

Fatwa: Manufacturing (Istisna) for Retail

Sharia Supervisory Board at Bank Nizwa reviewed the Manufacturing (Istisna) program for retail clients and its documents comprehensively, and established the following major execution steps:

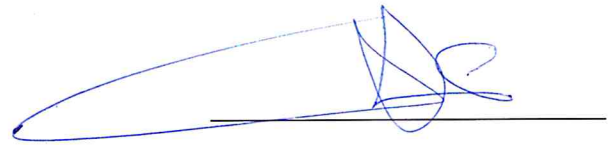
- Istisna refers to financing projects and transactions which includes construction of property, and manufacturing of various types of assets and goods, and contracting for execution of various types of projects such as infrastructure projects and projects for oil and gas industry.
- In response to client request, the Bank, as manufacturer or contractor, finances construction or manufacturing by concluding an Istisna contract with client, as per specifications requested by client, and delivery date;
- Bank, as the manufacturer or contractor in the Istisna contract, is entitled to assign execution of the same requested works by another party by means of a parallel Istisna contract, with the same specifications and delivery date, without contractual link between the two contracts;
- The Istisna sale contract between the bank and client, and parallel Istisna between the bank and contractor or manufacturer are completely independent and the bank cannot waive its liability in case of non-delivery by the contractor in the parallel Istisna;
- Bank as manufacturer or contractor in the Istisna sale contract is liable to deliver the project as agreed to client on the delivery date;
- Bank may assign the client as supervisor for construction or manufacturing and the bank will not disburse payments without client's approval as supervisor;
- Client, as purchaser of the Istisna asset, shall pay to the bank Istisna installments as agreed between both parties in the Istisna payment schedule;
- Bank, as per the terms and conditions of the parallel Istisna contract, may assign warranties from the contractor in the parallel Istisna to the client to cover for any possible defects; and in case it is not possible to obtain the warranties from the manufacturer in the parallel Istisna, the client is entitled to have recourse to the bank as manufacturer.
- Upon completion of construction or manufacturing, and if specifications are not as per client request, the bank may offer client discount in the Istisna sale price to accommodate variation in specifications;
- In case of delay of delivery of the project, client is entitled to delay penalty from the bank as agreed in the Istisna sale contract, and the bank is entitled to delay penalty from the contractor as stipulated in the parallel Istisna contract.

The Sharia Supervisory Board confirms and declares that the Istisna Product Program for retail clients is in compliance with Sharia principles and rules as issued by the Sharia Supervisory Board of the bank and Auditing and Accounting Organization for Islamic Financial institutions (AAOIFI), specifically Sharia standard number

(11) on Manufacturing (Istisna), and Accounting Standard number (01) on General Disclosure, and other related Sharia and Accounting standards, and with applicable regulations in the Sultanate of Oman.

Sharia Supervisory Board recommends obedience to Allah, and sincere intentions in privacy and public, and adhere to best practices to the good of society; and Allah is All-knowledgeable.

Dr. Abdul-Sattar Abou-Ghuddah
Chairman of Sharia Supervisory Board



Dr. Sheikh Muhammad Bin Rashed Al-Gharbi
Member of Sharia Supervisory Board



Sheikh Ibrahim Bin Naser Al-Sawwafi
Member of Sharia Supervisory Board



Muscat, 06th of Safar, 1437H; equivalent to November 18, 2015.