights and liabilities over the property.
- c) Almost immediately afterwards, the Bank, upon an earlier undertaking given by the customer, will enter into an Ijarah agreement with the customer whereby the Bank shall lease the property to the customer (transfer of usufruct) for a determined rental period and rental payment. At this juncture, the legal ownership of the property shall remain with the Bank but the right to use the usufruct of the property shall be completely upon the customer.

DA AFGHANISTAN BANK
(CENTRAL BANK OF AFGHANISTAN)
Product Outline: Ijarah (Asset Financing)

- d) During the leasing period, the customer (Lessee) shall be obliged to pay the rental payments to the Lessor until the expiry of the leasing tenure. In the event that the customer defaults in any of the rental payments; such rental shall be accrued accordingly and the Lessor may impose late payment penalty amount towards the lessee, however, it must be emphasized that this is done not as a way to take advantage of the situation but rather as a ta'widh (compensation) payment against the breach of promise by the Lessee towards the Lessor and serve as a deterrence method against future recurrences.
- e) Also, during the leasing period, some of the operational issues on leasing may be agreed between the parties to be as below:
- a. Under Shariah, the Lessor shall bear the full responsibility of the maintenance of the property as being the legal owner of the property. However, Shariah allows this responsibility to be transferred onto the Lessee and this can be done via a Wakalah (agency) agreement whereby the Lessor appoints the Lessee as its agent to take care of the maintenance of the property throughout his rental period.
 - b. In the case of partial defect/loss, the general rule is that the Lessee shall be obliged to pay the rental payment during that period of defect as the responsibility of the Lessor is to provide and ensure that the property is in a good and usable condition. However, due to some peculiarities/circumstances of the case, it is allowed for both parties to agree that the Lessee may not continue to serve the rental payment to the Lessor until such defect is repaired by the Lessor. Provided always that it is satisfactorily proven that the Lessor has, at its best effort taken reasonable measures/actions to repair such defect in an effective and efficient manner.
 - c. The Lessee is allowed to do sub-leasing of the property to a third party if this has been agreed and consented by the Lessor whether at the earlier stage of the execution of the Ijarah agreement or at that particular period of time by way of variation of the leasing terms.
- f) At the end of the rental period, the customer, at his option shall be given the opportunity to own the property by either of the following methods:
- a. By way of sale normally at a nominal price: the sale contract shall be executed separately after the expiry or termination of the Ijarah contract. Both contracts must be independent from each other;

DA AFGHANISTAN BANK
(CENTRAL BANK OF AFGHANISTAN)
Product Outline: Ijarah (Asset Financing)

- b. By way of conditional gift (hibah): the transfer shall be effective once the condition is fulfilled; or
- c. By way of promise (wa'd) to hibah: the hibah shall be executed when the event of promise takes place usually at the expiration of the contract.

DA AFGHANISTAN BANK
(CENTRAL BANK OF AFGHANISTAN)
Product Outline: Ijarah (Asset Financing)

6 Suggested Documentation

The legal documentation for the Product will depend on the actual structure to be adopted by the Bank and the Bank's internal policies and procedures as advised by the respective Bank's legal counsel:-

Below are among the particulars needed from a customer at the legal documentation for an Ijarah financing product:

6.1. Application form

- a) Name of the customer;
- b) Personal details (address and other information of the customer);
- c) Employment/business details;
- d) Description of the asset;
- e) Purpose of financing requirement;
- f) Amount of finance required;
- g) Bank account details;
- h) Details of already availed finances;
- i) Details of joint applicant (if any); and
- j) Any other important particulars as deemed necessary.

6.2 Undertaking to purchase leased asset

- a) Name of the customer;
- b) Asset details;
- c) Mechanism for determining the Sale price of the asset;
- d) Guarantee by third party (if any); and
- e) Any other important particulars as deemed necessary.

DA AFGHANISTAN BANK
(CENTRAL BANK OF AFGHANISTAN)
Product Outline: Ijarah (Asset Financing)

6.3 Local purchase order

- a) Name of the Seller/Manufacturer;
- b) Asset details;
- c) Sale price of the asset;
- d) Terms of delivery; and
- e) Any other important particulars as deemed necessary.

6.4 Ijarah contract

- a) Name of the parties to the contract i.e. Lessor and Lessee;
- b) Date of contract;
- c) Total price of the asset, cost incurred and rental to be charged;
- d) Lease term;
- e) Terms and mode of payment;
- f) Terms for delivery of the vehicle;
- g) Terms for use of lease asset;
- h) Roles and responsibilities of each party to the contract;
- i) Clause for termination of contract;
- j) Laws applicable to the contract;
- k) Legal recourse clauses; and
- l) Any other important particulars as deemed necessary.

6.5 Payment schedule

- a) Name of customer;
- b) Date of first rental due;

DA AFGHANISTAN BANK
(CENTRAL BANK OF AFGHANISTAN)
Product Outline: Ijarah (Asset Financing)

- c) Amount of monthly rental;
- d) Date of rental payment;
- e) Grace period days (if any); and
- f) Any other important particulars as deemed necessary.

6.6 Service Agency Agreement

6.6.1 This agreement appoints the customer as the Service Agent for the asset. Accordingly, for a nominal fee, the customer is now made responsible for the maintenance of the asset and the provision of Takaful /insurance cover on same. In the event of a total loss of the asset the customer will, by virtue of the service agency agreement be obliged to cover any shortfall payable by the insurance/ Takaful policy.

6.6.2 In the event of any excess accruing to the Bank in the event of a total loss event due to the receipt of the Takaful / insurance proceeds the Shariah Board of the Bank may decide that same shall be given to the customer to compensate him for loss of opportunity to purchase the asset on maturity of the Lease.

DA AFGHANISTAN BANK
(CENTRAL BANK OF AFGHANISTAN)
Product Outline: Ijarah (Asset Financing)

7 Suggested Accounting Entries

| | Debit | Credit |
|---|-------|--------|
| Collection of processing charges | | |
| Cash at hand/customer's Account (B/S) | | xxx |
| Customer's Non-Checking Account (B/S) | xxx | |
| On receipt of security deposit | | |
| Cash at hand/customer's Account (B/S) | | xxx |
| Customer's Non-Checking Account (B/S) | xxx | |
| After approval of Ijarah facility | | |
| Customer's Non-Checking Account (B/S) | xxx | |
| Security Deposit (B/S) | | xxx |
| Processing Charges (P&L) | | xxx |
| At the Time of Booking of Ijarah Asset | | |
| Ijarah Asset | xxx | |
| Customer's Non-Checking Account (B/S) | | xxx |

DA AFGHANISTAN BANK
(CENTRAL BANK OF AFGHANISTAN)
Product Outline: Ijarah (Asset Financing)

| | | |
|--|-----|-----|
| Customer's Non-Checking Account (B/S) | xxx | |
| Pay Order Issuance | | xxx |
| Booking of Unearned Ijarah Income | | |
| Gross Investment in Ijarah Unearned | xxx | |
| Unearned Profit Ijarah | | xxx |
| Collection of Instalment Amount | | |
| Cash/customer Account | xxx | |
| Customer's Non-Checking Account (B/S) | | xxx |
| Recovery of Rental | | |
| Customer's Non-Checking Account (B/S) | xxx | |
| Ijarah Asset | | xxx |
| Prepaid Insurance Account | | xxx |
| Prepaid Registration Account | | xxx |
| Gross Investment in Ijarah Unearned | | xxx |
| Late Payment charges Recovery | | |
| Cash at hand/customer's Account (B/S) | xxx | |
| Charity Payable | | xxx |

DA AFGHANISTAN BANK (CENTRAL BANK OF AFGHANISTAN)

Product Outline: Ijarah (Asset Financing)

8 Risks Associated with the Product

8.1 General Risks:

8.1.1 **Credit Risk:** Credit Risk of the customer. Bank to use prudent risk management tools to ensure that only good credits are approved for the Ijarah product. Bank may require additional security from Customer as collateral for the financing.

8.1.2 **Market Risk:** There may be Market risk due to the particular nature of the financed assets (especially automobiles). Banks to ensure that adequate level of earnest deposit is paid by the customer to ensure that the Bank's exposure to market risk is limited. Suggest that Bank has a financing cap specifically for automobile financing as part of its credit policy.

8.2 Operational Risk:

8.2.1 **Process risk:** Strong Know Your Customer ("KYC") controls, complete Management Information System of the transactions and daily logs will reduce the processing risk.

8.2.2 **Documentation risk:** Relationship Manager to ensure that complete documents are obtained from the customer.

8.2.3 **Loss of security documents:** Central Operations will ensure safe keeping of the documents under dual custody in a fire proof cabinet. The complete details will be entered in the lodgement register.

8.2.4 **KYC and Money laundering risk:** Business unit to ensure compliance with all requirements in the money laundering prevention, local regulations concerning KYC and account opening procedures.

8.2.5 During the trading process the concerned users need to ensure that correct amount is communicated to the trading desk for purchase and sale of commodity.

DA AFGHANISTAN BANK (CENTRAL BANK OF AFGHANISTAN)

Product Outline: Ijarah (Asset Financing)

8.2.6 **Compliance Risk:** Compliance department to ensure that necessary Central Bank regulations are communicated to appropriate divisions for implementation.

8.2.7 **Shariah Risk:** The implications of Shariah non-compliance and risks associated with the Bank's fiduciary responsibilities towards different customers would expose the Bank to customers' withdrawals, terminations or voiding of contracts. This in turn could lead to a diminished reputation and / or the limitation of further business opportunities for Bank in this sector. Shariah compliance is critical to the Bank's Islamic operations and such compliance must permeate throughout the organisation.

Shariah compliance is the highest priority in relation to all other identified risks concerning this product.

8.2.8 **Legal Risk:** There may be instances where criminal charges can be brought against the owner for improper use of the asset, e.g. dangerous driving in the case of a vehicle. This risk is mitigated by appointing the customer as title agent for the Bank and registering him as owner of the vehicle / asset with the relevant government authority subject to a lien / mortgage placed by the Bank against the asset.

DA AFGHANISTAN BANK
(CENTRAL BANK OF AFGHANISTAN)
Product Outline: Ijarah (Asset Financing)

8.3 Specific Risk Matrix

| Risk category & nature of risk | Mitigating factors |
|---|--|
| Customer level risks | |
| i) Insufficient Cash Flows for payment of rentals | Analysis of customer's income stream Obtain last six months bank statements to review the number of transaction and average balance. Calculate Debt/Burden Ratio. |
| iii) Death and disability of the customer | Obtain takaful or in its absence insurance coverage There is cap on maximum age limit i.e. 65 years |
| iii) Loss of employment | Minimum experience of 2 years is required to be eligible for obtaining home finance. With 2 year's experience, there is higher possibility to get alternative employment |
| iv) End use of funds | In case of financing of a vehicle, the payment is made directly to the seller/financial institution through DD/Pay Order/Cross Cheque. |
| Documentation risks | |
| i) Incomplete documentation | Obtain all the common and salary/business related documents stated in the manual and ensure completeness in all respect before disbursement |
| ii) Incomplete security documents | Credit Administration Officer shall ensure that all security documents have been obtained as per terms of offer letter |
| iii) Loss/Damage of security documents | All security documents shall be kept in fireproof cabinets under dual custody Maintaining the Safe-in and Safe-out Register |
| Quality related risks | |
| i) Customer Fraud | The risk of ghost customer will be mitigated by putting in place a series of strict evaluation criterion met by bank staff/external agencies; including credit reports |

DA AFGHANISTAN BANK
(CENTRAL BANK OF AFGHANISTAN)
Product Outline: Ijarah (Asset Financing)

| | |
|--------------------------------|--|
| | and telephonic and physical verification of customer's given details |
| ii) Employee Fraud | Establish a set of internal controls to prevent and detect fraud. |
| | Tools of segregation of duties shall be employed to mitigate the risk |
| | Marketing, processing, authorization, disbursement and recovery procedures to be performed by different individuals |
| iii) Loss of computerized data | Daily back up by systems department |
| | Ensure contingency planning |
| iv) Trained human resources | Career planning of the supporting staff along with satisfaction of existing staff |
| Credit related risks | |
| i) Default Risk | Establish "Know Your customer" (KYC) mechanism |
| | Maintain continuous interaction with the customer for timely recovery of monthly rental payments |
| | Creation of provisions as per Banking laws and accounting policies |
| ii) Profit Rate Risk | Bank is exposed to profit rate risk for short term only as rentals are calculated using variable rate changeable after every 12 months |
| | Floor rate is agreed with the customer |
| | The option is available to the customer to adopt fixed or floating profit rates and flexibility to switch from floating to fixed rate or vice versa. |
| iii) Security Risk | Ownership of lease vehicle will remain with the Lessor during the lease term |
| | Title documents will remain in the Lessor's safe custody during the lease term |

DA AFGHANISTAN BANK
(CENTRAL BANK OF AFGHANISTAN)
Product Outline: Ijarah (Asset Financing)

| | |
|--|--|
| | Undated cheques or debit instructions to be received from the customer to secure the monthly rentals |
|--|--|

9 Product Pricing

9.1 The following factors are considered when pricing is structured for a product:

- a) Tenor
- b) Processing fee
- c) Security deposit (%)
- d) Profit rate (%)
- e) Early termination charges
- f) Repossession charges
- g) Cheque return charges
- h) Charity on account of late payment

9.2 Pricing Structure

9.2.1 Minimum and maximum amount available under the Ijarah facility should be clearly determined.

9.2.2 Lease rentals can be calculated using fixed profit rate or variable profit rate. The customer will be given option to switch from fixed profit rate to variable and vice-versa.

9.2.3 Floating/ variable profit rate

- a) The Profit Rate under this option shall be linked to a certain benchmark rate mechanism such as the London Interbank Offered Rate (LIBOR). Any change in the LIBOR shall have a bearing on the monthly payment of rent of the property.

DA AFGHANISTAN BANK
(CENTRAL BANK OF AFGHANISTAN)
Product Outline: Ijarah (Asset Financing)

- b) The 'Cap Rate' and 'Floor Rate' are the agreed rates for the entire tenure of the Ijarah investment.
- c) In case of 'Floor Profit Rate', if LIBOR is reduced, the profit rate shall not be less than the agreed Floor Profit Rate.
- d) The Standard Variable Profit Rate shall be as follows:
 - Minimum Profit Rate: x % over 01 Year LIBOR
 - Floor Profit Rate: x % p.a.
 - Cap Profit Rate: x % p.a.

9.2.4 Fixed Profit Rate (FPR)

- a) Under the Fixed Profit Rate basis, the monthly rental is calculated at an agreed profit rate for a defined period.
- b) There shall be no conversion charges for switching over from Fixed Profit Rate to Standard Variable Profit Rate.

9.2.5 The customer shall undertake to pay certain amount by way of Charity, agreed with the customer at the time of execution of Ijarah contract, in case of late payment or default by the customer.

9.2.6 The customer shall deposit such amount in Charity Accounts maintained at the Bank branches solely for this purpose after deducting the actual cost incurred for recovery of rentals/default.

9.3 Basis of calculation of lease rentals

The following factors are considered when deciding the lease rentals:

9.3.1 Treatment of security deposit

The amount of security deposit should be deducted from the Principle Amount (Cost of asset) while calculating the monthly rental amount.

9.3.2 Principle amount

DA AFGHANISTAN BANK
(CENTRAL BANK OF AFGHANISTAN)
Product Outline: Ijarah (Asset Financing)

The Principle Amount (deductible of the security deposit amount) should be amortized over the lease term by using rate of profit as mentioned in Ijarah Application (in line with bank policy).

9.3.3 Takaful/insurance premium

Takaful/insurance premium should be amortized on yearly basis by using rate of profit as mentioned in Ijarah Application (in line with bank policy).

9.3.4 Grace Period Profit

Grace period profit should be calculated using the following formula:

Principle Amount x Rate of Profit x No of days outstanding

*Number of days outstanding should start from date of disbursement until the date of first rental due.

DA AFGHANISTAN BANK
(CENTRAL BANK OF AFGHANISTAN)
Product Outline: Ijarah (Asset Financing)

10 Common mistakes

- 10.1 Failure to ensure that Fatwa issued by the Bank's Shariah Board for the Product before offering to clients. Shariah secretariat to confirm with Business Units that the product may be offered to customers.
- 10.2 Inadequate or non-existent documentation – this may render the transaction void *ab initio*.
- 10.3 Incorrect document process flow – this may render the transaction void *ab initio*.
- 10.4 Restructuring of an Ijarah term and payment schedule and increasing/decreasing the amount payable by the customer. The Lessor and Lessee may, upon their mutual agreement, increase/decrease the tenor and price of the financing facility. For instance, if a customer is in difficulty with their payments, the Bank may offer another facility with a longer tenor and at a lower rental price but this must involve a totally separate new contract based on the new value of the asset at that particular time of restructuring.
- 10.5 Adding Late payment fees to the Bank's profit account. The Bank's actual costs due to the customer's late payment only may be taken by the bank, the balance (if any) must be channelled to charities as approved by the Bank's Shariah Board.
- 10.6 Incomplete records of the sources of payments to charities.
- 10.7 Agreeing a rebate (if any) with a Customer in advance of providing the facility or in advance of an early settlement request issued by the customer.

**DA AFGHANISTAN BANK
(CENTRAL BANK OF AFGHANISTAN)
Product Outline: Ijarah (Asset Financing)**

11 Custodian of the Product Outline

- 11.1 This Product Outline shall be under the safe custody of the Islamic Banking Division (“IBD”) of DAB. Any changes to this Product Outline shall be made by the IBD with prior consultation with the SSB, as reviewed by the DAB Executive Board and upon approval by DAB Supreme Council. A copy of the amended Product Outline shall be made available to all stakeholders and SSB members for reference and implementation.
- 11.2 Banks may further refine the Product Outline to suit their particular structure and policies. Such amendments shall be approved by the Bank's Shariah Board. The Bank’s Shariah Department/Islamic Banking Department/Unit will have custody over the Bank's Product Outline for Ijarah (Asset Financing).

12 Effective Date of the Document

The Effective date of this Product Outline is the _____ day of _____ 20____