



المركز الإسلامي للصالح والنجيم
International Islamic Centre For Reconciliation and Arbitration
Centre International islamique de Reconciliation et d'Arbitrage

ADR

ISLAMIC ECONOMY

الاقتصاد الإسلامي

Bulletin of the International Islamic Centre
for Reconciliation and Arbitration Issue 22,
last quarter of 1446 AH - January 2025

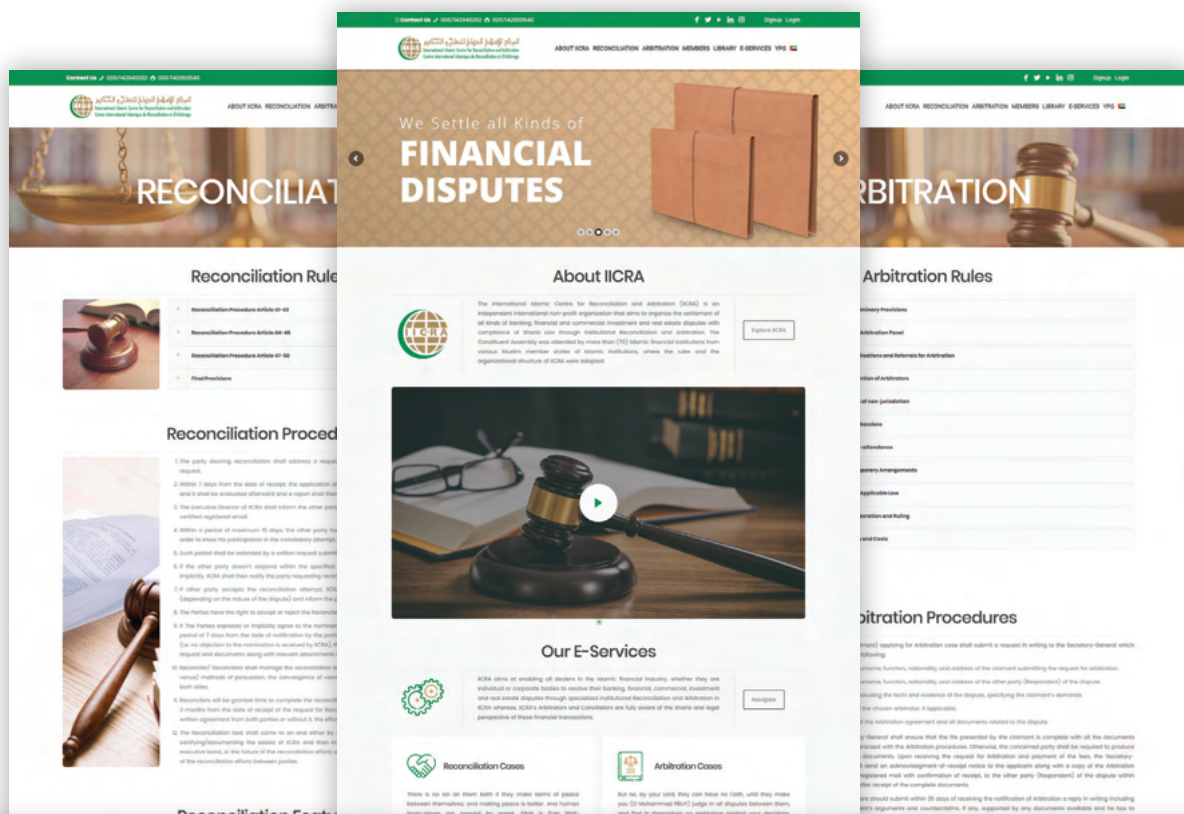
TRENDS IN ISLAMIC FINANCE

Shari'ah, Legal & Technical Aspects

**The International Islamic Centre for Reconciliation and Arbitration (IICRA):
Twenty Years of Dedicated Service to the Islamic Economy**

With this IICRA Bulletin, we proudly commemorate the twenty-year anniversary of the International Islamic Centre for Reconciliation and Arbitration (IICRA), founded in 2005 through an international agreement signed on the sidelines of the Organization of Islamic Cooperation (OIC) meetings on 19 September 2004. IICRA began its operations in 2007 as an independent international organization with its own legal and corporate status. Today, IICRA stands as a pivotal institution in the Islamic finance industry, recognized for its impact locally, regionally, and internationally, with the United Arab Emirates as its host since its inception.

**The Global Platform for Legal Support and Dispute Resolution in the Islamic
Financial Industry.**



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International Islamic Centre
For Reconciliation And Arbitration



المركز الإسلامي الدولي
للصلح والمصالحة والتحكيم

Establishment

IICRA is an international, independent, non-profit organization dedicated to providing legal support to the Islamic financial industry and resolving all kinds of financial, commercial, banking, and real estate disputes in compliance with Shari'ah principles through institutional reconciliation and arbitration. Established in 2005 under an international convention with contributions from numerous global institutions, including the UAE, IICRA has proudly been headquartered in Dubai since its inception. At its founding assembly, over seventy (70) Islamic financial institutions from various Arab and Muslim countries within the Organization of Islamic Cooperation (OIC) gathered to ratify IICRA's Rules and its organizational structure.

IICRA has become one of the most important infrastructure institutions of the Islamic Financial Industry and its legal arm presents the ideal international specialized platform for settlement of banking, financial and commercial disputes with compliance of the Shari'ah Principles through mutual conciliation and arbitration in accordance with the best internationally approved practices and standards.

Aims

IICRA aims at enabling all dealers in Islamic financial industry whether they are individual or corporate bodies to resolve their banking, financial and commercial disputes through Reconciliation and Arbitration in IICRA. Whereas, IICRA Arbitrators and Conciliators are fully aware of the Shari'ah and Legal perspective of Islamic financial transactions. In addition, this will avoid the long period of proceedings and high cost of settling disputes.

- ① IICRA provides essential legal support and qualifications to advance the Islamic economy through the launch and implementation of innovative legal programs and initiatives designed to meet the needs of the Islamic financial industry.
- ② IICRA adopts all necessary measures for settlement of disputes in compliance with Shari'ah Principles.
- ③ IICRA disseminates the culture of specialized arbitration in the Islamic financial transactions by organizing events, issuing the studies/bulletins and providing the related legal consultations.
- ④ IICRA provides a list of specialized arbitrators and experts in all fields of Islamic financial industry in their respective languages.
- ⑤ IICRA manages the arbitration cases in accordance with the international practices through IICRA Rules.
- ⑥ IICRA is working on to cope with the ongoing challenges facing the conflict resolution by employing technological advances for communication, holding sessions, preparing, and archiving documents electronically.



Features and Characteristics

 INTERNATIONALITY <p>IICRA as an international institution was established on 5 April 2005 which embodied the efforts of International Conventions concerned to support the Islamic financial industry. IICRA services are used by many institutions and corporations around the Muslim world and the other countries interested with the Islamic economy. IICRA seeks establishment of many branches around the world to be in line with the geographic development of financial industry.</p>	 SPECIALIZATION <p>IICRA is a unique international platform specialized in settling all kinds of banking, financial and commercial disputes through international reconciliation and arbitration with compliance of Shari'ah Principles, by approving rigid proceedings for auditing and reviewing of the arbitration procedures and decisions.</p>
 NON-PROFITABILITY <p>IICRA seeks to keep the non-profitability of its service fees which covered only the operational expenses. The total arbitration costs of any dispute, including the administration fees of IICRA and the arbitrator's fees shall not exceed 2% of the value of claim, with determination of fixed amount as ceiling of those costs in accordance with IICRA Rules.</p>	 FLEXIBILITY <p>In parallel with professionalism and efficiency, IICRA guarantees the parties to exercise the flexibility to choose number of arbitrators and nominate them, select the language and the venue of proceedings, and adapt time limits agreed by the parties.</p>
 EFFICIENT <p>IICRA focuses on reduction of the terms of proceedings since IICRA Rules defined the time frame of six (6) months for rendering the final arbitral award from the date of hand over of arbitration file to the arbitral tribunal. IICRA imposes timeframes for control of the arbitration procedures and to grant all parties the required time frames for raising their arguments and pleadings. The average time for settling disputes referred to IICRA up to the end of the first half of the year 2018 was 126 working days (approximately 4 months).</p>	 INDEPENDENCE <p>IICRA's organizational structure is composed of the General Assembly, Board of Trustees, Executive Committee and Secretary-General as traditionally recognized in the International organization. IICRA has a privilege to exercise independence compared to other arbitration institutions which are usually affiliated to public or private institutions, such as the chambers of commerce.</p>
 PROFESSIONALISM <p>IICRA applies the best internationally approved practices and standards for disputes settlement on which IICRA Reconciliation and Arbitration Rules are based. IICRA provides a list of Arbitrators and Experts specialized in all fields of Islamic financial industry and those who are well aware of Shari'ah and Legal perspectives of banking, financial and commercial transactions.</p>	 CONFIDENTIALITY <p>The important advantage of arbitration in IICRA guarantees privacy and safeguard of case information disclosed only to those involved.</p>
 INTEGRITY/ BINDING AWARDS <p>IICRA provides its services to any individual or corporate bodies, public or private authority or entity interested in utilizing those services in compliance with Shari'ah Principles. The binding awards rendered by IICRA are final and may not be challenged by appeal or cassation, and shall be enforced in accordance with the acceptable international proceedings enforceable of law.</p>	 MULTIFUNCTIONAL <p>IICRA provides all disputes resolution services in one stop starting with conciliation, arbitration, training, appointment of experts and specialists, auditing of the decisions and draft awards from Shari'ah and Legal aspects.</p>



Message from the Chairman of the Board of Trustees



All praise is due to Allah, Lord of all the worlds. The best outcome is for the righteous. May peace and blessings be upon His servant and Messenger, the trustee of His revelation, His close friend, and the chosen one among His creation, our Prophet, leader, and master, Muhammad, the son of Abdullah. May peace and blessings also be upon his family, his companions, and those who follow his path and adhere to his guidance until the Day of Judgment.



In this issue of IICRA's periodical newsletter, we proudly celebrate the 20th anniversary of its establishment—a milestone that prompts us to reflect on IICRA's journey. From its early years, IICRA laid a solid foundation by forming its key administrative bodies: the General Assembly, the Board of Trustees, and the Executive Committee. During this formative phase, IICRA also developed its Arbitration and Reconciliation Rules, continuously refining them to align with the latest international standards. These efforts will soon culminate in the launch of the updated 2025 version of these rules. Simultaneously, IICRA's administrative bodies have implemented robust governance frameworks that embody the principles of independence, integrity, and professionalism. These frameworks ensure that IICRA's services—particularly institutional reconciliation and arbitration—continue to address the evolving needs of the Islamic financial industry with excellence.

Twenty years have passed, during which numerous challenges and obstacles have been transformed into milestones of success and achievement—by the grace of Allah Almighty and with the unwavering support of IICRA's founders and members' institutions. The generous hosting of IICRA's headquarters by the United Arab Emirates has also played a pivotal role in its remarkable journey. Despite this relatively short span compared to the history of international arbitration centers, IICRA has made significant strides in fulfilling its mission. Through its services, IICRA has successfully resolved a wide range of disputes of varying types and values always in a manner that aligns with the principles of noble Islamic Shari'ah.

Moreover, IICRA has expanded its role as the legal cornerstone of the Islamic finance industry, launching numerous vital initiatives and projects to strengthen the Islamic economy within its legal and Shari'ah-compliant frameworks. These efforts include codifying Islamic financial transactions and developing model Islamic contracts, beginning with the Islamic construction contract. This Pioneering contract is currently being drafted by specialized working committees comprising senior engineers, technical experts, and Shari'ah scholars from various countries, showcasing a collaborative and comprehensive approach to its development.

On my own behalf and on behalf of the esteemed members of the Board of Trustees, I extend my heartfelt thanks and deep gratitude to the United Arab Emirates and its visionary leadership for graciously hosting the IICRA headquarters. I would also like to express my sincere appreciation to the Islamic financial institutions that are members of IICRA. Please be assured that we remain fully committed to steadfastly pursuing our mission and achieving our goals.

Dear readers, in this issue of IICRA's bulletin, we aim to highlight the key Shari'ah, legal, and technical developments within the Islamic economy. We trust that this bulletin, alongside its previous editions, will engage your interest. As always, we welcome your valuable comments, constructive suggestions, and insightful feedback to help us continually improve and serve you in the best and most accurate way possible.



Professor Jassim Ali Alshamsi
Chairman of Board of Trustees





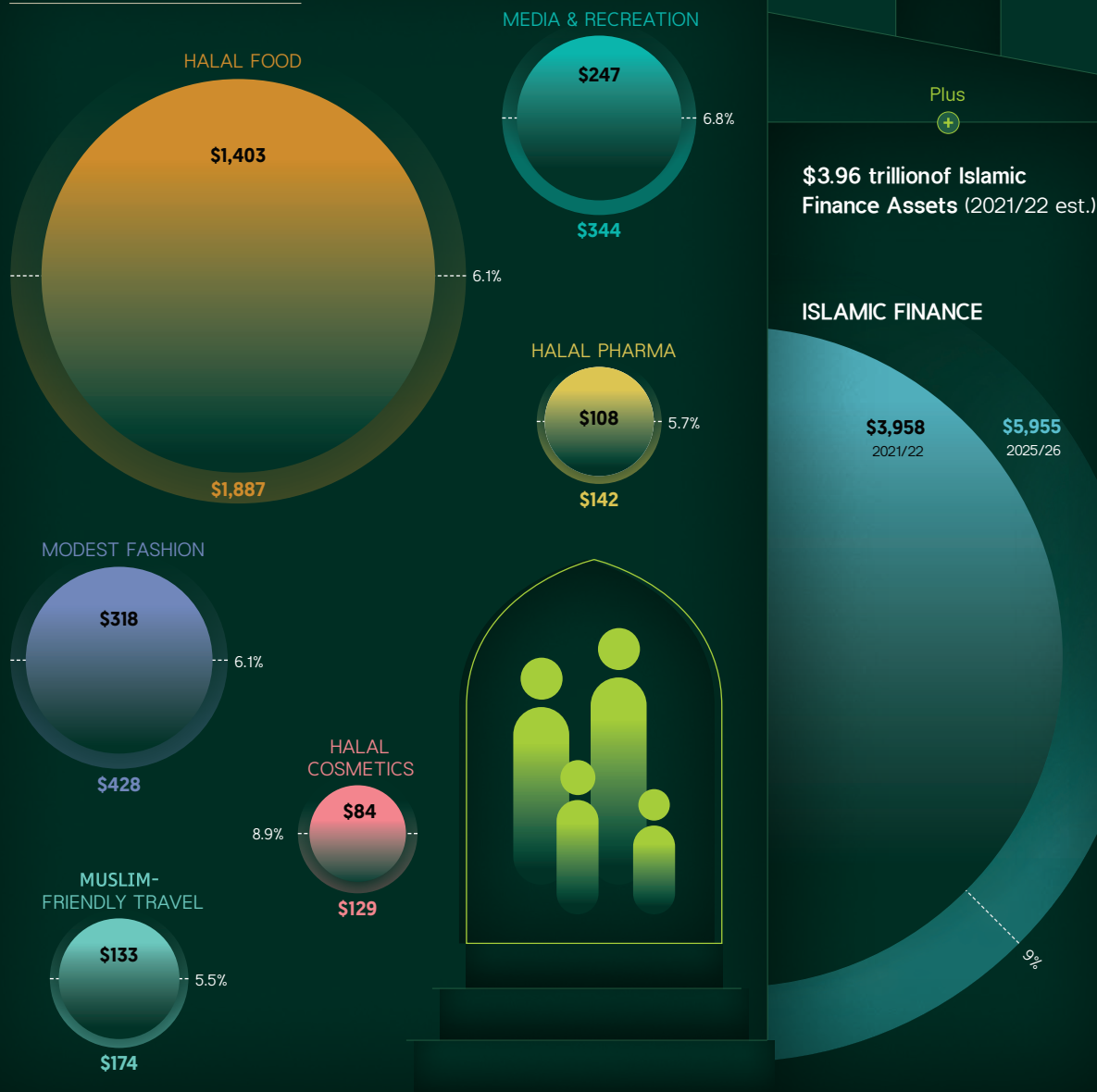
The Global Islamic Economy 2023/2024 Overview

ALL FIGURES IN US DOLLARS BILLIONS UNLESS OTHERWISE STATED

CONSUMER OPPORTUNITY

Represented by \$2.29 trillion of consumer spending by 2 billion Muslims across six real-economy sectors (2022). Reaching \$3.1 trillion by 2027 (4.8% CAGR).

KEY ● 2022 ● 2027 ---- CAGR%



*All estimates by DinarStandard except for Islamic Finance sector provided by LSEG Data & Analytics Islamic Finance Development Indicator 2021/22 data. Muslim consumer spend estimates & analysis by DinarStandard leveraging World Bank's ICP 2017 consumer data as baseline reference. Halal and related product exports are based on ITC Trademap 2022 data. Projections are baselined on data from IMF Outlook from April 2023. Investments (figures and individual deals) are based on a detailed scan of databases from CapitalIQ, Crunchbase and DinarStandard analysis from 1st August 2022 to 31st July 2023. See appendix for detailed methodology.





TRADE OPPORTUNITY

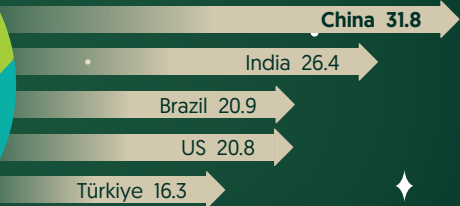
OIC imports are set to grow at 7.6% CAGR in 5 years, reaching \$492 billion in 2027.

US\$ BILLION (2022)

Top 5 OIC Importers



Top 5 Exporters to OIC



\$359 billion OIC imports

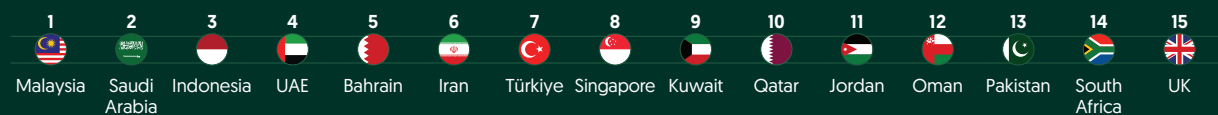
Top 5 represents **34%** of exports to OIC

GOVERNMENT LEADERSHIP

Malaysia, Saudi Arabia and Indonesia lead the index of 81 countries with strongest Islamic economy ecosystem.

Global Islamic Economy Indicator Ranking 2023

(SEE CHAPTER FOR DETAIL)



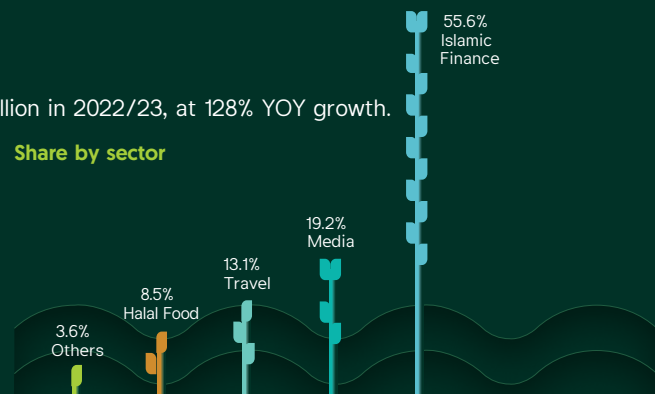
INVESTMENTS

Investments in the Islamic Economy reached \$25.9 billion in 2022/23, at 128% YOY growth.

Countries with more than 10 investment transactions in 2022/23

Indonesia	48	Egypt	14
UAE	40	Saudi Arabia	11
Türkiye	17	Nigeria	11
Malaysia	17		

Share by sector



10 YEARS OF IMPACT

(SEE CHAPTER FOR DETAIL)

- National/Multilateral Enablers
- Industry/ Investments
- Islamic Lifestyle 'Zeitgeist'



SDG IMPAC

Economic equity

- Halal ethical products; Islamic ethical finance assets; Social finance (Zakat, waqf, microfinance)

Environment

- Green sukuk; AAOIFI ESG standard; Organic, ethical, halal

Gender equity

- Women entrepreneurship in media, design, modest fashion, travel



Executive Summary

Welcome to the 10th edition of the State of the Global Islamic Economy (SGIE) Report. In the ten years of covering this space, the global Islamic economy – also referred to as the Halal lifestyle market – has grown from a US\$1.62 trillion consumer spending market, as estimated in 2012, to US\$2.29 trillion in 2022. It has been driven by a young and fast-growing global population that extends beyond the core 2 billion Muslim consumers to include a wider global ethical consumer market.

We now have sovereign wealth funds led by Saudi Arabia's PIF that are actively engaged in this space. Economic policies in Malaysia, Indonesia and Saudi Arabia continue to incorporate the Islamic economy as part of their national strategies.

VCs and PE funds continue to back exciting entrepreneurship, from Fintechs such as Wahed, to the modest fashion e-commerce platform Modanisa. Global conglomerates, from BRF or Nestlé to Nike, also continue to invest and develop solutions for the large and growing Islamic markets. The Organization of Islamic Cooperation (OIC, which includes 57 member countries) ecosystem, from the IsDB Group to the ICDT, is now also focusing on Islamic/Halal economy opportunities as a developmental priority. Meanwhile, global development agencies, from the UNHCR to the World Bank, are looking at Islamic social finance as a significant source of funding.

This 2023 edition is being presented amidst a global crisis around the Palestinian-Israeli conflict, which has significant socio-economic relevance to core Islamic markets. Additional global challenges, including continued conflict in Ukraine, the worsening climate crisis, and uncertainties from the digital AI revolution, are all at the top of investment and economic growth agendas. Amidst these challenges, multiple developments have been sustaining the growth of the global Islamic economy, including the BRICS emerging economies expansion that has added four core Islamic markets, the UAE hosting COP28 successfully, and Saudi Arabia's Vision 2030 massive development investments.

Consumer spending growth: This year's report estimates that the world's 2 billion Muslim consumers spent an estimated US\$2.29 trillion in 2022 across the food, pharmaceutical, cosmetics, fashion, travel, and media/recreation sectors, all of whose core products/services are impacted by Islamic faith-inspired ethical consumption needs. This figure represents a 9.5% year-on-year growth in Muslim spending from US\$2 trillion in 2021. While this represents the core Islamic economy market, its appeal continues to grow as non-Muslim consumers align with the underlying ethical economy values. Moreover, Islamic finance assets are estimated to have reached US\$3.96 trillion in 2021/2022, a rise of 17% from US\$3.37 trillion in 2020/2021.

Malaysia's leadership: Meanwhile, in this year's Global Islamic Economy Indicator (GIEI), Malaysia retained the top spot for the 10th consecutive year, followed by Saudi Arabia, Indonesia, and the UAE. Indonesia moved up the ranking to #3. Bahrain has returned to the top 5 for the first time since 2019/20, and South Africa has entered the top 15 countries for the first time. Kazakhstan's stay was short-lived as the country moved out of the top 15 in the current ranking. The biggest gains within the top 15 were achieved by Iran, Qatar, Pakistan, and South Africa.

Trade decline: The import of halal-related products by OIC member countries fell slightly, decreasing by 2.91% from US\$370 billion in 2021 to US\$359 billion in 2022. Pharmaceuticals became the largest contributor to this decline due to the reduction of vaccine import demand to pre-pandemic levels. China, India, Brazil, and the USA were the top exporters of Halal products to OIC member countries. It is projected that the import of halal-related products by OIC will bounce back by 2027, reaching US\$492 billion with a 7.6% CAGR.

Investments growth: Investments related to the Islamic economy continued their upward trend, showing a 128% growth in investment value from US\$11.4 billion in 2021/2022 to US\$25.9 billion in 2022/2023. The number of relevant mergers and acquisitions (M&A), private equity (PE), and venture capital (VC) transactions increased from 199 in 2021/22 to 220 in 2022/2023. Indonesia and the UAE maintained their 1st and 2nd positions, respectively, in the number of their Islamic economy-related investments, with Türkiye and Malaysia sharing the 3rd position, Malaysia moving down to the 4th position, and Egypt in 5th place. The top 5 countries accounted for 64% of all recorded Islamic economy-related transactions. In terms of sectors, Islamic finance as well as media and recreation accounted for 75% of the total deal value.

Halal food growth: With the climate crisis, lingering supply chain disruptions due to the pandemic, and the conflict in Ukraine causing a spike in food prices worldwide, ensuring food security continues to be a critical priority for core Islamic markets. While the total deal value of investments in the Halal food sector decreased by 44% in 2022, food tech continues to be at the forefront of investment in the food sector, with companies investing in areas such as cultivated meat production and locally adapted high-performing hybrid seeds. Muslim spending on food increased by 9.6% in 2022, reaching US\$1.4 trillion, an increase from US\$1.28 trillion in 2021, and is forecasted to reach US\$1.89 trillion by 2027, growing at a CAGR of 6.1%.

Islamic finance growth: Against a backdrop of post-pandemic recovery and geopolitical uncertainty, the landscape of Islamic finance has been dynamic and evolving, attracting higher

levels of investments. The total deal value in Islamic finance-related transactions increased more than fivefold, from US\$2.19 billion in 2021/2022 to US\$14.4 billion in 2022/2023. There is an increased interest in Islamic Fintech startups. The industry is developing towards greater digitalization, sustainability, and financial inclusion. The issuance of sustainable and green sukuk is expanding across several countries, including Indonesia, the UAE, Saudi Arabia, Bahrain, and Malaysia. Islamic finance assets were valued at US\$3.96 trillion in 2021/2022, an increase of 17% from the US\$3.3 trillion valuation in the 2020/2021 period, and are expected to reach US\$5.94 trillion by 2025/2026 at a CAGR of 9%.

Travel growth: The travel and tourism industry continued its recovery in the aftermath of the pandemic, with a surge in new hotel developments across OIC countries following consolidations and a reduced focus on developing new hotels during the pandemic. Saudi Arabia's Public Investment Fund (PIF) continues to ramp up and diversify its investments in tourism, alongside creating co-investment opportunities with the private sector. The use of travel technology is expanding, from facial recognition for airport security clearance to leveraging AI to analyze data and facilitate travel bookings. Muslim spending on travel in 2022 reached US\$133 billion, up 17% from US\$114 billion in 2021, and is forecasted to reach US\$174 billion in 2027 at a CAGR of 5.5% between 2022 and 2027.

Modest fashion growth: Omnichannel marketing and e-commerce continue to gain ground, with social media emerging as a valuable marketing and sales tool for the fashion industry. Modest fashion brands have appeared more at mainstream fashion events around the world. Both modest and mainstream fashion companies are actively tapping into the modest sportswear market opportunity. Muslim spending on fashion reached US\$318 billion in 2022, up by 8.4% from US\$293 billion in 2021, and is forecasted to reach US\$428 billion by 2027, growing at a CAGR of 6.1%.

Pharmaceuticals growth: Inflation continues to pose a challenge for the Halal pharmaceutical industry, especially for import-dependent OIC countries, which suffered previously from drug price spikes and shortages during the pandemic. Inflation and supply chain disruptions have resulted in a surge of regionalization and localization initiatives across OIC countries. In the aftermath of the pandemic, several initiatives were also launched to strengthen vaccine and biopharmaceutical production in OIC countries, such as Indovax and Saudivax. Muslim spending on pharmaceuticals

reached US\$108 billion in 2022, up by 7.8% from US\$100 billion in 2021, and is forecasted to reach US\$142 billion in 2027 at a CAGR of 5.7%.

Cosmetics growth: The beauty industry is bouncing back in the aftermath of the pandemic, especially lipstick sales, with the relaxation of mask-wearing regulations. Brands are working towards making their supply chains more resilient and sustainable. AI and AR have emerged as the two hottest technological innovations in the beauty industry, enabling virtual makeup try-ons. Korea is actively working to establish a global network to capture a larger share of the Halal cosmetics market, while India and Indonesia remain the top 2 largest markets by Muslim consumer spending on cosmetics. Muslim consumer spending on cosmetics reached US\$84 billion in 2022, up by 14.3% from US\$74 billion in 2021, and is forecasted to reach US\$129 billion by 2027 at a CAGR of 8.9%.

Media & recreation growth: The media sector is attracting higher levels of investment and regulatory attention, with the total value of deals related to media and entertainment doubling from US\$2.4 billion in 2021/2022 to US\$4.98 billion in 2022/2023. Regulatory overhauls are spreading across Asia and the MENA region, with countries issuing new licensing requirements for social media and streaming services regulatory guidelines. Mainstream media production companies are joining the bandwagon of creating content that showcases Muslim characters, such as the Muslim Pakistani "Ms. Marvel." Muslim spending on media and recreation reached US\$247 billion in 2022, up by 6.4% from US\$233 billion in 2021, and is forecasted to reach US\$344 billion in 2027 at a CAGR of 6.8%.

Recommendations: This report presents its annual analysis highlighting sector-specific signals of opportunities and recommendations for governments, businesses, and investors to enable them to navigate this opportunity landscape. The Report features a special 10th-anniversary section that explores the evolving state of investments, national policies, lifestyle trends, and the social impact that has shaped the past decade of the global Islamic economy. As we head towards the next 10 years, the SGIE Report editorial team presents an aspirational vision for the Islamic values-anchored ethical economy to become a significant enabler of global socio-economic prosperity. This vision builds on the successes of the past decade and leverages the potential anchored by a fast-growing core ethical consumer market, estimated at 25% of the world's population and economy, to contribute to solving the world's major challenges and realizing its opportunities sustainably.

Islamic Economy Growth Drivers

The demand for halal products has increased significantly over the past decades, with Muslim spending increasing over the past decades, with Muslim spending increasing from US\$1.62 trillion in 2012 to US\$2.29 trillion in 2022.

Muslim spending on halal product sectors is forecasted to reach US\$3.1 trillion in 2027, a growth of 4.8% CAGR over the five-year period.

The main drivers for the growth of the Islamic economy on the demand side include:

- A sizeable Muslim youth population
- The affluence of Muslim consumers
- The centrality of Islamic values for Muslim consumers
- The increase of digital connectivity and e-commerce in Muslim-majority countries
- The intersection of Islamic values with sustainable and ethical consumerism

On the supply side, governments of member countries in the Organization of Islamic Cooperation (OIC) have played a prominent role in the growth of the Islamic economy by requiring halal certification for imported products, providing support for halal producers, and entering into regional agreements supporting intra-OIC trade. Islamic finance has played an important role in supporting the Islamic economy ecosystem, while the involvement of international brands has contributed to the expansion of choice for Muslim consumers.

DEMAND-SIDE DRIVERS

A Growing Youthful Muslim Population

One of the strongest demand drivers in the Islamic economy is the growing youthful Muslim population. In 2023, the Muslim population exceeded two billion, as per a careful estimate, representing more than 25% of the global population. Over the next decade, it is anticipated that the Muslim population will continue to grow at about twice the rate of the non-Muslim population. It is forecasted to reach 2.8 billion by 2050, representing 30% of the world's population.

In 2023, Muslim youth and young adults (ages 15–29) represented 27.8% of the world's youth and young adults. By 2030, nearly three in ten of the world's youth and young adults are projected to be Muslim. With Gen Z and Millennials being the largest spenders, the youthful composition of the Muslim population is poised to play a critical role in the future expansion of the halal economy.

The Affluence of Muslim Consumers

According to the IMF, the overall GDP of OIC member countries is forecasted to increase by 21.7% to reach US\$25.4 trillion in 2023. The latest World Bank data (2021–2022) also shows that GDP per capita for several Muslim-majority countries is above the global average, including all GCC countries, Brunei Darussalam, and Guyana. The growth of Islamic economies and the affluence of the Muslim population, coupled with their youthful nature, are important stimulants for the growth of the Islamic economy.

GDP PER CAPITA, CURRENT PRICES

US\$ (2022)

Qatar	88,046
United Arab Emirates	53,758
Kuwait	43,233
Brunei Darussalam	37,152
Saudi Arabia	30,436
Bahrain	30,152
Oman	25,057
Guyana	18,990
World	12,647
Malaysia	11,972
Maldives	11,818
Kazakhstan	11,244
Türkiye	10,616

The Centrality of Islamic Values to Muslim Lifestyle and Consumption Patterns

According to the latest Pew Research Center study, there is a belief that religiosity has increased significantly compared to two decades earlier. Furthermore, the study showed that a large percentage of Muslims in Asia-Pacific and the MENA region (70–90%) have rated religion as “very important” in their lives. Hence, it is reasonable to expect that Muslim consumers would consider Islamic values central to both their lifestyle and consumption patterns, which is already evident in the continued growth of the Islamic economy.

Digital Connectivity and the Rise of E-Commerce

The growth in digital connectivity is spurred by increased accessibility to digital devices, investments in technology, and developed digital infrastructure. The Middle East and Africa are expected to have significant growth in internet penetration, with the number of internet users expected to rise from 572.4 million in 2023 to 653.7 million in 2027.

The increased digital connectivity represents an important enabler for various Islamic economy sectors.

E-commerce revenue in the GCC is projected to increase by 11% annually between 2023 and 2027, reaching around US\$50 billion annually by 2027. The number of users in the GCC e-commerce market is estimated to reach 44.27 million by 2027, with around US\$820 in average revenue per user.

The Intersection of Islamic Values with Sustainable and Ethical Consumerism

Research shows that more consumers are prepared to spend on sustainable products now than two years ago. While Gen Z seems to be at the forefront of that trend, this increase holds across the “generational divide.” Many Islamic values underlying various sectors of the Islamic economy have a wider appeal, resonating with universal principles such as sustainability and ethical consumption. Halal products are increasingly associated with food safety, hygiene, and health. Many halal brands have succeeded in attracting non-Muslim ethical consumers, including brands such as Saffron Road and Iba Cosmetics.

SUPPLY-SIDE DRIVERS

Government Bodies Functioning as Enablers

The governments of OIC member countries are actively regulating the imports of products to ensure adherence to halal certification requirements and guidelines. Various OIC national bodies monitor and provide accreditation to halal certification bodies, including the UAE's Emirates Authority for Standardization and Metrology (ESMA), the Emirates International Accreditation Centre (EIAC), Saudi Arabia's Saudi Food and Drug Authority (SFDA), and Malaysia's Department of Islamic Development Malaysia (JAKIM). The efforts of these national bodies led to an increase in awareness of halal product requirements and compliance by manufacturing companies, enabling the growth of various Islamic economy sectors.

National Islamic Economy Strategies

The Islamic economy is becoming a central focus for many countries, including non-Muslim majority countries, as economic growth through economic diversification is being identified and given due importance. The OIC member countries, such as Saudi Arabia, the UAE, Nigeria, Indonesia, and more, have proactively implemented various programs with the Islamic Organization for Food Security (IOFS) to acquire security for halal foods. Depending on the industry, most OIC governments provide various types of support to ensure economic growth is fulfilled. One opportunity major

stakeholders look for is increased support from global governments to unify halal standards and accreditation processes to reduce the certification requirements to be able to promote halal commerce on a global scale.

Global Brand Involvement

The halal economy has been a multi-trillion-dollar global industry, and it will benefit from the involvement of top global brands such as Nestlé, Unilever, H&M, and more.

As major players, they have become part of the growing halal economy, providing various innovative products and services to the Islamic economy sectors. The contribution of these global multinational brands emphasizes the growing consumer demand for halal products. As the halal industry continues to expand worldwide, more multinational players are being drawn to the opportunity the Islamic economy offers.

Islamic Economy Investment Activity

Islamic finance continues to set benchmarks, augmenting the development of the overall Islamic economy ecosystem. According to this year's report estimates, the total value of Islamic finance-related deals increased more than fivefold, from US\$2.19 billion in 2021/2022 to US\$14.4 billion in 2022/2023. During the pandemic, private sector companies across OIC member countries have managed to endure with support from government grants and public-private partnerships, as well as mergers and acquisitions (M&A). S&P Global Ratings estimated that global sukuk issuance reached US\$174 billion in 2022, up from US\$148.4 billion in 2020. There is heightened interest in eco-friendly and green/sustainable sukuk globally, with support from the Islamic Development Bank (IsDB) and OIC member countries, including Indonesia.

Rise in Trade Agreements and Intra-OIC Trade

With supply chain disruptions due to the pandemic, OIC member countries have become increasingly aware of the importance of collaboration. OIC member countries have entered into several regional trade agreements, such as the African Continental Trade Agreement (27 African OIC member countries) and the Regional Comprehensive Economic Partnership (three Asia-Pacific OIC member countries). The Organization of Islamic Cooperation (OIC) has declared that it aims to increase intra-OIC trade from 18% in 2021 to 25% by 2025 through cooperation between its trade promotion agencies and OIC member states. In 2022, the Islamic Centre for Development of Trade (ICDT), a subsidiary organ of the OIC, organized various workshops for investment promotion agencies in OIC countries and published a number of industry and investment reports, including the launch of its first joint annual report with the Islamic Development Bank (IsDB) and the ICDT on OIC countries' investment climate and opportunities. The Standards and Metrology Institute for the Islamic Countries (SMIIC), a subsidiary organ of the OIC, continues to play an important role in the harmonization of standards and the elimination of technical barriers to trade among OIC countries.

GCC BONDS AND SUKUK PRIMARY MARKET ANALYSIS

Executive Summary

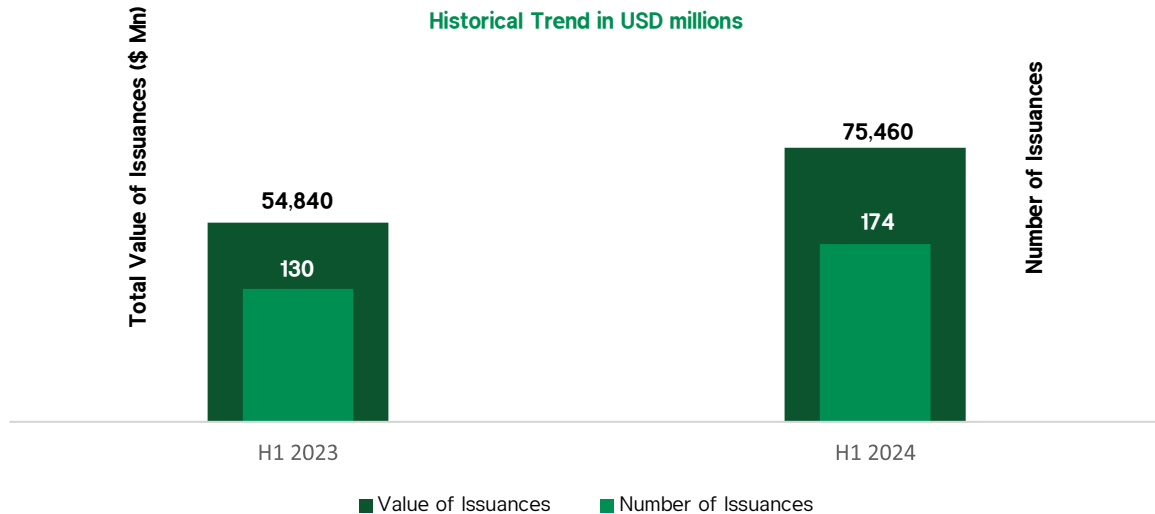
The GCC Bonds and Sukuk market primary issuances in the first half (H1) 2024 raised USD 75.5 billion raised through 173 Sovereign and Corporate issuances, recording a 38% increase from the same period last year. While conventional issuances regained popularity among investors representing 65% of the market worth USD 48.8 billion in issuances in H1 2024 – recording a 56% increase from the same period last year. Sukuk issuances grew 14% totaling USD 26.6 billion in the first half of 2024.

As of 30th June 2024, Saudi Arabia accounted for 49% of outstanding GCC primary issuances. In terms of market performance, the S&P MENA Bond and Sukuk Index posted a total return of -0.25%. Moreover, 5-Year Sovereign CDS spreads experienced mixed performance across GCC countries during H1 2024 with the State of Kuwait recording significant increase in spreads by nearly 39%.

GCC Bonds and Sukuk Primary Market

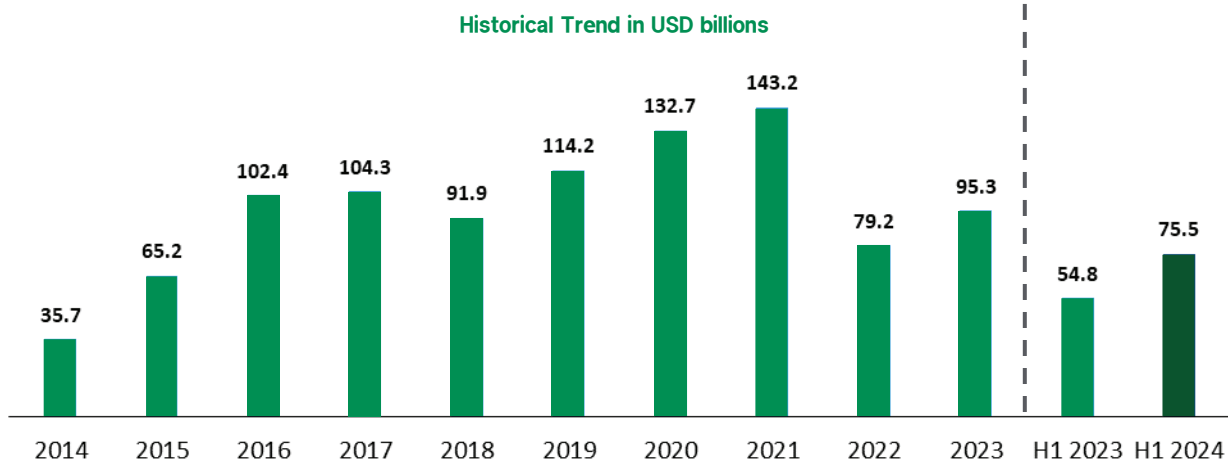
GCC Bonds and Sukuk primary issuances amounted to USD 75.5 billion during the first half of 2024, which represents an increase of 38% from USD 54.8 billion raised during H1 2023. The total number of primary issuances during H1 2024 was 173 issuances compared to 130 during H1 2023.

CC Primary Bonds and Sukuk Market - H1 2024



Source: Bloomberg, Markaz Analysis

CC Primary Bonds and Sukuk Issuances



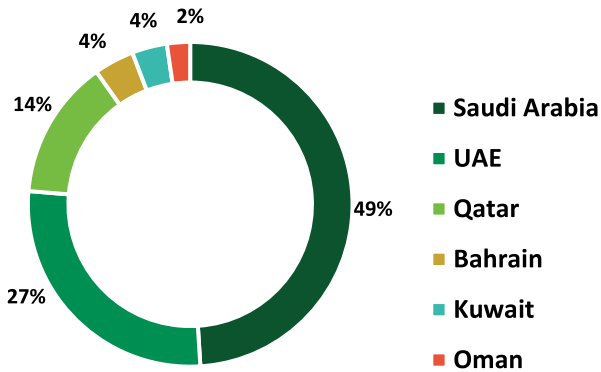
Source: Bloomberg, Markaz Analysis

Geographical Allocation

Saudi Arabian entities were the leading issuers in the GCC during H1 2024, raising a total of USD 37.0 billion through 44 issuances (H1 2023: USD 32.9 billion through 37 issuances), representing 49% of the total value of primary GCC Bonds and Sukuk issuances. UAE second in terms of value raised USD 20.6 billion through 65 issuances during the first half (H1 2023: USD 15.4 billion through 58 issuances), representing 27% of the total value of primary GCC Bonds and Sukuk issuances.

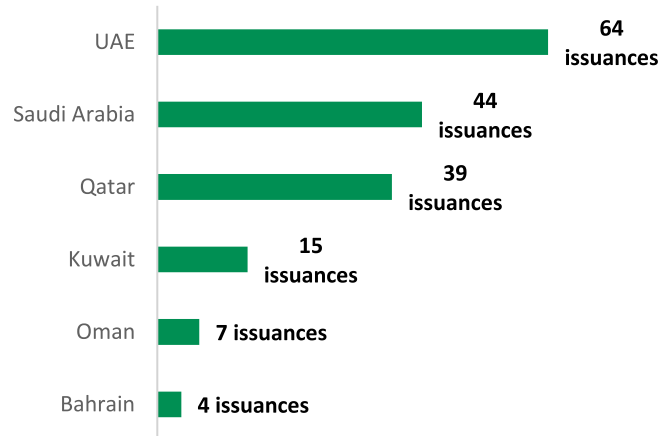
GCC Primary Bonds and Sukuk Issuances – H1 2024

Geographical Allocation



GCC Bonds and Sukuk Market – H1 2024

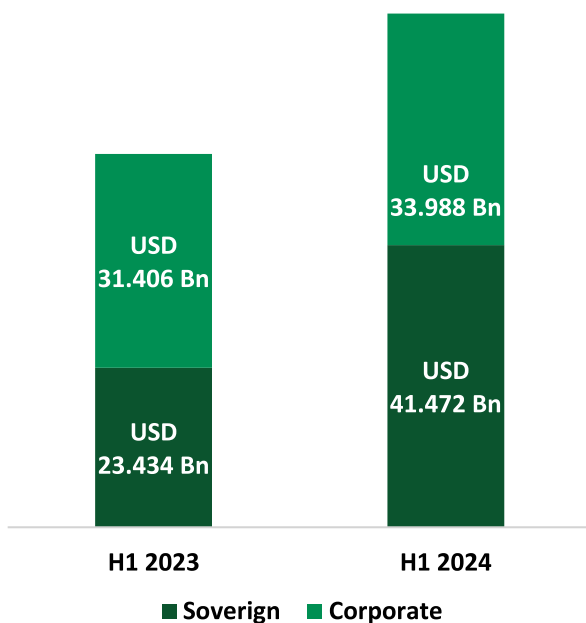
Number of Primary Issuances by Country



Source: Bloomberg, Markaz Analysis

Qatar entities were the third largest issuers in terms of value within the GCC during H1 2024 with USD 10.5 billion (H1 2023: USD 2.0 billion), recording a 416% increase from H1 2023. Bahraini Entities raised USD 3.0 billion during the first half of 2024 through 4 issuances representing 4% of the market. Omani Entities raised USD 1.7 billion representing 2% of the market and Kuwaiti Entities raised a total of USD 2.6 billion (H1 2023: USD 0.3 billion) through 15 issuances recording a 791% increase from H1 2023 and representing 4% of the market.

Sovereign vs. Corporate



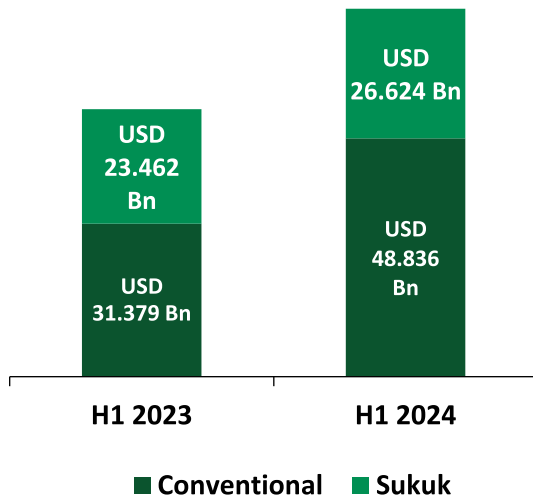
While 2023 was a noteworthy year for GCC Corporate issuances, the first half of 2024 saw increased appetite for Sovereign issuances.

Total GCC Sovereign primary issuances increased 77% in H1 2024 compared to the same period in 2023 to reach USD 41.5 billion (H1 2023: 23.4 billion). The largest sovereign issuance in the GCC was by the Saudi Government with a USD 5.0 billion sukuk. Kuwait did not issue any sovereign bonds during H1 2024.

Total GCC Corporate primary issuances increased 8% during H1 2024 to reach USD 34.0 billion (H1 2023: USD 31.4 billion) where government related entities constituted 22% of corporate issuances or 9.1 billion.

The GCC country with the highest value of corporate issuances was the UAE with USD 12.8 bn, whereas the single largest corporate issuance was by Saudi's Public Investment Fund with a value of USD 1.8 billion.

GCC Primary Bonds and Sukuk Issuances – H1 2024 in USD Billions



Source: Bloomberg, Markaz Analysis

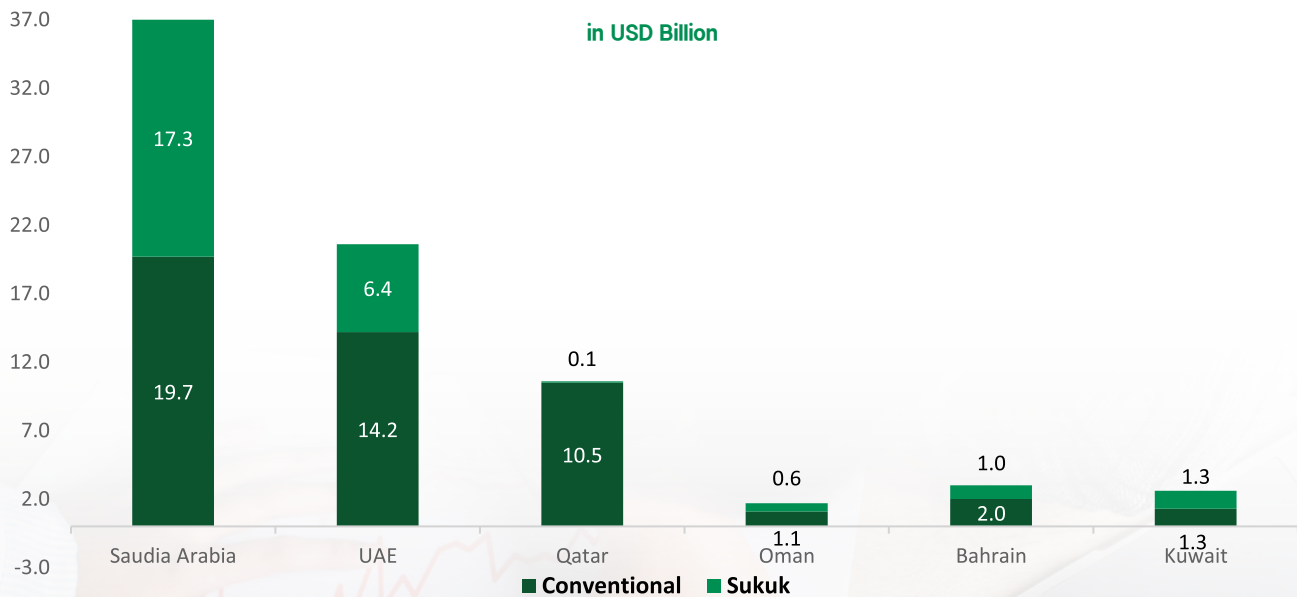
Sukuk issuances rose during H1 2024 with a 14% increase compared to H1 2023. Through 31 issuances, Sukuks in the region raised USD 26.6 billion.

The largest sukuk issuance was by the Saudi Government with an issue size of USD 5.0 billion.

On the other hand, GCC Conventional issuances in H1 2024 amounted to USD 48.8 billion, an increase of 56% from the same period last year.

The largest single issue of a conventional bond in H1 2024 was by the Saudi Government with a total value of USD 4.8 billion.

GCC Primary Debt Bonds and Sukuk Issuances – H1 2024 in USD Billion



Source: Bloomberg, Markaz Analysis

Sector Allocation

A total of USD 41.5 billion was raised by government entities in H1 2024, constituting 55% of the total value of GCC primary issuances through 29 issuances.

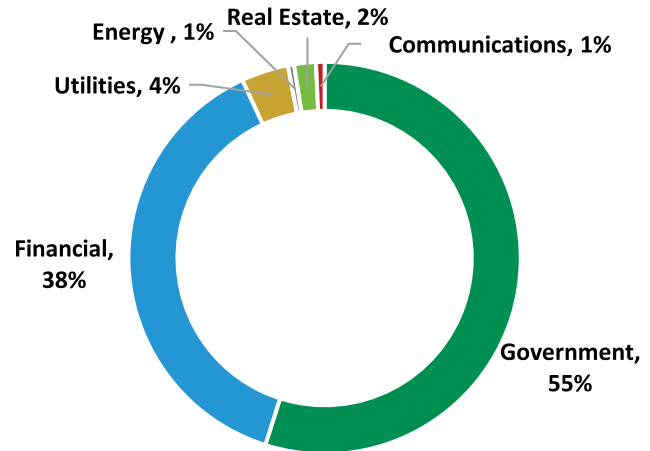
This was followed by the financial sector with issuances worth a total value of USD 28.8 billion, constituting 38% of total issuances.

This was followed by the Utilities sector with a total value of USD 2.9 billion through 5 issuances during the first half of 2024 and representing 4% of the market.

The Financial sector led the market in terms of the number of issuances during H1 2024 with 133 primary issuances, followed by the Government sector with 29 issuances.

GCC Primary Bonds and Sukuk Issuances – H1 2024

Primary Issuances: Sector Breakdown by Value



Source: Bloomberg, Markaz Analysis

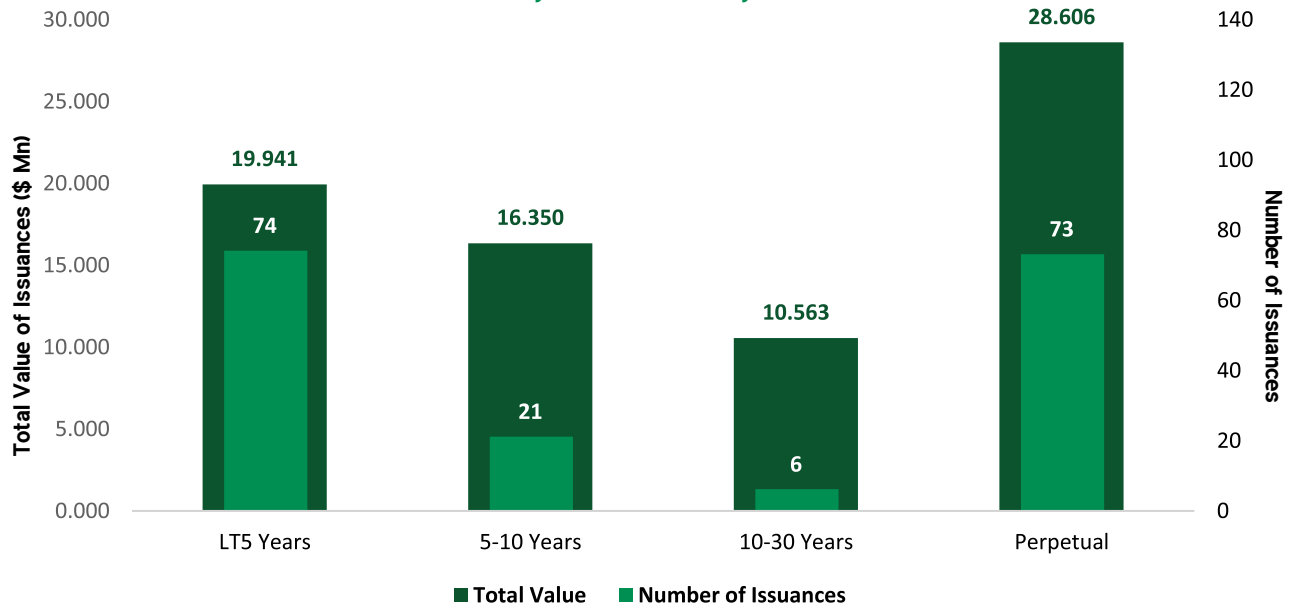
Maturity Profile

In the first half of 2024, perpetual primary issuances represented 38% of the GCC debt capital markets with total value that amounted to USD 28.6 billion through 73 issuances.

Primary issuances with less than ("LT") 5-year tenors came in second, representing 26% of the GCC debt capital markets with total value that amounted to USD 19.9 billion through 74 issuances. Issuances with 5–10 year tenors followed, raising total USD 16.4 billion through 21 issuances in H1 2024 representing 22% of GCC primary issuances. Additionally, primary issuances with 10–30 year tenors raised a total value of USD 10.6 billion through 6 issuances.

GCC Bonds and Sukuk Market – H1 2024

Primary Issuances: Maturity Profile

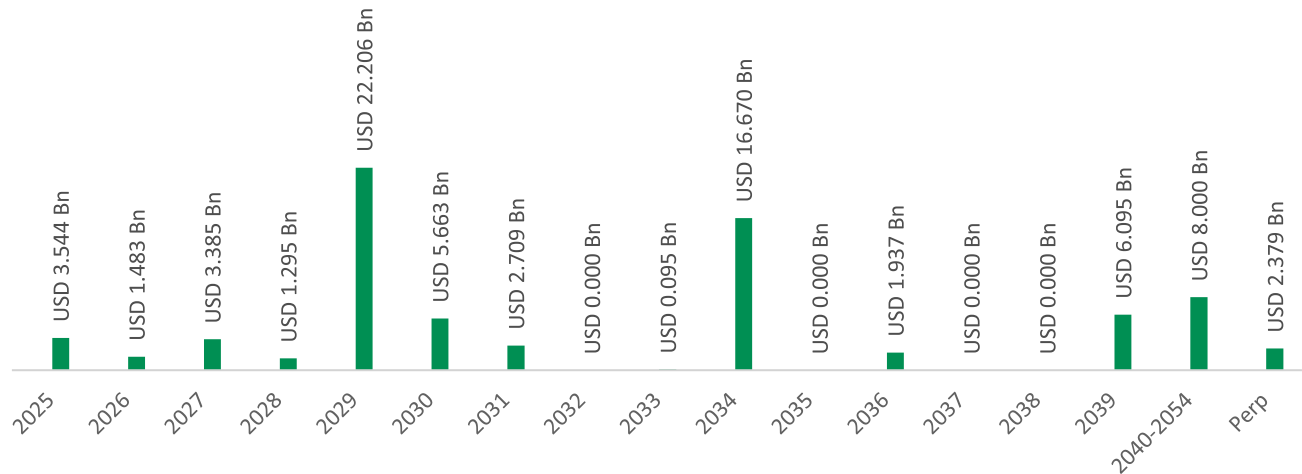


Source: Bloomberg, Markaz Analysis

Based on issuances in H1 2024, the GCC market is expected to witness elevated levels of redemptions and potential refinancing during the period from 2029 to 2034 compared to the years prior as issuances amounting to 47.3 bn are expected to mature during the said period.

GCC Bonds and Sukuk Market - H1 2024

Outstanding Amount: Maturity

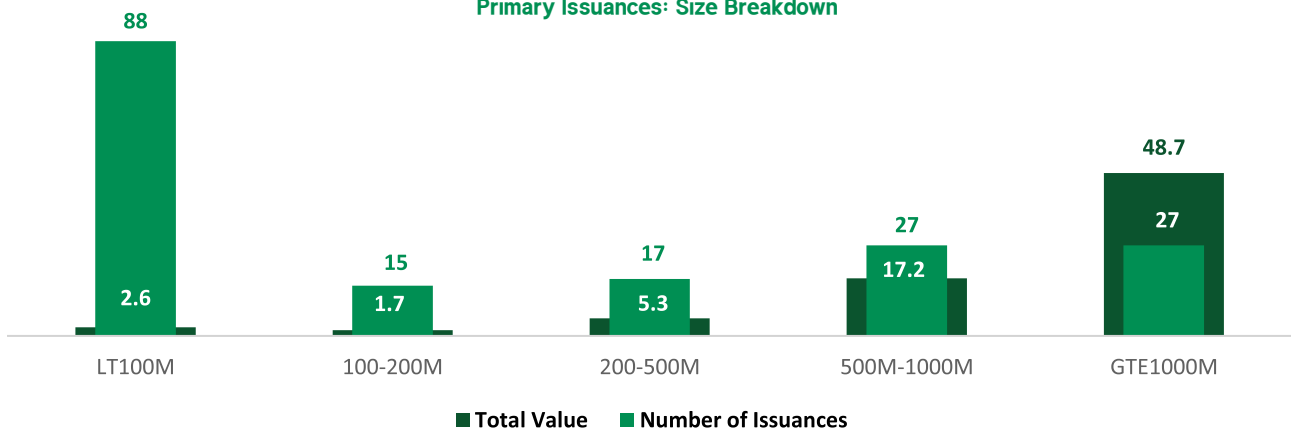


Source: Bloomberg, Markaz Analysis

Issue Size Profile

GCC Bonds and Sukuk Market - H1 2024

Primary Issuances: Size Breakdown



Source: Bloomberg, Markaz Analysis

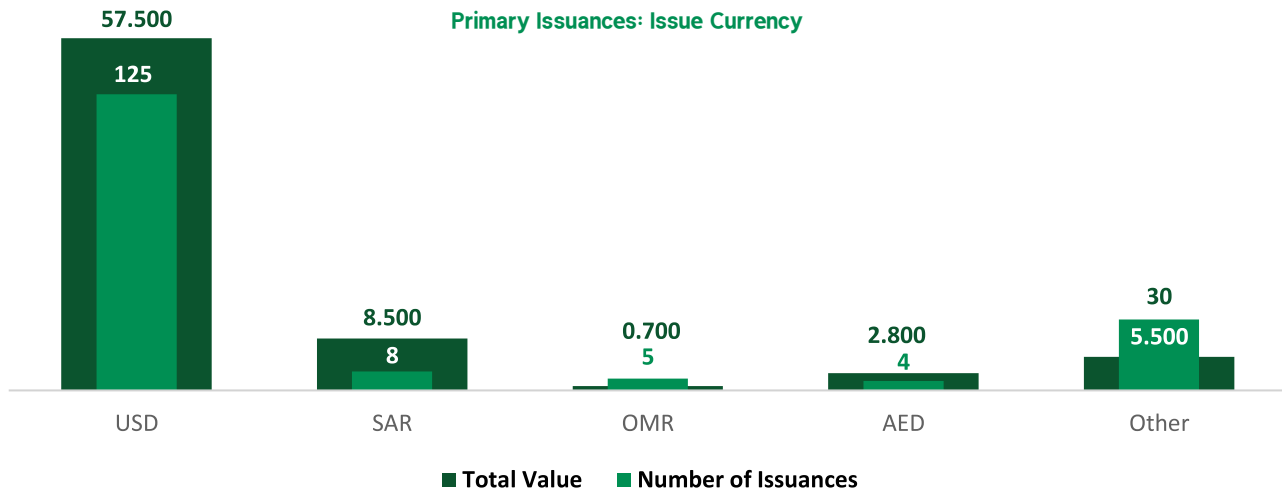
During H1 2024, primary issuances ranged in issue size from USD 545.5 thousand to USD 5.0 billion. Issuances with issue size of USD 1 billion or greater raised the largest amount, totaling USD 48.7 billion through 27 issuances in H1 2024 and representing 65% of the total amount issued in the GCC.

The highest number of issuances was under USD 100 million issue size, where there were 88 issuances that raised a total amount of USD 2.6 billion during H1 2024.

Currency Profile

GCC Bonds and Sukuk Market – H1 2024

Primary Issuances: Issue Currency



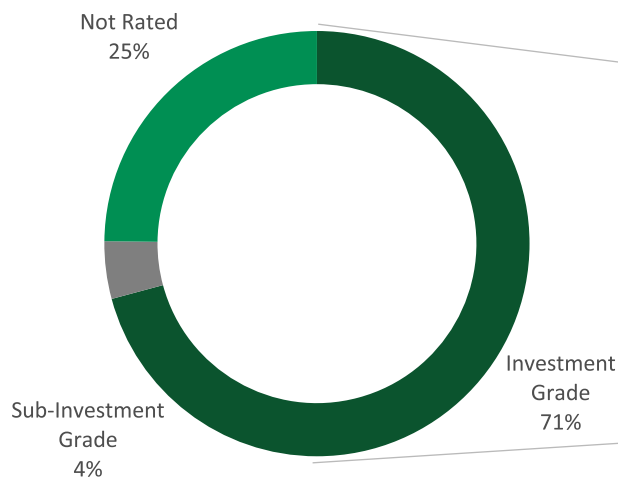
Source: Bloomberg, Markaz Analysis

US Dollar–denominated issuances led the GCC Bonds and Sukuk market in H1 2024, raising a total of USD 57.5 billion through 125 issuances, representing a substantial 76% of the total value raised in primary issuances in the GCC. The second largest issue currency was the Saudi Riyal (SAR), where SAR denominated issuances raised a total of USD 8.5 billion through 8 issuances.

Credit Rating

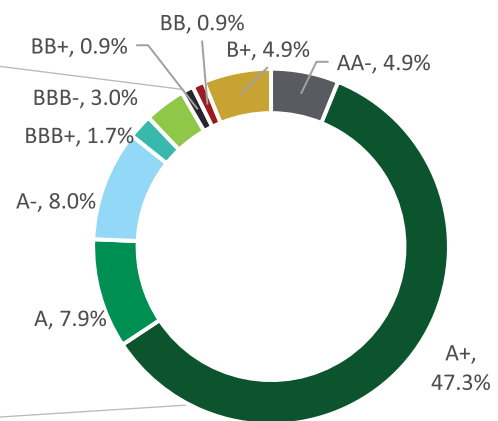
GCC Bonds and Sukuk Market – H1 2024

Investment Grade–Rated Issuances



GCC Bonds and Sukuk Market – H1 2024

Investment Grade–Rated Issuances



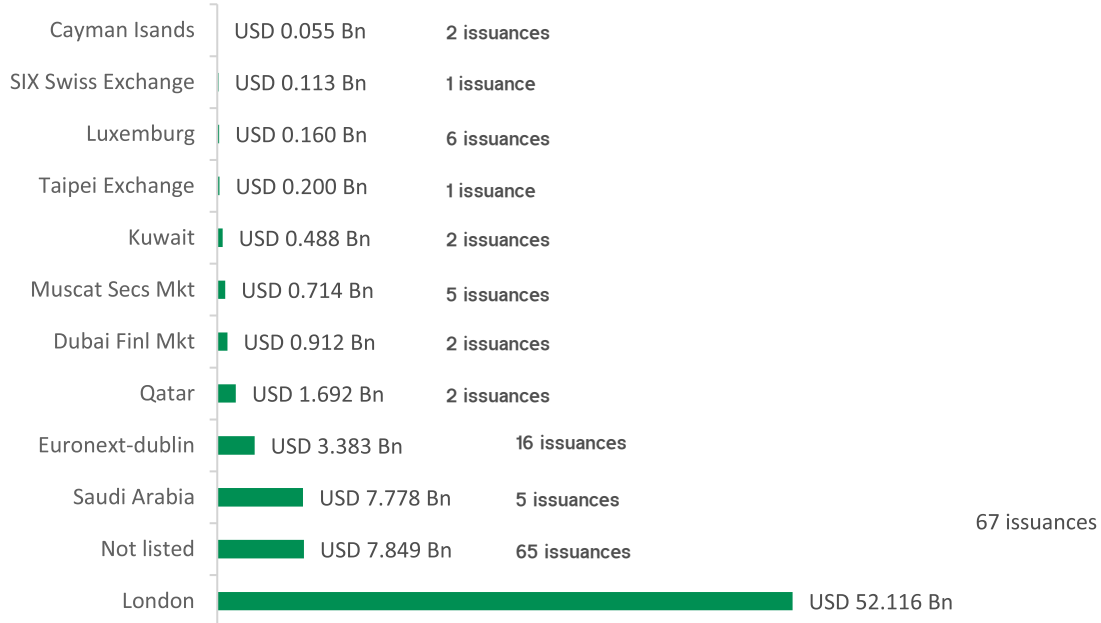
In terms of value, a total of 75% of GCC Conventional and Sukuk bonds were rated in H1 2024 by either one of the following rating agencies: Standard & Poor's, Moody's, Fitch and/or Capital Intelligence, as compared to 85% during the same period last year. Issuances rated within the Investment Grade accounted for 71% of the total issuances in the first half of 2024.

Source: Bloomberg, Markaz Analysis

Listing Exchange

GCC Bonds and Sukuk Market - H1 2024

Primary Issuances: Listing Exchange



Source: Bloomberg, Markaz Analysis

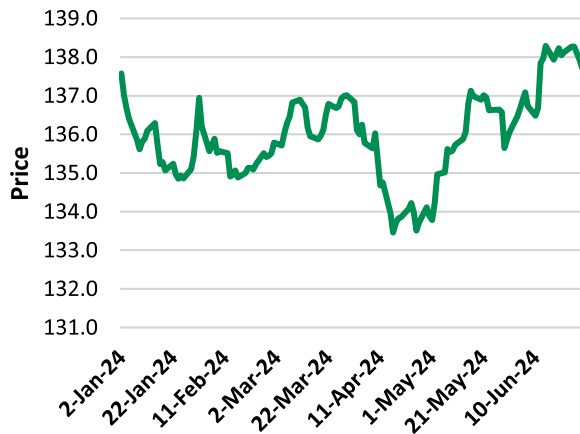
London was the most preferred listing exchange during H1 2024 with listed value of GCC primary issuances, totaling USD 52.1 billion through 67 issuances. Saudi Arabia was the second most popular exchange market for GCC primary issuances, with total value of USD 7.8 billion listed in the first half of 2024.

GCC Bonds and Sukuk Market - Market performance H1 2024

The S&P MENA Bond and Sukuk Index posted a total return of -0.25% during the first half of 2024 where the index price decreased from 138.10 as of 31st December 2023 to 137.72 on 28th June 2024. The index recorded its lowest value on the 16th of April 2024 reaching 133.46, whereas the highest value recorded during H1 2024 was on the 14th of June at 138.29.

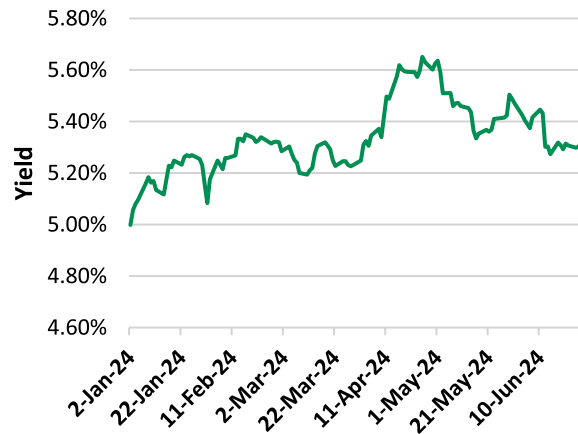
S&P MENA Bond and Sukuk Index

H1 2024 Change in Index Price



S&P MENA Bond and Sukuk Index

H1 2024 Change in Index Yield



Source: S&P MENA Bond and Sukuk Index, Bloomberg, Markaz Analysis

The index yield at the start of the year was 5.00% and ended the first half at 5.35%. The maximum yield recorded on the S&P MENA Bond and Sukuk Index during H1 2024 was 5.65% on the 25th of April 2024, while the minimum yield recorded was 5.00% on 2nd January 2024.

ARBITRAL AWARD IN IICRA CASE

REGISTERED WITH THE INTERNATIONAL ISLAMIC CENTRE
FOR RECONCILIATION AND ARBITRATION (IICRA)

ISSUED IN DUBAI, UNITED ARAB EMIRATES (U.A.E.)



First: Facts of the Arbitration Case

Upon reviewing the Request for Arbitration ("RFA") and accompanying documents submitted in this case, and following the expiry of the deadline granted to both Respondents to submit their defenses and supporting documents, the facts of the dispute were established as follows:

1. The Claimant is a licensed bank authorized to conduct all Islamic banking activities under a commercial license.
2. The First Respondent submitted a request to the Claimant seeking Islamic banking facilities of a specified amount to finance working capital. In response, the Claimant issued an offer letter dated 9 March 2015, proposing the provision of facilities under a Commodity Murabaha arrangement.
3. On 9 March 2015, the Claimant and First Respondent entered into an International Commodity Murabaha Sale agreement, through which the Claimant agreed to provide banking facilities of a specific amount, to be repaid in 36 monthly installments at a fixed profit rate of 11%. The payment period was set to commence on 20 April 2015, and conclude on 20 March 2018, with an agreed-upon profit amount.
4. In Clause 8/3 of the International Commodity Murabaha Sale agreement, the First Respondent acknowledged that all installments would become immediately due in the event of non-payment of any installment by the specified due date. Additionally, Clause 13/1 stipulated that failure to pay any due amount would constitute a default. Clause 14/3 further established the First Respondent's obligation to compensate the Claimant and others for all costs and expenses, including legal fees, incurred in safeguarding their rights due to the First Respondent's breach of contract.
5. Both Respondents failed to make timely payments despite receiving due notifications, as indicated in the Claimant's RFA. The Respondents were further notified of the initiation of this arbitration case. The Claimant's detailed account statement recorded the outstanding debt amount, confirmed by the expert report submitted by the Claimant's legal representative to the Arbitral Tribunal.

Second: Arbitration Proceedings

Request for Arbitration (RFA): The Claimant's representative submitted the Request for Arbitration (RFA) to IICTA, requesting formal registration and acceptance of the case and that the Respondents be duly notified. The representative asserted IICTA's jurisdiction based on the Arbitration Clause outlined in Article 23 of the International Commodity Murabaha Sale contract dated 9 March 2015, executed between the parties, as further elaborated below. The Claimant's demands included a request for the Respondents to be held jointly and severally liable to pay a specified sum, along with associated fees, expenses, and attorney's fees.

Registration of the RFA: On 10 February 2023, IICTA received the RFA from the Claimant and confirmed its adherence to the arbitration rules. IICTA reviewed the arbitration clause within the International Commodity Murabaha Sale contract and examined the Special Power of Attorney (POA) submitted by the Claimant's representatives in accordance with procedural requirements. After confirming compliance with IICTA's registration criteria, the case was officially registered under a designated case number.

Notification to Respondents: On 15 February 2023, IICTA sent the Respondents a copy of the RFA along with its attachments to their registered address. The receipt was confirmed by the Respondents, and IICTA set a deadline for them to submit a response memorandum.

Constitution of the Arbitral Tribunal: In accordance with Clause 23 of the International Commodity Murabaha contract and Article 21 of the Arbitration Rules, IICTA appointed a sole arbitrator and notified the parties of the arbitrator's credentials on 10 March 2023. As stipulated under Article 21 (6) of the Arbitration Rules, the parties were granted a seven-day period to raise any objections, with justification, to this appointment.

Confirmation of Arbitrator Appointment: No objections to the Sole Arbitrator's appointment were received from either party. Consequently, on 17 March 2023, IICTA issued a formal confirmation of the Sole Arbitrator's appointment and the formation of the arbitral tribunal in line with IICTA's rules. The Sole Arbitrator affirmed his/her impartiality, declaring no conflicts of interest with either party.

Acceptance of the Arbitration Mandate: The Sole Arbitrator formally accepted the arbitration mandate in Case No. 15/2023 on 20 March 2023, through a mission contract signed on the same date. The arbitration file was submitted following verification of the arbitration clause in Article 23 of the International Commodity Murabaha Sale contract, which stipulates the following:

1. Arbitration Clause: Article 23 of the International Commodity Murabaha Sale Contract stipulates: "In the event of a dispute between the parties regarding the interpretation or implementation of this contract, the dispute shall be referred to an Arbitral Panel consisting of a Sole Arbitrator at the International Islamic Centre for Reconciliation and Arbitration (IICTA) in Dubai. The dispute shall be resolved according to the rules and procedures of IICTA, with Dubai as the seat of arbitration. The arbitration proceedings and the Award shall be conducted in Arabic, and the Award shall be final and binding upon both parties, with no room for appeal."
2. Language of Arbitration: In accordance with the parties' agreement, the proceedings and the final Arbitral Award were conducted in Arabic.
3. Seat of Arbitration: Dubai was established as the official seat of arbitration as per the Arbitration Clause.

4. Applicable Substantive and Procedural Law: The procedural rules of IICRA governed the proceedings, and in accordance with Article 34 of IICRA's Rules, the substantive law of the United Arab Emirates was deemed most relevant and applicable to the Arbitration Case.

5. Duration of Arbitration: The Arbitration Clause did not specify a time limit for the arbitration. The parties accepted IICRA's Arbitration Rules, which under Article 55 (1) mandate that the final Award be issued within six (6) months from receipt of the arbitration case file.

6. Submission of Response Memorandum: On 16 March 2023, IICRA received the Respondents' response memorandum and notified the Claimant of the memorandum's inclusion in the preliminary meeting, scheduled upon determination of a date by the Tribunal.

7. Commencement of Arbitration: As indicated in the notice of file delivery, the Sole Arbitrator received the arbitration file on 20 March 2023, and initiated proceedings under IICRA's approved arbitration rules. The Sole Arbitrator committed to issuing a final award within the timeline specified in the award's introduction.

8. Timeliness of Award: The Final Award was issued within the timeframe mandated by IICRA's Arbitration Rules.

9. Preliminary Meeting and Exchange of Memoranda: On 23 March 2023, the parties were notified of the arbitration file's delivery to the Arbitral Tribunal's Secretary and invited to attend a preliminary meeting on 5 April 2023. A reminder was sent on 4 April 2023.

10. Submission of Brief Memorandum: On 3 April 2023, the Respondents submitted a brief memorandum. The Claimant was informed and responded with a memorandum on 4 April 2023, in preparation for the preliminary meeting on 5 April 2023.

11. Preliminary Meeting: Held on 5 April 2023, the preliminary meeting was attended by representatives from both parties. During the meeting, IICRA's rules were confirmed as governing the arbitration proceedings, and a schedule for the exchange of memoranda was established. The meeting minutes, dated April 5, 2023, were signed by attendees at the virtual Meeting.

12. Confirmation of Tribunal Appointment: The Claimant confirmed the validity of the Tribunal's appointment according to IICRA's Arbitration Rules.

13. Main Hearing: As scheduled, the main hearing was set for 6 May 2023, and was conducted virtually. A reminder for virtual attendance was issued on 5 May 2023.

14. Conduct of the Hearing: The main hearing proceeded as scheduled, with representatives from both parties present. The Tribunal inquired if the parties wished to submit any additional documents, to which the Claimant expressed satisfaction with the documentation already submitted. The Tribunal instructed the Secretary to distribute copies of the hearing minutes to both parties.

15. Closing Memoranda and Closure of Proceedings: The Tribunal allowed until 13 May 2023, for the submission of final documents and closing memoranda, after which the proceedings would be formally closed and reserved for Final Award.

16. Submission and Extension Requests: The Claimant submitted a response memorandum on 12 May 2023. The Respondents were duly notified, but did not respond within the specified period. The First Respondent requested a one-week extension for submitting a response memorandum, which the Tribunal approved, setting a new deadline for 21 May 2023.

17. Response Submission: On 14 May 2023, the Respondents submitted a response memorandum, and the Claimant was notified of this on 15 May 2023.

18. Closure of Proceedings: The Tribunal ensured that both parties had adequate time for the submission of arguments and defenses. Consequently, the proceedings were closed on 22 May 2023, and the case was reserved for the Final Award. All parties were duly notified.

Third: Reasoning Of the Award

1) Concerning the Claim for Joint and Several Payment by the Respondents:

- In assessing the legal nature of the "International Commodity Murabaha" contract referenced in the RFA, the Tribunal carefully examined the terms and real-world application of the contract executed between the parties. After thorough analysis, it was determined that the contract, identified as an "International Commodity Murabaha," effectively takes the structure of an organized Tawarruq arrangement, as commonly understood in modern terminology. According to the International Islamic Fiqh Academy's Resolution No. 179 (19/5), organized Tawarruq is defined as "the purchase of a commodity from local or international markets for a deferred price, with the financier (seller) facilitating its sale, either directly or indirectly, often at a lower spot price."

- The contracts between both parties are interrelated, as the bank enters into prior agreements with both the seller and the buyer to ensure the stability of the price and prevent fluctuation. This arrangement closely resembles the sale of a sample. Upon the customer's signature on the relevant documents, the sale and purchase process is finalized. As a result, debts are recorded in the customer's account, and the cash equivalent of the commodity is credited to their account.

- From a Shari'ah perspective, and given that the transaction resembles an organized Tawarruq, the majority of contemporary jurists consider such arrangements impermissible. The Organization of Islamic Cooperation (OIC) endorsed this view in its Resolution No. 179 (19/5). Additionally, the Tribunal determined that the Claimant was appointed by the Respondent as an agent to sell the international commodity, which contravenes Clause 4/7 of the Tawarruq Standard issued by the

Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). Furthermore, the bank failed to comply with Clauses 4/8, 4/9, and 4/10 of the same standard, which establish the validity requirements for the Tawarruq process. According to Clause 5/2 of the Tawarruq Standard, institutions should avoid appointing a proxy to sell the commodity, even if the proxy is not the original seller, and should instead utilize their own means for the transaction. The use of brokerage services, however, is not prohibited.

- Shari'ah Standard No. (30) on Tawarruq, issued by AAOIFI, specifies in Clause 5/1 that: "Tawarruq is not considered a form of investment or financing, but it is permissible only in cases of necessity, provided that the prescribed conditions are met." The contract between the two parties expressly stated that its purpose was for financing working capital.

- As outlined in the Tawarruq Standard by AAOIFI, in the document detailing the controls and restrictions on Tawarruq, whether for the customer or the bank: "The fundamental objectives of institutions and their dealings with customers are centered on adhering to investment and financing structures that align with the principles of Islamic banking. These principles emphasize partnerships and transactions in goods, benefits, and services. When Tawarruq is introduced, promoted, or expanded in a way that undermines the use of these core investment and financing methods, the institution should limit its involvement in Tawarruq to the narrowest scope, as stipulated in the standard. Consequently, Tawarruq should only be utilized in cases where alternative methods such as leasing, Istisna', or similar forms of investment and financing are not viable."

- In its legal opinion on the transaction, the Tribunal considered key jurisprudential and judicial principles, including the rule that "Correcting Contracts is Preferable to Invalidating Them" in financial transactions, the rule of "correcting contracts if invalidating them would result in harm," and the rule of "maintaining the status quo if violating it would lead to greater corruption." These principles, endorsed by prominent scholars such as Ibn Taymiyyah, Ibn al-Qayyim, and others, aim to prevent fraud by discouraging the initiation of contracts followed by efforts to invalidate them on grounds of invalidity, which could lead to manipulation. Consequently, the Tribunal decided to uphold the contract as is, while emphasizing the importance of understanding its legal implications and advising against such transactions in the future.

- The Tribunal reviewed Paragraph (3) of Clause 8 of the contract between the parties, titled "International Commodity Murabaha Sale," dated 29 April 2014, which explicitly states that installments will become due if the second party fails to pay any installment on the specified date. Additionally, the Tribunal examined Document No. (2), which is a translated copy into Arabic of the facility offer letter, also dated 29 April 2014, signed and stamped by the first Respondent. This document

outlines the agreed financing amount, the fixed profit rate of 11%, the 36-month maturity period, and the payment terms. The Tribunal further reviewed Document No. (3), a copy of the "International Commodity Murabaha" contract dated 29 April 2014, in which the first Respondent acknowledged, in Clause 13/A under the title "Cases of Breach," that the failure of the second party to pay any amount due under the contract on the specified due date constitutes a breach. The Tribunal found that this obligation must be fulfilled by the Respondent, in accordance with the Prophetic saying: "Muslims are bound by their conditions."

- The Tribunal also reviewed Clause 9 of the concluded contract, which obligates the first Respondent, in the event of a delay in paying any installment of the total price on its due date, to donate 250 dirhams for each unpaid installment. The donation is to be disbursed under the supervision of the Fatwa and Shari'ah Supervisory Board affiliated with the Claimant. Furthermore, the Tribunal noted that Clause 13/3 of the contract requires the first Respondent to compensate the Claimant for all costs and expenses, including legal fees, incurred by the Claimant to preserve its rights. Upon reviewing Document No. (10), which is a copy of the summary account statement for the Claimant's account, the Tribunal found that the total amount of the facility and profit matches the amount stated in Document No. (11), a copy of the detailed account statement, translated into Arabic, which reflects the total amount of the claim as outlined.

- In accordance with the provisions of Article 129 of the UAE Civil Transactions Law, a contract is considered concluded when the following conditions are met: (1) both parties must agree on the essential elements of the contract, (2) the subject matter of the contract must be specific, possible, and legally permissible to deal with, and (3) the obligations arising from the contract must be based on a legitimate reason.

- The Tribunal, in accordance with Article 34 of the IICRA Rules, acknowledges its full discretionary authority to assess the relevance of the evidence presented in relation to the dispute and to accept what is deemed permissible while rejecting what is not. This approach aligns with established judicial precedents, including the rulings of the Dubai Court of Cassation in Commercial Appeal No. 148 of 2006 (Session 28/11/2006) and Appeal No. 222/2005 (Civil Appeal, Session 22/1/2006). Additionally, it is well-established in both jurisprudence and judiciary that an informal document is deemed valid and binding unless the signatory explicitly denies their signature, seal, or fingerprint. In this case, the Tribunal is confident in the authenticity of the claimed amount outlined in the current arbitration request, particularly as both Respondents have not contested the validity of their acknowledgment or signatures on the financing documents.

- The Tribunal finds the second Respondent's commitment to the claims outlined in the RFA to be valid, based on the principle of joint and several liability. In its review of Document No. (9), a copy of the joint and several guaranteed bonds dated 28 April 2014, the Tribunal noted that, under Clause (2) of the bond, the second Respondent unconditionally and irrevocably committed to paying any amounts due from the debtor (i.e., the first Respondent) as soon as they become due. Furthermore, Clause (3) of the same document acknowledges the arbitrator's right to claim payment from the second Respondent prior to the debtor's obligation being fulfilled, should the arbitrator choose to do so, and to deduct these amounts from the second Respondent's current and investment accounts held at the Claimant's main bank or any of its branches.
- The Tribunal reviewed the guarantees associated with the concluded contract, as well as the treatment of its debts, in accordance with the provisions approved by the AAOIFI Shari'ah Board. The Board affirms the legitimacy of requesting guarantees for payment, noting that such guarantees do not contravene the terms of the contract but rather reinforce them, as they are consistent with the principles of debt contracts under Shari'ah.
- Additionally, the Tribunal considered the text of Article (72) of the Federal Commercial Transactions Law, which states: "If two or more persons are bound by a commercial debt among themselves, they shall be jointly and severally liable to pay this debt unless the law or agreement provides otherwise."
- The Tribunal also referred to the ruling of the Dubai Court of Cassation in Appeal No. 141 of 2008, Commercial Appeal, dated 10 June 2008, which clarifies that, under Articles (1056, 1057, and 1058) of the Civil Transactions Law, a guarantee involves the assumption of liability by the guarantor, who is bound to the debtor's obligations. The guarantee is established either through specific wording or by the express terms of the guarantee. The creditor has the right to pursue claims against the debtor, the guarantor, or both, jointly. The guarantee is subordinate to the original obligation and exists in tandem with it, following the same terms of existence and non-existence.
- The Tribunal draws the same principle from the rulings issued by the Federal Supreme Court
- Appeal No. 272 of 2018 – Commercial –1 (issued on 24 July 2018): "The guarantor shall not be released from liability except in cases of exclusive release, such as when the original debtor settles the debt or when the creditor voluntarily waives the right to pursue the guarantor."
- Appeal No. 458 of 2017 – Commercial (issued on 30 January 2018): "The guarantee is considered a contract in which the guarantor undertakes to fulfill the obligation if the debtor fails to do so. It is a subordinate obligation to the original debt, and it exists or ceases to exist depending on the status of the primary debt, either through fulfillment or renewal."

• Appeal No. 227 of 2017 – Commercial (issued on 11/21/2017): "It is permissible to limit the guarantee to a specified amount of debt or to include the entire debt, including any future debt owed by the debtor, without the need to specify the reason for or source of the debt."

• Whereas it is established in the joint and several guarantee deed that the second respondent has unconditionally and irrevocably acknowledged his role as a guarantor for the first respondent and committed to repaying the banking facilities granted to the first respondent, in accordance with the provisions and conditions of the concluded contract and the facility offer referenced in this judgment; and whereas the second respondent has also authorized the first respondent to demand repayment of the debt from him directly and to deduct the amount due from any of his existing accounts with the claimant, the Arbitration Tribunal concludes that this guarantee must be enforced. Accordingly, the second respondent's liability is solidary, joint, and several for the total amount of the claim stated in the arbitration request form, as will be set forth in the operative part of this Award.

2) Regarding the Claim of the Two Respondents to Bear the Arbitration Expenses:

• In accordance with the arbitration rules, specifically Article 56, Paragraph (F) which mandates that the Tribunal determine the party responsible for bearing, in whole or in part, the arbitration expenses, and given that the Arbitration Tribunal has found that both respondents have breached their contractual obligations, The Tribunal has therefore decided to charge the entirety of the arbitration expenses to both respondents, jointly and severally.

3) Regarding the Claim of the Defendants to Pay Attorney Fees:

• The Tribunal finds that the origin of attorney fees, as well as related terms like legal consultations, is based on the attorney contract, which is entirely separate from the disputed contract that includes the arbitration clause. If an agent, whether a lawyer or otherwise, is authorized to agree on arbitration, appoint the arbitrator, or handle matters concerning the dispute, this authorization does not extend to the fees of the legal agent or the opponent's agent, even if those fees are incurred in connection with the arbitration itself. This is because the right to these fees arises from a separate contract, distinct from the source of the disputed right, and thus requires a specific authorization to grant such authority.

• Accordingly, it has been established that the Claimant, through their authorized signatory, issued power of attorney dated 13 July 2020, appointing their legal representatives for the arbitration case. However, this power of attorney did not include any authorization for them to grant the Arbitration Tribunal the authority to determine the legal fees, either for themselves or for other lawyers. As such, the legal representatives cannot, by virtue of this power of attorney alone, authorize the arbitrator

to decide on attorney fees, and the Arbitration Tribunal did not find any evidence in the documents submitted indicating such authorization (referencing Commercial Appeal No. 990 of 2019 before the Dubai Court of Cassation).

- The Tribunal also noted the absence of an invoice for attorney fees among the submitted documents, leading it to disregard the request to oblige the two respondents, jointly and severally, to bear the attorney fees on behalf of the Claimant.

Accordingly, the draft Award was reviewed by IIICRA's Higher Shari'ah Committee within the specified time limits and in compliance with the applicable regulations.

Final Award

Upon reviewing the arbitration case file and all accompanying documents, and after the Tribunal thoroughly examined and scrutinized the case in light of the governing law—the law of the United Arab Emirates—the IIICRA Arbitration Rules, and the Shari'ah provisions relevant to the transaction, the following Award was issued:

1. The Respondents, jointly and severally, are obligated to pay the Claimant the amount of AED 966,250.57, as specified in the Request for Arbitration (RFA).
2. The Respondents, jointly and severally, are obligated to reimburse the Claimant for the total arbitration expenses advanced at the time of registering the arbitration case with IIICRA.
3. The request for attorneys' fees, along with any other additional requests, is hereby dismissed.

Accordingly, the Award is issued as detailed above and becomes effective as of the date stated.

The final Award in this arbitration case was issued within a period not exceeding five months, with arbitration costs kept below 2% of the case's value. IIICRA continues to strive for excellence in its services and to play a pivotal role in supporting and advancing the Islamic financial industry.



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"THE RISKS OF SUKUK AND THEIR JUDICIAL APPLICATIONS"



Prepared by: Mr. Saeed Salem Al Hanaei

Member, Sports Dispute Resolution Chamber, UAE Football Association

Sukuks are defined as financial instruments of equal value that represent common shares in the ownership of assets, benefits, services, or a specific investment activity, which grant the holder the right to receive a share of the income generated from them.

This definition highlights the positive attributes and benefits that sukuk offers to financial institutions, investment, and commercial activities. These include, for example, increasing liquidity, diversifying funding sources, reducing credit risks, and contributing to the integration of credit markets and capital markets. There are also significant benefits in that they meet the needs of countries in financing infrastructure and development projects, rather than relying on treasury bonds and public debt. Among the most notable examples is the issuance of green sukuk, which supports sustainable environmental development and addresses pollution risks. However, despite these advantages, sukuk dealings involve inherent risks. These risks stem from regular and irregular fluctuations in asset values and their anticipated returns under uncertain conditions prevalent in financial markets and in both local and international economic activities.

It is clear from this concept that the risks of sukuk are divided into general risks and specific risks:

1. **General Risks:** These are associated with broader political conditions, monetary policies, fiscal policies affecting the balance between revenues and public expenditures, tax policy, and other economic policies.
2. **Specific Risks:** These include risks related to the issuers of the sukuk, risks related to the accounts and solvency of investors, such as the risk of delayed payments or defaults. They also encompass operational risks and legal risks, which arise from existing legal frameworks and legislation that may not fully align with Islamic Sharia provisions, among other potential risks.

In judicial applications regarding bond-related risks, the Abu Dhabi Court of Cassation addressed these issues in a ruling stating:

"... It was established that the bank complied with the requirements set forth in Articles 1, 10, and 11 of the decision by the Chairman of the Securities and Commodities Authority on the Promotion and Identification System for the year 2017. This compliance signifies that the bank acted according to available information when promoting and presenting the bonds to the claimant. Furthermore, the claimant failed to provide evidence that the bank was aware of the issuer's financial challenges or of any manipulation or concealment of real debt within the company's financial statements.

It was further confirmed through expert analysis and the claimant's own documents, including WhatsApp conversations with a bank employee, that claimant had been aware of the bond's status since 2020 and was actively monitoring meetings of the bond issuing company, thus being well-informed about the company's financial condition.

Consequently, the bank bears no liability for the bond's devaluation, as the claimant had sufficient information to make an informed decision on whether to hold or dispose of the bonds. Furthermore, no final ruling from the Abu Dhabi courts established that the claimant's loss resulted from gross negligence or willful misconduct by the bank, thus negating any fault on the bank's part in connection with the claimant's financial loss. As such, the claimant's compensation request lacks supporting documentation."

(See Appeal No. 951-2024 – Commercial Cassation Abu Dhabi issued on 10/08/2024).

This ruling clarifies that bonds are inherently subject to market risks, which fall under general risks driven by economic factors and market fluctuations that impact their value. The judgment

also ruled out operational risks due to human or technical errors, as there was no evidence that the bank had manipulated the financial statements or concealed any real debts.

Among the specific risks associated with sukuk and bonds are those arising from contractual breaches by either party, as highlighted in the following judgment:

“The documents indicate that the bank (the respondent) filed a lawsuit against the claimant before the Court of First Instance in Case No. 2018/3170, Partial Commercial Abu Dhabi, seeking a judgment obligating the claimant to pay AED 340,837.53, with an order for immediate enforcement without bail. This claim was based on the fact that the respondent is a licensed bank in the country, while the claimant is one of its clients. On 26/05/2015, an international commodity Murabaha contract was established between the claimant and the respondent, under which the respondent sold a common share of international commodities to the claimant in a Murabaha arrangement. Additionally, on 06/02/2016, a Murabaha sale certificate contract was created, allowing the respondent to sell certificates to the claimant with a guarantee covering salary and end-of-service gratuity. Subsequently, on 08/06/2016, a Murabaha bond sale contract

was concluded, whereby the respondent sold bonds to the claimant under similar guarantees. Due to the claimant’s non-payment of the Murabaha bond installments, the total debt owed—including amounts related to the three Murabaha agreements and a credit card balance—reached AED 321,293.16.”

(See Appeal No. 2024-622 - Commercial - Abu Dhabi Cassation Court issued on 11/07/2024).

This ruling underscores that the debt was directly linked to the claimant’s refusal to pay the installments owed under the Murabaha bond agreements. This non-payment risk, classified as a specific risk, reflects a party’s inability to meet its financial obligations, as previously outlined in the risk analysis.

Sukuk continue to offer numerous advantages and benefits for investors, financial institutions, and the state alike. However, it is essential that both parties acknowledge and accept the associated risks inherent in these financial instruments. By implementing proactive measures, these risks can be effectively managed and mitigated, ensuring a fair distribution of the potential impacts among all parties involved in the transaction.



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BEST ISLAMIC BANK IN THE REGION BY THE BANKER MAGAZINE

TOKENIZATION – A DISRUPTIVE APPROACH TO MONETIZE HARD-CORE REAL ESTATE ASSETS



Prepared by: Mr. Sohail Zubairi

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There is a popular adage commonly used by all and supposedly said by Heraclitus, a pre-Socratic era Greek philosopher. It is “the only constant in life is change”. Are you ready if I prove it wrong?

There is one constant in this world which has not changed, and it is not the ‘change’. The constant that I would like to draw your attention to and, which has not changed a bit in the last 14 centuries, is the set of Islamic financing principles. The phenomenon of Shari’ah principles being the “cast in stone”, having remained constant in the fast-changing world is a reality the world is now coming to notice and admire.

But why should this be a good thing that the Shari’ah principles on handling money and finance have not changed with time? Does it mean the Islamic finance is primitive, rigid and does not fit in the modern day and age when the banks and financial institutions are churning out new products and services for their customers?

On the contrary, the Islamic financing and investment principles are everlasting and have always been ahead of times. Simultaneously, they are flexible to be applied for developing any contemporary financial product or service without conceding any of its principles. The proof of pudding is the successful run of the Islamic banks and financial institutions who have since started to give chase to conventional banks for their money. Moreover, no Islamic bank caved in during the financial crisis of 2008 whereas hundreds of conventional banks collapsed. Hence, there must be some protective recipe in the Islamic finance model. So what is that formulae?

Contrary to the conventional financial institutions who only care to increase the shareholders’ value and do not pay attention to depositors, by virtue of the Shari’ah supervisory board who apply the centuries old values, the Islamic financial institutions are required to care for all stakeholders, i.e. the shareholders,

depositors as well as the customers seeking finance from the Islamic bank.

In other words, whereas in conventional financial institutions the odds are always heavily staked against the borrower, in Islamic financial institutions, these are evenly distributed amongst the financial institution and the customers.

Why have I laid down this prelude? Well, so that I can describe to you the fascinating example of Islamic financing principles being constant and at the same time flexible to the changing financial world without ever compromising on its originality.

Islamic finance successfully adopted the concept of Islamic bond in 2002 when the world saw the first Sukuk issuance by Malaysia. The Sukuk is now considered the darling instrument of the world’s capital market.

The Islamic finance industry also effectively adopted the real estate investment trust or REIT, currency and rate hedging, various funds and scores of new products but without losing the substance.

In the same way, there is another conventional innovation which is slowly but surely gaining ground and has all the ingredients to perfectly gel very well with the everlasting parameters of Islamic finance

Traditionally, real estate investment has been hard-core, illiquid and not the domain for retail investors as it requires a large amount of investment for long holding period.

Another limitation is that the real estate market remains at the mercy of the stock market in that if the stocks are rising, people tend to divert funds to stocks by liquidating properties. The opposite phenomenon is when real estate is booming, the investors dump the stocks and rush to buy real estate. This universal divide has been existing for decades in every economy.

The said limitations needed to be addressed through the technologically disruptive approach so as to bring in massive numbers of retail investors to enjoy the secure real estate returns, away from the wild swinging cryptos, besides reducing the divide between real estate and money market.

The innovative solution is the digital tokenization of real estate assets through fractionalization of ownership and its sale to a large retail investor base by using modern technology. The combination of finance and technology coined the word 'fintech' during the first decade of this century which covers digital banking, digital trading of stocks (also called robo-advisory), payment services, and of course not forgetting crypto currencies (bitcoin, ether, etc.).

The tokenization has been a recent phenomenon in the conventional financial world and many transactions have been carried out by using the stablecoin and blockchain. As per Deloitte, tokenized assets are expected to make up 10% of global GDP by 2030. The most common tokenized asset types were real estate and equities with total size at US\$ 17 billion as of December 2023 with 20% year on year growth projection.

Simply put, the tokenization of real estate assets is nothing but fractionalization of the ownership into small units and their sale by using technology. Unlike Sukuk, tokenization shall not be classified as debt capital market instrument (DCM) but equity capital market product (ECM). Hence it will not result in increasing the originator's debt and the funds raised can be applied to actually reduce the debt.

When a sovereign Sukuk is issued, being DCM, it results in the increased debt level for the country and as a result, the credit rating is reduced which reflects on the higher pricing at which the funds are raised. On the contrary, tokenization shall help raise the same amount of funds without any increase in the country's debt level and without affecting the credit rating. Moreover, the tokenization proceeds can be utilized to reduce the existing debt.

When I did the world's first ever Sukuk in 2002, I had predicted it to be a trailblazer in the global capital markets. Similarly, now that I am currently advising a large Dubai based developer on the first ever Islamic real estate tokenization, I can safely prophesize that this will be the great game changer and may have the potential to de-seat the Sukuk.

Contrary to the conventional financial institutions which only care to increase the shareholders' value and do not pay attention to depositors, by virtue of the Shari'ah supervisory board who apply the centuries old values, the Islamic financial institutions are required to care for all stakeholders, i.e. the shareholders, depositors as well as the customers seeking finance from the Islamic bank.

EXTENSION (TRANSFER) OF THE ARBITRATION CLAUSE



Prepared by: Dr. Abdul Hanan Al Issa

Legal Advisor and Independent Arbitrator in Islamic Economy

All terms within a contract are binding, provided they do not contravene public order or mandatory legal provisions. This includes the dispute resolution clause, which may extend to third parties who, though not signatories, are nonetheless bound by the same obligations defined in the contract. A third party, in this context, refers to anyone who was neither an original party to the contract containing the arbitration clause nor a successor or creditor of such a party.

The extension of the Arbitration Clause to non-signatories is not considered a violation of the principle that a contract is governed by the law agreed upon by the contracting parties. This extension does not imply an imposition on the rights of the non-signatory. Rather, as explained below, cases involving the transfer of the Arbitration Clause are understood as inherent to the contract's requirements. This extension relies on the assumption that non-signatories are aware of the Clause and thus implicitly accept it, even without a formal signature.

The general rule states that contracts, including arbitration agreements, apply only to the signatories and produce effects solely among the contracting parties, in line with the principle of the relativity of contracts. However, exceptions to this rule reflect a shift from the principle of relativity to the principle of enforceability, allowing the arbitration agreement to extend beyond the signatories, either through extension or transfer. In this context, international arbitration has embraced the activation of such extensions by applying various legal theories.

First: The Extension of the Arbitration Clause

The Arbitration Clause may extend to a third party who did not originally sign the Arbitration Agreement but participated in the negotiations leading to its conclusion or had a vested interest in its execution. This approach reflects an expansion of the principle of the relativity of contracts, where signing

the Arbitration Agreement is no longer the sole means of establishing its binding effect. In certain cases, a non-signatory party can be bound by the Arbitration Clause, in line with general principles of contract and agency law. For instance, an Arbitral Tribunal has held that "the Arbitration Agreement applies to a party who did not sign it if it is evident from the circumstances of the contract that they contributed, in any way, to its conclusion, execution, or termination, allowing the Arbitration Agreement to be invoked against them.."

There Are Several Cases in Which the Extension of The Arbitration Agreement Serves as An Exception to The Principle of The Relativity of Contracts. The Most Important of These Include:

1. Closure Theory/Alter Ego (Alternative) Piercing the Corporate Veil:

These concepts, which share a common meaning, provide a basis for extending the Arbitration Agreement to non-signatories. They can be mutually invoked: the signatory can use them against the non-signatory, and the non-signatory can invoke them against the signatory. The theory of alter ego (or piercing the corporate veil) involves disregarding the independent legal status of a legal entity, thereby extending liability beyond the company to its shareholders, whether natural or legal persons. This typically occurs in cases where the company attempts to evade obligations by hiding behind its separate legal personality. In such exceptional cases, the Arbitration Agreement can be extended to the shareholders or other third parties.

For instance, an entity may be bound by an agreement (including an Arbitration Clause) executed by a subsidiary if the "corporate veil" is "pierced," thereby holding the parent company liable for the contractual obligations.

This principle has been applied in various cases to justify

extending an Arbitration Clause. For example, in the dispute between Barcelona Traction, Light & Power Co. (1970) and in the Mobil Oil case, Arbitral Tribunals ruled that all members of the Mobil Oil group were bound by the Arbitration Clause, demonstrating the application of this principle to extend the Arbitration Agreement to third parties .

These principles are applied within the group of companies through the theory of the group of companies (holding company structure), which involves administrative control (via supervision and direction through controlling the board of Directors) and financial control (through establishing financial policies and providing financing) over subsidiary companies.

The concept of the group of companies is a legal notion manifested in the unified administrative and economic relationship among a group of companies, each of which retains its own independent legal personality. However, this legal independence is often considered a formal distinction. The Arbitration Clause signed by one company within a multinational group may extend to the other companies within the group.

This principle was established by the ruling in case No. 1434 of 1975 (Derains, Yves, note to ICC Award No. 1434, Clunet 1976, at 982 et seq.).

International Arbitration Bodies have also developed the "Group of Companies Doctrine" for cases where a member of the group, despite not signing an Arbitration Agreement made by another member, effectively acts as a real party to the Arbitration Agreement. As a result, such entities are treated as signatories by such bodies. Notable cases where this principle was applied include the Dow Chemical case, decided by the International Court of Arbitration in Paris on 22 September 1982 (Rev. Arb. 1984, 137) and the ruling by the Paris Court of Appeal on 21 October 1983.

2. Ratification of the Contract and the State's Responsibility for the Entities Involved:

The extension of the Arbitration Clause to the State occurs when a state-controlled institution enters into a contract that includes an Arbitration Clause, or when the contract is ratified by an official's seal or signature. An example of this is the case between Dallah Real Estate and Tourism Holding Company, the Ministry of Religious Affairs, and the Government of Pakistan , known as the Pyramids case. In this case, a non-signatory State was brought into Arbitration as an additional defendant. Similarly, in a case brought before the International Chamber of Commerce (ICC) in Paris against the Libyan State (Case No. 8035, 1995), the Arbitral Tribunal reached a decision consistent with that of the Paris Court of Appeal in the Pyramids case. In this case, the claimant company had entered into a fifty-year (50) Concession Agreement with the Libyan State (the second defendant), while the First Defendant was the Libyan State Oil Company (LSOC).

3. Stipulation for the Benefit of a Third Party (The Beneficiary Party):

When a contract includes an Arbitration Clause, a third-party beneficiary has the right to adhere to and be bound by the Clause, provided they accept it. The beneficiary's acceptance prevents the stipulator from revoking the stipulation. This principle was clearly demonstrated in the dispute between Nisshin Shipping Co Ltd and Cleaves & Co Ltd .

4. Consortium: When multiple companies come together to implement a joint project, the Arbitration Agreement extends to each party within the consortium, even if one of the parties is authorized to represent the others before the employer. Contractual agreements typically stipulate that if the project is carried out by several contractors, one of them must be authorized to represent the group before the employer.

5. Solidarity: Extension of the Arbitration Agreement to the Partners in the Company: An Arbitration Agreement concluded by one of the general partners or the company's managers with a third party is valid against the remaining general partners, even if they did not sign the Agreement. In cases where the opponents involved in Arbitration are general partners in the Claimant company (the defendant), they are not considered third parties with respect to the Arbitration Agreement. It is permissible to include them in the case, either when the case begins or even after it has started. This was confirmed by the Cairo Court of Appeal, Circuit 8 Commercial, in Case No. 8, Judicial Year 132, on 20 December 2015.

6. Contractual Group: The concept of a contractual group is reflected when a series of contracts are linked by a common purpose, typically aimed at implementing a single project. Two types of contractual groups can be identified:

1. Parallel Contracts: These involve multiple contracts concluded simultaneously to execute a project. An example of this is Islamic financing contracts, where the framework agreement for financing includes an Arbitration Clause. In such cases, the Arbitration Clause extends to all contracts arising from this framework agreement, such as those related to the implementation of the financing. This principle is also applicable in syndicated financing.

2. Successive Contracts (Vertical Contracts): These involve a main contract with subsidiary contracts following it. For instance, when a main contract includes an Arbitration Clause and subsidiary contracts are subsequently concluded to implement the project (e.g., a contract with the original contractor and additional contracts with subcontractors), the Arbitration Clause extends to such subsidiary contracts due to the shared economic purpose.

Second: Transfer of the Arbitration Clause:

When a successor takes the place of the party that initially signed the Arbitration Agreement, the Arbitration Clause is transferred along with the right to the successor. The transfer of the Clause depends on whether the successor is a special or general successor. Some successors, like special successors, must be aware of the Arbitration Clause for it to be transferred to them, while others, like general successors, do not need to be aware of it.

• **General Successor (Heirs):** A general successor is someone who inherits the rights and obligations of a person, including financial liabilities. This type of succession is considered a continuation of the predecessor's legal personality. The Egyptian Court of Cassation, in Appeal No. 346 of 36 (1968), held that the effect of a contract being transferred to a general successor means that the successor assumes the obligations of the predecessor. As long as the contract was valid and binding, the general successor is obligated to fulfill the same responsibilities as the predecessor, even if they were unaware of the arbitration clause at the time of transfer.

In essence, the general successor, such as heirs, does not need to consent or be informed about the Arbitration Clause for it to be binding upon them. The transfer of rights and obligations inherently includes the extension of the Arbitration Clause.

• **Special Successor:** A special successor is one who receives specific rights from their predecessor (e.g., the seller and the buyer). The buyer, as a special successor, is bound by the Arbitration Clause if it is a term of the contract and they accept it when the right is transferred. This applies to other contract types as well.

We Will Review Several Cases in Which the Arbitration Agreement Is Transferred:

A. Transfer of Rights: A transfer of rights contract that includes an Arbitration Agreement is transferred upon acceptance, as long as it remains valid. The transferee has the right to invoke the Arbitration Clause against the debtor, even

if they did not sign the Arbitration Agreement. "The rights of the transferor, including an arbitration clause resulting from a contract, are transferred to the transferee, and the latter can benefit from and adhere to this clause against the debtor" (Paris Court ruling on 28 January 1988, in the case between the German company C.C.C. Films Modern and the French company Lesflim Modern).

B. Solutions (Insurance): "One of the effects of subrogation is the insurer's return of the amount paid to the insured person and the right of the responsible party (Respondent) to assert against the insurer (Claimant in the subrogation suit) the same defenses available against the insured person if he had initiated the suit. The privileged party has the right to raise the defense of the existence of the Arbitration Clause against the owner of the goods (the insured) if the insured was the one who initiated the suit. Therefore, the privileged party (Respondent) may invoke the Arbitration Clause defense against the insurance company, as long as the company is the one that initiated the subrogation suit, regardless of its non-participation in the shipping policy as a transportation contract. The Arbitration Clause contained in the shipping policy is binding on the insurance company, even though it is a third party to that policy. This obligation arises through the insurance company's subrogation rights, stepping into the shoes of the goods' owner, who is originally bound by the terms of the policy, including the Arbitration Clause, as long as the insurance company has exercised its right to initiate and file the subrogation suit" (Jordanian Court of Cassation, Rights 1483/Session 22/9/2011).

C. Merger or Transformation of the Company: If one of the companies has signed contracts that include an Arbitration Clause and then merges with another company, all the rights and obligations of both companies are transferred to the new entity and are binding on it, including the Arbitration Agreement. "The merger of a company into another company results in the transfer of the Arbitration Clause from the merged company to the merging company" (Paris Appeal, Judgment (Rev.arb, 1994, p. 735).

AAOIFI SHARI'AH STANDARD NO. 62: AN EPITOME OF EXCELLENCE IN SHARI'AH GUIDANCE FOR A MULTI-DOLLAR INDUSTRY



Prepared by: Dr. Yousuf Azim Siddiqi

A Shari'ah trainer and translator (Arabic to English)

In November 2023, AAOIFI's General Secretariate issued Draft of AAOIFI Shari'ah Standard No. (62) re. Sukuk. This release was not less a milestone in the quarter-century long history of AAOIFI since this was the first time that the exposure draft of a Shari'ah Standard by AAOIFI was releasing in Arabic as well as in English at the same time. This was the first time that AAOIFI was releasing such a lengthy draft (more than 100 Arabic pages) which beamed the timeless message that this standard will be like no past or future standards. Usually, AAOIFI conducts hearing sessions in different parts of the Arab world and sometimes in Pakistan. This time, it was going to be different. Locations will be Dubai, Riyadh, Karachi, Kuala Lumpur besides deep interest from the legal fraternity, investment bankers and corporate senior relationship managers. In a nutshell, it was expected that AAOIFI SS. 62 will be something unique and the response it received proved it to be so.

Despite the great effort made by AAOIFI's Shari'ah Board and its General Secretariate, it was unfortunate that some voices undermined the great achievement done so far, and even overlooked greater opportunities that such an articulated standard will usher. In this short write-up, we will highlight the key issues referred to in the standard which were a matter of concern to some ill-informed professionals in the industry.

Ownership & Disposition of the Underlying Asset

To understand the difficulty of complying with the ownership requirements, it would be suitable to start with the very basic definition of Sukuk.

What is Sukuk? Sukuk certificates are certificates of ownership in the underlying assets. This is the point zero from where the entire mathematics of Sukuk builds up.

On various instances, the Draft Standard made it clear that conveyance (transfer) of the ownership should be possible by virtue of Shari'ah and law. This was seen by some as the end of Sukuk. Certainly, an illogical and pessimistic approach! The answer was that there were many Sukuk issuances where conveyance is not possible as per the law and such a requirement will hinder such issuances. Overlooking the requirement and its repercussions. Let's assume how the certificates of Sukuk were defined in those specific issuances. This answer is a common share of ownership in the underlying asset. No one can invent a definition without usage of ownership or any of its legal synonyms. Although some professionals are getting confused between ownership and title registration. The Draft Standard is not requiring the parties to Sukuk to register the underlying asset in favour of the Shari'ah owner, but this could be a requirement if no title registration might result in zero ownership rights.

Materializing the ownership from Shari'ah as well as legal perspective is a key factor in the survival of future Sukuk industry, otherwise a mammoth-sized paper will be floating on a thin-layer of ice that can be melted anywhere.

The ownership results in owning the rights and owing the obligations. Hence, the certificate holders do not merely own the subscription amount and its profits. This will further imply that the certificate holders have superior rights over the underlying assets than the creditors of the originator. This results in ranking the Sukuk certificate as higher-ranking senior instrument, rather than a Shari'ah substitute of senior unsecured conventional debt.

The absolute ownership gives the right of disposition (in Arabic haqq al-tasarruf). Hence, whichever party claims to be

the owner of the underlying asset should have the right to dispose of the asset as it finds it suitable. This could be through on sale or leasing to a party other than the originator. Further, ownership entails the owner to have the right over the yield of the underlying asset. It would be Shari'ah-wise invalid to envisage that the certificate holders own the assets, but their entitlement is either null or restricted over the yield generated out of such assets.

Hence, rights, benefits and obligations of the certificate holders should be a derivative of the ownership of the underlying asset and not a direct financial obligation upon the originator, with no consideration to the underlying asset.

Identification of the Underlying Asset

Knowledgeability of the subject of contract is a key element in the legal validity of contract. Imagine no court of law will resolve a dispute if the subject of contract was unknown to both the parties. The same is the case with the underlying assets of Sukuk. When simply it is assumed that assets worth billions were sold or leased, so it is important to state them in particular to avoid any dispute in the future.

Performance of the Underlying Asset

Sukuk certificates existence is based on the ownership of the underlying assets, but its profitability is based on the performance of the underlying assets. Hence, the Draft Standard requires periodic reports showing how much the underlying assets are earning. This performance is not merely a single or a double-digit number! Rather, a below expectation performance will make the certificate holders suffer. Some malfunctioned Sukuk structures obligated the originator to cover up the shortfall in the Sukuk returns just because the actual rate was below the market rate.

Risks beyond Bonds

Risks of interest-bearing bonds are simply and directly related to the ability of the bond issuer to pay interest coupons on time. In Sukuk, when it is claimed that the entire mechanism is based on the asset (whether asset-backed or asset-based), so risk has to be beyond credit risk of the originator. This means the certificate holders are bearing all types of risks that are associated with the underlying assets. Any damage or loss of the underlying assets will directly affect the existence or the profitability of the certificates. Hence, the Risk Analyst of Sukuk should closely identify and monitor all types of risks that are beyond the tiny list of Bonds' Risks. Further, it is important to identify the party bearing the risk. Hence, in the investment-based Sukuk no asset risk should be borne by the originator.

Accounting Effect

Many times, complex structures of Sukuk are carried out with no accounting impact of Shari'ah documentation. The Draft Standard made it a requirement that accounting statements of the originator should state that its assets, if shown in the statements, are no longer in the ownership of the originator.

Many times, assets of SPVs are neither segregated nor maintained, which means an asset-backed Sukuk turns into asset-stripped Sukuk. Any periodic returns are simply coupon payments. Hence, financial statements of the SPV will ensure such malpractices are not taking place. Such requirements will expose any wrongdoings in recording expenses and costs. Hence, if the SPV, through its corporate service provider to the paying agent, is paying late payment interest for any delay in transfer of periodic returns, then such an act will be exposed by periodic financial statements.

Legal Status of Fatwa

The Shari'ah Pronouncement (Fatwa) of Sukuk is an overall Shari'ah opinion regarding the structure of Sukuk and its relevant documentation. As per the common practice, such an important thing remains a stand-alone document with no legal impact. The Draft Standard made an effort to get this document into the mainstream of documents, rather than remaining a silent observer.

Focus of Credit Rating Agency

It became a decade-long practice that Credit Rating Agencies focus entirely on the credit worthiness of the originator. Maybe because this was the same way bonds were analysed. If it is argued that Sukuk are different from bonds due to the underlying assets, so the rating agencies should look beyond credit of the originator and focus on developing rating of the underlying assets.

Impact of Promise to Purchase

Certificate holders secure their rights through promise to purchase wherein the underlying assets are returned to the originator. However, if the originator is in no position to sign then it is not permitted to consider a trigger event of promise to purchase as an automatic conclusion of the purchase contract.

Warranties and Guarantees

Since the Sukuk deal is based on transacting in the underlying assets, so it is essential that the underlying assets are worth-transacting. Sometimes, it was observed, that it is stated if a trigger event (usually a credit one) takes place then the underlying assets stand resituated and any price paid by the certificate holders is returned. In other words, it's a contingent sale which is not permitted by Shari'ah. As per the Draft Standard, such a stipulation is not acceptable.

Similarly, in all circumstances, the principal and profit amounts cannot be guaranteed by the originator in all those structures where such guarantee is not permitted by virtue of Shari'ah (including Wakala, Mudaraba and Musharaka).

This even includes those theoretical cases where the underlying assets of Service Agency Sukuk are damaged and the service agent is automatically held responsible for the delay in receiving the reimbursement amount from the insurance company. The Draft Standard did not allow imposing such a condition upon the service agent.

Further, in Tier-1 Sukuk, it was not permitted to issue Sukuk for a conventional entity, because in this case, the certificate holders shall collectively guarantee conventional portfolio of the originator.

Public Listing

Sukuk certificates that represent entirely debts cannot be negotiated by listing them in the financial markets. Further, if tangible assets-to-total assets ratio (tangibility ratio) is breached then Sukuk certificates will be delisted from the market.

A Flare of Shari'ah Governance

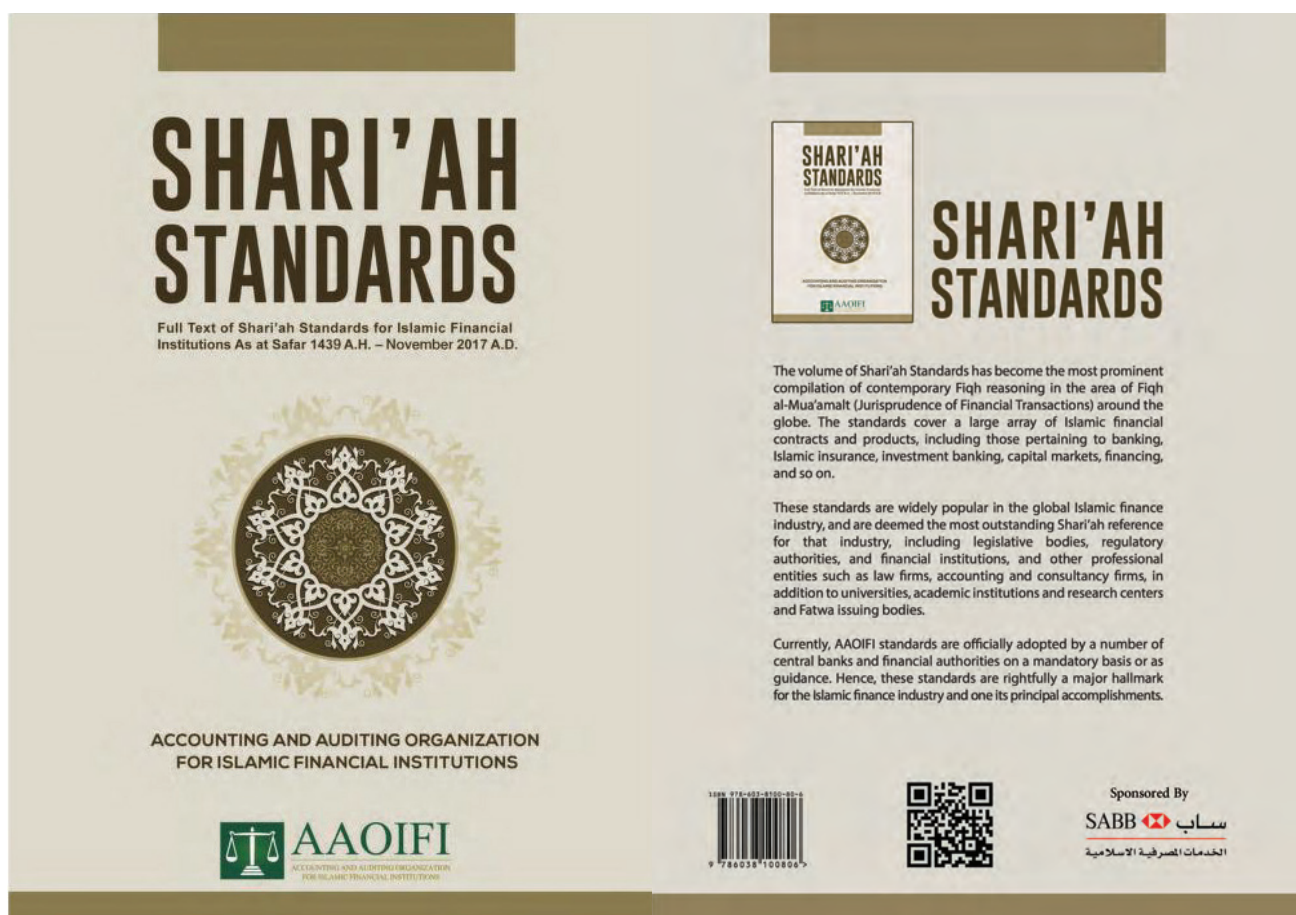
The Draft Standard introduced a new dimension to Shari'ah governance of Sukuk issuance. This involves establishing a Shari'ah Board of Sukuk, rather than relying on one-time birth certificate, instead a continuous demand of providing a character certificate will ensure higher Shari'ah credibility.

Also, the Sukuk certificates should have a Shari'ah pronouncement with specific requirements and contents, and the Fatwa itself should be part of legal documentation.

Further, Shari'ah Audit of Sukuk ensures the underlying assets' compliance to Shari'ah from operational and commercial perspective. The audit plan needs to be endorsed by the Shari'ah Board of the Sukuk.

In Summary

Considering its record time of execution, its wide scope, its unmatched depth and breadth, and small number of experts who worked on it, the Draft Standard No. (62) is certainly an epitome of excellence in Shari'ah governance which can open many doors in terms of aligning business innovation with Shari'ah requirements and providing opportunities to Sukuk Experts who shall master hundreds of Shari'ah requirements then help originator, investor, and rating agencies to make an informed assessment and a sound judgement that will avoid any future regret resulting in loss of millions.





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Press Interview With H.E. Prof. Koutoub Moustapha Sano Secretary General at the International Islamic Fiqh Academy (IIFA)



Our esteemed guest in this issue of the bulletin is H.E. Prof. Koutoub Moustapha Sano, Secretary General at the International Islamic Fiqh Academy (IIFA), and one of the foremost authorities in Islamic economics. We are honored to extend a warm welcome to His Excellency

Question 1: Could You Provide a Brief Overview Of The International Islamic Fiqh Academy And Its Most Significant Current Activities?

The International Islamic Fiqh Academy (IIFA or the Academy) is a scholarly organization and a subsidiary of the Organization of Islamic Cooperation (OIC). Endowed with legal personality, the Academy is headquartered in Jeddah, Kingdom of Saudi Arabia. It is entrusted with elucidating Shari'ah rulings and provisions on issues of concern to Muslims worldwide, operating independently and grounded in the Holy Quran and the Noble Sunnah of the Prophet (PBUH). In addition to addressing contemporary issues, the Academy engages in authentic and effective ijtihad, aiming to provide solutions rooted in Islamic heritage while remaining open to the evolution of Islamic thought. The Academy's activities are guided by its objectives as outlined in its statutes, which include:

- 1) Achieving intellectual convergence and cognitive integration among jurists from respected Islamic schools of thought and specialists in human, social, natural, and applied sciences, with the aim of clarifying the legal positions on contemporary life issues.
- 2) Encouraging collective ijtihad on contemporary life issues to provide solutions rooted in Islamic law. This includes clarifying acceptable options among various opinions on a single issue while considering the interests of Muslims—individuals, groups, and nations—in a manner consistent with evidence and aligned with the objectives of Islamic law.

3) Facilitating coordination among fatwa authorities, jurisprudential bodies, and Islamic councils within and beyond the Islamic world to prevent contradictions and conflicts in opinions on specific issues, particularly those that are widely recognized as common challenges.

4) Rejecting sectarian fanaticism and religious extremism and rejecting the labeling of sects and their followers as infidels by promoting moderation, balance, and tolerance among adherents of various Islamic sects and groups.

5) Responding to fatwas which conflict with the fundamental principles of religion, established rules of ijtihad, and the recognized doctrines of scholars, particularly when such fatwas lack reliable legal evidence.

6) Clarifying legal rulings concerning contemporary issues to facilitate the development of legislation, laws, and regulations that are compatible with and consistent with the provisions of Islamic Shari'ah.

7) Providing direct responses to the rationale behind legal opinions and translating them into practical solutions for the challenges facing the Islamic nation, as well as addressing issues outlined in documents issued by the OIC and other international Islamic and non-Islamic organizations.

8) Issuing Fatwas to Muslim groups and communities outside the Islamic world in a manner that preserves Islamic values, culture, and traditions. This approach aims to uphold their Islamic identity while ensuring adherence to the requirements of citizenship and residency in those countries.

9) Encouraging cooperation, integration, and rapprochement among jurists from various Islamic schools of thought concerning essential religious matters. This initiative aims to emphasize commonalities, respect differences, uphold the etiquette of jurisprudence, and highlight the importance of consulting diverse scholarly opinions when the Academy issues its fatwas and resolutions.

10) Striving to revise Islamic jurisprudence by evolving it from within, utilizing established principles of deduction, rules, evidence, and objectives.

The Academy's Key Activities Include:

- 1) Issuing Resolutions and Fatwas on Issues relevant to Muslims and translating them into various languages for widespread dissemination. This initiative aims to encourage the adoption of a moderate Islamic approach that safeguards Muslims from extremism, excess, negligence, and adherence to deviant opinions.
- 2) Hosting Specialized Scientific Conferences and Seminars to address specific issues or complex topics that necessitate more extensive jurisprudential research and deliberation than

is typically permitted by the Academy's Council.

3) Establishing Centers for Islamic Studies in key regions outside the Islamic world, collaborating with existing institutions to further the Academy's goals. This includes monitoring publications about Islam in these regions and addressing any misconceptions or doubts that arise.

4) Publishing Simplified Trilingual Jurisprudential Encyclopedias that address contemporary issues across various aspects of life. These encyclopedias focus on topics covered in traditional jurisprudence texts and are written in clear, accessible language to make jurisprudential information more relatable to audiences in culture and media.

5) Preparing Trilingual Model Draft Laws in various fields that require the codification of Shari'ah rulings, while considering sectarian differences. These drafts will be translated and published throughout the Islamic world to facilitate their use in amending existing legislation, laws, and systems.

6) Collaborating With Experts in various scientific and practical fields to study and research the topics presented to the Academy.

Praise be to Allah Almighty, the Academy has conducted numerous seminars, conferences, and courses both within and outside its headquarters in collaboration with various countries, organizations, and forums. These efforts aim to address new issues and developments, clarifying appropriate Shari'ah rulings in light of the Holy Qur'an, the Noble Prophetic Sunnah, the objectives of Shari'ah, and the rich intellectual and jurisprudential heritage of the Islamic nation.

Question 2: What Is the Nature Of The Council's Resolutions, What Are The Most Prominent Areas In Which It Undertakes, And How Are Those Resolutions Issued?

The resolutions of the Academy constitute the fatwas issued by its Council, which comprises established jurists and distinguished scholars from various fields of contemporary science and knowledge. These fatwas are widely accepted and respected as they result from collective efforts, representing a near-consensus among the leading contemporary bodies of Islamic jurisprudence. This encompasses the major schools of thought followed by Muslims worldwide, including the Hanafi, Maliki, Shafi'i, Hanbali, Zahiri, Ja'fari, Zaidi, and Ibadi schools. According to the Charter of the Organization, member states are required to adhere to such resolutions and to uphold them as a consensus reached by scholars representing their countries and Muslim communities.

It is important to note that the Academy's resolutions are issued during sessions convened by the Academy Council, where members and experts gather to address new developments and issues. During these sessions, research on various topics is presented to participating scholars and specialists, allowing for thorough consideration in light of the clear and precise insights provided by experts on the subjects

raised. The Council applies principles of reasoning and rule deduction to arrive at appropriate rulings based on a disciplined scientific methodology, following extensive scholarly discussion.

The Islamic finance industry is one of the most prominent areas in which the Academy has issued sound resolutions and solid recommendations, owing to the significant number of new developments and pressing needs for guidance and resolution. Other notable fields include family law, education, the halal industry, and more

Question 3: How does the Academy engage with the infrastructure institutions of the Islamic financial industry, and are there any forthcoming action plans aimed at supporting the Islamic economy?

The Academy regards the infrastructure institutions of the Islamic finance industry as its foremost strategic partners, recognizing their critical role in advancing the industry. These institutions contribute through visions, initiatives, and projects aimed at enhancing the industry's performance and elevating its institutions, including banks, centers, and others. This partnership reflects the Academy's historical pioneering role in the emergence and development of contemporary Islamic banking and finance, serving as a vital source of resolutions and recommendations that guide modern Islamic banks and financial institutions in their activities, problem-solving, and sustainable growth.

Given that these collective resolutions regarding Islamic banking and finance have established the general framework for Shari'ah rulings that guide and regulate the activities and applications of institutions and companies engaged in banking according to Islamic Shari'ah principles, and with the intention to devote greater attention and care to this vital sector – one experiencing remarkable growth alongside significant challenges in its continually evolving matters.

Based on the Academy's role as the primary jurisprudential authority for Islamic countries and Muslim communities worldwide, its resolutions and recommendations serve as a fundamental reference point for these nations and communities.

In light of the valued scientific and organizational efforts made by the infrastructure institutions of the contemporary Islamic finance industry, and with a commitment to enhancing cooperation, communication, and coordination among financial institutions – while respecting each institution's unique identity and independence – the Academy aims to unify perspectives to foster intellectual convergence and cognitive integration. This approach seeks to promote harmony and coherence in the operations of contemporary Islamic banks and financial institutions. To conclude, the Academy is working toward establishing a Higher Coordination Council for the infrastructure institutions within the financial industry. This

Council will pursue key objectives, including advancing the Islamic finance industry by enhancing Shari'ah governance frameworks, coordinating efforts to support and develop the sector, monitoring associated risks and challenges, reinforcing adherence to Shari'ah provisions and standards, and ensuring that overarching objectives and desirable outcomes are prioritized in financial products and practices within Islamic banks and financial institutions.

Question 4: "Your Excellency, Given the Urgent Need for Legislation That Aligns with Islamic Shari'ah In Financial Transactions, What Role Is The Academy Expected To Play In This Endeavor?"

The Academy has issued over 120 resolutions in the field of financial transactions and the Islamic economy, covering areas such as banking operations, financial transactions, insurance, endowments, and Sukuk (bonds). These resolutions serve as authoritative fatwas, establishing a general framework of Shari'ah provisions that govern and regulate the practices of institutions, companies, and banks in accordance with Islamic Shari'ah.

The Academy, in collaboration with King Abdulaziz University's Institute of Islamic Economics, has notably produced a comprehensive book codifying its resolutions on Islamic finance. This project, led by His Excellency Dr. Omar Zuhair Hafez, former Secretary General of the General Council of Islamic Banks, brings together all of the Academy's resolutions and recommendations on Islamic finance and economics. Dr. Hafez meticulously restructured these into accessible legal articles to facilitate ease of use and practical application. His invaluable efforts in this undertaking are truly commendable, and the book has been widely printed and distributed.

Question 5: In your esteemed opinion, what is the future outlook for the Islamic financial industry, and what do you believe are the most pressing challenges that should be addressed to achieve optimal outcomes?

The Academy emphasizes the importance of fostering cooperation and coordination both with the infrastructure institutions of the Islamic financial industry and with the Shari'ah committees and bodies within modern financial institutions. This collaboration aims to prevent contradictions and conflicts among fatwas, as well as to counter deviant rulings that deviate from established principles in finance and business. Additionally, the Academy recognizes the need to address key challenges confronting the financial industry, particularly those emerging from advancements in artificial intelligence, digital currencies – both encrypted and non-encrypted – as well as developments in areas such as zakat funds, endowments, and wills etc.

The Academy is fully committed to providing comprehensive intellectual and legal support to institutions within the Islamic financial industry to enhance their performance and

development. This initiative aligns with the objectives of the Islamic economy, which seeks to achieve sustainable development and comprehensive welfare for all members of society. The Academy aims to present an effective scientific and practical model for a progressive Islamic financial industry that keeps pace with developments, monitors changes, and adapts to transformations. By doing so, it seeks to guide and advise in accordance with the principles and objectives of Islamic Shari'ah regarding financial and business matters. This commitment reaffirms the Academy's mission to present Islamic Shari'ah accurately and moderately, highlighting its strengths and capability to address various life challenges while promoting happiness, stability, security, and safety for humanity in both this world and the hereafter.

To achieve these objectives, the Academy has organized numerous scientific forums in collaboration with financial institutions both in the host country and across the Gulf Cooperation Council (GCC) countries. These forums aim to strengthen the Islamic finance industry and preserve the success and popularity that Islamic banking has attained since its inception. The resolutions and recommendations issued by the Academy have laid the groundwork for the establishment of contemporary Islamic banks and financial institutions. These resolutions serve as foundational principles that guide banks and financial institutions in their operations and development. Consequently, it is essential for the Academy to continue its vital role in providing guidance, direction, and support with renewed vigor and commitment.

The Academy, with God's grace, is committed to achieving its objectives in alignment with its vision and mission, guided by a strategic plan specifically designed for this purpose. It embraces principles of moderation, flexibility, breadth, and facilitation, while actively seeking to alleviate hardship. The Academy adheres to objectivity and impartiality, prioritizing the objectives of Shari'ah and public interest. It considers various levels of evidence, the controls of ijtihad, and the consequences of actions as foundational methodologies for reasoning and deduction. This approach enables the Academy to clarify the Shari'ah rulings on contemporary issues and new financial matters presented for research. In pursuing its ultimate goals aligned with the aspirations and hopes of member states, the Academy aims to ensure that life continues on the straight path and in accordance with the Shari'ah of Allah and the Sunnah of His Prophet, may God bless him and grant him peace, while drawing upon the rich and abundant jurisprudential heritage, God willing.

As we conclude this press interview, we extend our heartfelt gratitude to Your Excellency for your valuable time and the wealth of insight you have shared with us. May Allah Almighty continue to guide you toward what He loves and is pleased with and grant you success in all your endeavors.

Seminar on Arbitration in the Islamic Economy: Developments & Challenges

As part of Dubai Arbitration Week (DAW) 2023, the International Islamic Centre for Reconciliation and Arbitration (IICRA) had the pleasure of hosting a seminar on “Arbitration in Islamic Economy: Developments and Challenges” at the Millennium Plaza Downtown Hotel in Dubai, United Arab Emirates (UAE) on 16 November 2023.

At the onset of the seminar, Dr. Rami Sulaiman, the General Secretary of IICRA, extended a warm welcome to the esteemed audience. He emphasized the remarkable global expansion of the Islamic Finance Industry and underscored IICRA's pivotal role in dispute resolution through Institutional Reconciliation and Arbitration under IICRA Rules. Dr. Sulaiman further discussed recent activities, including dispute settlements, training programs, and the signing of Memoranda of Understanding (MOUs) with international partners.

The first panel discussion titled “Practice of Arbitration in Islamic Economy” was skillfully moderated by Dr. Suzanne Abdullah (Partner, OGH Legal) and featured distinguished speakers, including Mr. Ahmed Ibrahim (International Arbitrator) and Dr. Kamal Malas who shed light on the features and benefits of IICRA Arbitration and Reconciliation Rules, capturing audience's keen interest and curiosity. The speakers emphasized the distinctive qualities of Shari'ah-Compliant Arbitral Awards issued by IICRA, along with the well-established enforcement mechanisms. Despite the industry's current challenges, the panel highlighted that Arbitration at IICRA stands out as the optimal method for adjudicating all disputes, offering unparalleled flexibility, efficiency, and minimal costs. The discussion concluded with the speakers noting the supportive legal and judicial landscape in the UAE for recognizing Arbitral Awards, while acknowledging the need for continuous enhancement.

The second panel discussion themed “Updates on Islamic Economy” was adeptly moderated by Dr. Rami Sulaiman. The distinguished speakers, namely Mr. Mohammad Saifullah Khan (CEO, Dar Al Sharia) and Mr. Abdulrahim Adi (AVP, Shari'ah Consultations, R&D – Emirates Islamic Bank), delved into the pivotal topic of codification to create an environment conducive to the growth of the Islamic economy. The discussion illuminated key challenges and opportunities in standardizing and codifying Islamic financial transactions, highlighting strides made in

developing standardized contracts and documentation. The speakers also explored the role of regulatory bodies in promoting standardization and codification, emphasizing collaborative efforts among industry stakeholders to enhance transparency and integrity in Islamic financial markets.

After insightful panel discussions, Dr. Rami Sulaiman, the General Secretary of IICRA, expressed sincere gratitude to the distinguished speakers, moderators, and the audience for their valuable contributions and time. The seminar concluded with the presentation of recommendations, outlined as follows:

1. Offering its services to the parties desiring to avail them, furnishing the arbitration clause in eight (8) official languages pertinent to Islamic financial transactions, as outlined in the IICRA Rules. This Clause is designed for incorporation into contracts and agreements.
2. Encouraging the parties with ongoing disputes to avail its services by either entering into an arbitration agreement using the Model Arbitration Clause as detailed in the IICRA Rules or by approaching IICRA to request the drafting of an arbitration agreement.
3. Inviting those interested in expanding their knowledge and expertise to participate in the periodic training programs entitled “Certified Islamic Arbitrator & Expert” which is offered in three languages: Arabic, English, and French.
4. Urging concerted efforts to be made towards the codification of Islamic financial transactions jurisprudence. This initiative aims to provide comprehensive benefits for industry stakeholders, including lawyers, judges, arbitrators, experts, investors, and others involved in the field.
5. Engaging in the development of unified model contracts for Islamic financial transactions to regulate such transactions comprehensively from Shari'ah, legal, and technical perspectives through contractual obligations.

The Secretary General concluded the forum, declaring its success in fostering the culture of Islamic arbitration. This event adds to the list of successful gatherings organized by IICRA, and we look forward to continuing and expanding these efforts, God willing.



Conference on Islamic Financial Transactions between Legislation and Practice

Under the auspices of the Ministry of Economy, the conference on "Islamic Financial Transactions between Legislation and Practice" was held on 21-22 December 2023. The inauguration ceremony, led by Mr. Bin Touq, sheds light on the substantial efforts of the Emirati legislator in formulating a pioneering legislative framework for Islamic financial transactions.

Mr. Bin Touq emphasized the significance of the conference as a distinguished platform to showcase the exceptional national endeavors aimed at codifying the jurisprudence of Islamic financial transactions and fortifying support for the Islamic economy.

- Islamic finance has demonstrated a robust growth of 8% in the year 2022, surpassing traditional banks by 3%, attributable to the persistent surge in public demand for Islamic products and the expansive reach of distribution networks.
- The UAE has solidified its status as a pivotal hub for Islamic finance, with Islamic finance constituting 29% of the total banking sector financing at the close of the previous year. The banking services sector assumes a pivotal role in the Emirates' financial landscape, accounting for 23% of the total banking assets in the country, equivalent to 845 billion dirhams in 2022.
- A projection of \$3.8 trillion in total financial assets for Islamic finance worldwide by 2023, along with a clientele base of 100 million, underscores the global prominence and appeal of Islamic banking.

The conference aims to yield impactful recommendations, including:

- Strengthening codification efforts by collaborating with relevant authorities to draft explanatory and complementary memoranda to Federal Law No. 50 of 2022 concerning commercial transactions.
- Propagating the expertise of the Emirati legislator in codifying the jurisprudence of Islamic financial transactions for wider application in Arab and Islamic legislations, fostering a harmonized approach.
- Intensifying training and qualification initiatives facilitated by esteemed institutions such as the Institute of Training and Judicial Studies, the Ministry of Justice, and the Sharjah Center for Islamic Economics.
- Formulating model contracts for pivotal Islamic financial transactions to regulate the rights and obligations of involved parties comprehensively, aligning with UAE legislation from legal, ethical, and technical standpoints.
- Leveraging the IICRA's services, particularly in the resolution of disputes through institutional reconciliation and arbitration, in accordance with provisions of Islamic Shari'ah, ensuring legal sanctity and fairness.

His Excellency Abdullah bin Touq Al Marri, UAE's Minister of Economy, inaugurated the international conference on "Islamic Financial Transactions between Legislation and Practice Application" in accordance with Federal Law No. 50 of 2022 concerning commercial transactions. The conference was organized by the International Islamic Center for Reconciliation and Arbitration (IICRA) and was scheduled to span Thursday and Friday, 08-09 Jumada al-Akhir 1445 AH, corresponding to 21-22 December 2023, at the Sofitel Dubai Downtown Hotel. The Ministry of Economy proudly sponsored this event.

In his inaugural address, His Excellency Bin Touq emphasized the UAE's steadfast commitment to fostering a competitive environment for institutions within the Islamic economy. This commitment is demonstrated through the launch of pioneering initiatives and strategies, coupled with the development of a sophisticated legislative and technological framework for the Islamic economy. These efforts have significantly bolstered the UAE's standing as a preeminent hub for Islamic economy under astute leadership.

His Excellency articulated, "The 'Islamic Financial Transactions between Legislation and Practice' conference stands as a prominent and crucial platform to showcase the extraordinary national endeavors led by the Emirati legislator in the meticulous codification of the jurisprudence of Islamic financial transactions. It also serves as a cornerstone in fortifying the Islamic economy, a vital tributary in the overarching mission to elevate the growth of the national economy and enhance its competitiveness regionally and globally."

His Excellency Bin Touq conducted a comprehensive review of the pivotal themes enshrined in Federal Decree Law No. 50 of 2022 pertaining to commercial transactions. This groundbreaking legislation is designed to establish an innovative framework for Islamic financial transactions and Islamic banking within the country. A key highlight is the introduction of the Decree Law specifically tailored for commercial transactions involving Islamic financial institutions—an unprecedented codification aimed at regulating contractual relations, fortifying transactional stability, safeguarding parties involved, and standardizing Islamic commercial transactions through legislative texts rather than reliance on fatwas and rulings issued by specialized bodies.

The legislation also incorporates distinct provisions for certain types of contracts and obligations relevant to Islamic financial institutions, such as commitment contracts, installment sales, Murabahah, and financing through Istisna'a.

His Excellency Abdullah bin Touq underscored noteworthy indicators and achievements solidifying the UAE's global leadership in the Islamic economy. Notable among them is the 8% growth experienced by Islamic finance in the preceding year, surpassing traditional banks by 3%. This remarkable success is attributed to the sustained surge in public demand for Islamic products and the extensive reach of distribution networks. The UAE's prominence as a major center for Islamic finance is reaffirmed by its representation of 29% of total banking sector financing at the close of 2022, as indicated by a report from the renowned global "Fitch Ratings". Furthermore, the country maintained its third place ranking globally for the third consecutive year in the Global Islamic Economy Index 2022.

His Excellency highlighted the integral role played by the Islamic banking sector within the Emirates' financial landscape, constituting 23% of the total banking assets, amounting to 845 billion dirhams in 2022. Of this, Islamic windows accounted for 25%, equivalent to 214 billion dirhams, alongside contributions from the Takaful sector and sukuk issuances.

In conclusion, His Excellency reiterated the commitment to ongoing national efforts, affirming the dedication to developing economic policies and legislation that enhance the financial system of the Islamic economy. These endeavors aim to propel the country to new heights of leadership and progress, thereby contributing significantly to the sustained growth and resilience of the national economy.

Professor Jassim Ali Salim Alshamsi, Chairman of the IICRA's Board of Trustees, extended sincere appreciation to His Excellency the Minister of Economy for the esteemed sponsorship and personal presence at this distinguished event. He emphasized that such involvement reflects the profound commitment of the wise leadership to advancing the Islamic economy, which is anticipated to encompass total financial assets worldwide amounting to \$3.8 trillion by 2023, with Islamic banks serving a clientele of one hundred million.

Furthermore, Professor Alshamsi conveyed gratitude to all entities contributing to the organization of the conference. This included the Institute of Training and Judicial Studies, the Ministry of Justice represented by Director General Counselor Dr. Muhammed Mahmoud Al Kamali, the Sharjah Center for the Development of Islamic Economy led by Director Dr. Yasser Hassan Al Hosani, and the generous sponsorship of the Abu Dhabi Islamic Bank (ADIB) Group. His Excellency Professor Dr. Mohammad Abdul Rahim Sultan Al Olama, Chairman of Internal Shari'ah Supervision Committee at Abu Dhabi Islamic Bank (ADIB) Group, represented the bank at the conference. He emphasized the significance of the event, highlighting that the bank's sponsorship aligns with its broader commitment to various development and community activities.

Dr. Rami Sulaiman Abudaqqa, General Secretary of IICRA, provided an introductory overview of the conference. He elucidated that the event is an integral component of the IICRA's activities, focusing on the legitimate and technical legal aspects of the Islamic economy. Additionally, he emphasized the IICRA's main primary function, centered around the resolution of disputes through institutional reconciliation and arbitration in accordance with Shari'ah Provisions.

He further stated, "The ongoing codification efforts are met with great enthusiasm by professionals within the Islamic financial industry who find it crucial for effectively managing their transactions and legal positions. Since the inception of its activities, IICRA has consistently advocated for reinforcing codification efforts, aligning with the recommendations

emanating from the Sixth Forum of Legal Professionals in the Islamic Financial Industry. This forum, titled 'Codifying Islamic Financial Transactions and Standardizing Contracts,' was convened by IICRA in Dubai in 2014."

The General Secretary underscored the significance of the recently enacted law, particularly its pivotal Chapter Six, asserting that the Emirati legislator has marked a significant milestone in Arab and Islamic legislation concerning the codification of Islamic financial transactions. He provided an overview of the conference's agenda, highlighting the participation of distinguished speakers with profound expertise in institutional activities within Islamic finance. The inaugural day of the conference will feature a comprehensive examination of the legal provisions encapsulated in Chapter Six of the law. This session will delve into the intricate details of Islamic financial transactions, encompassing Istisna'a, Salam, Leasing, Contracting Promise, installment Sales, and Murabaha.

Looking ahead to the second day of the conference, the agenda includes specialized workshops facilitated by qualified trainers. These workshops will focus on Islamic financial transactions and arbitration, serving as an effective mechanism for the resolution of disputes within the realm of Islamic finance.

By reviewing the opinions and suggestions by specialized conference participants, we identified some recommendations that the conference seeks to come up with, which are as follows:

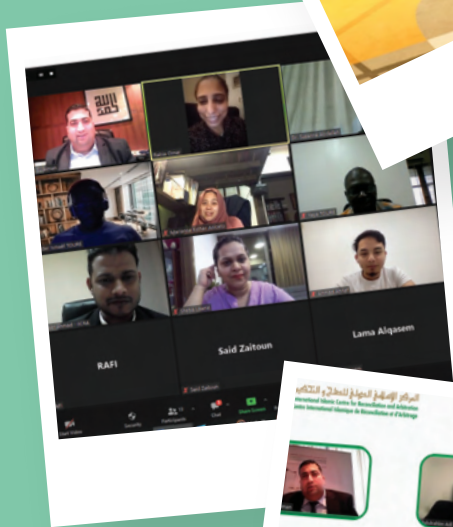
- Strengthening codification efforts by working with the competent authorities to draft explanatory and complementary memorandums to the law, in order to control all provisions related to such transactions incorporated in the law, and perhaps codifying other contemporary Islamic transactions.
- Generalizing the experience of the Emirati legislator in

codifying the jurisprudence of Islamic financial transactions to benefit from it at the level of Arab and Islamic legislation, and working to unify and approach these legislations, considering that their origin is one, which is the noble Islamic Shari'ah.

- Intensifying training and qualification efforts undertaken by specialized bodies such as the Institute of Training and Judicial Studies, the Ministry of Justice, and the Sharjah Center for Islamic Economy, in order to qualify professional, legal and technical cadres familiar with the legal, Shari'ah and technical aspects of Islamic financial transactions.
- Working on drafting model contracts for the most prominent Islamic financial transactions in order to control the rights and duties of the parties to those transactions from a legal, Shari'ah and technical perspective in light of UAE legislation.
- Benefiting from the IICRA's services, most notably settling disputes through institutional reconciliation and arbitration in a way that does not violate the Provisions of Islamic Shari'ah, by including IICRA Arbitration Clause in contracts and agreements that regulate Islamic financial transactions.

It should be noted that the IICRA is an independent international institution that is considered one of the most important infrastructure institutions for the Islamic financial industry and is one of its kind hosted in the United Arab Emirates, and provides its services to the Islamic financial industry in the entire world.





Seminar on The Feasibility of Guaranteed Cheques in Credit Facilities

On Thursday, 30 May 2024 (Dhul-Qaida 22, 1445 AH), the International Islamic Centre for Reconciliation and Arbitration (IICRA) hosted a seminar titled "The Feasibility of Guaranteed Cheques in Credit Facilities."

Professor Jassim Ali Salem Al Shamsi, Chairman of IICRA's Board of Trustees, opened the event with a welcome address, emphasizing the seminar's role in strengthening the legal framework of the Islamic financial industry. IICRA's General Secretary, Dr. Rami Sulaiman Abudaqqa, also welcomed participants and highlighted key points from a recent judicial precedent set by the Dubai Court of First Instance on 30 April 2024, regarding Dispute No. 117 of 2024, a case involving the execution of cheques filed by a customer against an Islamic financial institution.

His Excellency Dr. Osama Issaq Alhaj, Head of Legal Affairs at Dubai Islamic Bank (DIB), presented his legal perspective on the ruling and its impact on the financial transactions sector. He underscored the supportive legislative environment in the

UAE that mandates essential guarantees for any credit facilities. Dr. Osama also detailed the nature of the relationship between banks and their customers, the rationale behind issuing cheques, and the outstanding amounts due after accounting for prior payments by the customer.

The seminar featured a discussion session where participants posed questions to Dr. Osama about the seminar's topics as well as IICRA's mission and future vision.

In his closing remarks, Dr. Rami Abudaqqa expressed gratitude to the attendees and Dr. Osama for their valuable participation and insightful discussions. He declared the seminar a success in achieving its objectives and contributing to the advancement of the Islamic financial industry.

It's worth mentioning that Dr. Osama Issaq has made significant scholarly contributions to the Islamic financial sector, including his book, "Financing Tools for Public Sector Facilities," a comparative study between Islamic law and jurisprudence.



Dr. Osama Issaq Al Haj

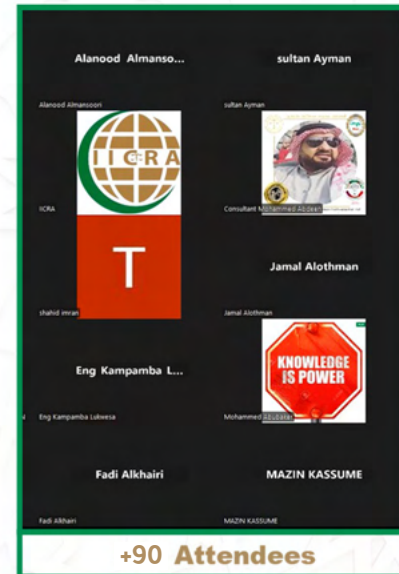
**Head of Legal Department
Dubai Islamic Bank**

Seminar on FIDIC Contracts – Pitfalls in Application under Shari'ah and UAE Laws

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International Islamic Centre For Reconciliation and Arbitration
Centre International Islamique de Reconciliation et d'Arbitrage

Virtual Seminar on: “FIDIC Contracts – Pitfalls in Application under Shari'ah and UAE Laws”

Wednesday, 26 June 2024 (6:00 PM – 8:00 PM Dubai Time)



On 26 June 2024, corresponding to 20 Dhul Hijja 1445, the International Islamic Centre for Reconciliation and Arbitration (IICRA) held a virtual Seminar titled “FIDIC Contracts – Pitfalls in Application Under Shari’ah and UAE Laws” at its headquarters in the Emirate of Dubai. This seminar attracted 90 participants, including engineers, contractors, experts, and legal professionals. They discussed significant developments in construction contracts, focusing on FIDIC contracts. The discussions covered the obligations and rights of all parties during the project implementation period, emphasizing proper execution, financial settlements, and the recovery of security guarantees. IICRA hosted H.E. Dr. Kamal Malas, an engineering expert specializing in FIDIC contracts, who was interviewed by Engineer Wisal Nema Hameed. They discussed the most common mistakes committed by parties in the application of these contracts and their impact on mutual rights and obligations. The attendees examined these issues in light of Shari’ah Provisions and the laws in force in the United Arab Emirates (UAE).

It should be noted that IICRA continues to hold such events in order to better serve the Islamic financial industry in its legal, Shari’ah, and technical aspects.



CIAE

Certified Islamic Arbitrator & Expert

OBJECTIVE

In response to the rapid growth and diversification of the Islamic finance industry, there is an urgent need for qualified Arbitrators and Experts with a deep understanding of Shari'ah, along with the legal and technical aspects of Islamic financial transactions.

To address this demand, the International Islamic Centre for Reconciliation and Arbitration (IICTA), the legal arm of the Islamic economy, is launching the "Certified Islamic Arbitrator & Expert (CIAE) Training Program. This specialized vocational training initiative aims to develop skilled professionals capable of bridging the existing gap in this field. This CIAE program integrates theoretical knowledge with practical experience, focusing on the critical roles of Arbitrators and Experts in resolving disputes within the Islamic finance industry.

Mechanism of Obtaining CIAE Certificate

To obtain the Certified Islamic Arbitrator & Expert (CIAE) certification, trainees must complete a total of thirty-two (32) hours of training conducted over five (5) consecutive days, with an average of six (6) hours of instruction each day, typically in the evening. Upon successful completion of the training, trainees are required to pass a written exam lasting two (2) hours to achieve certification.

Focus of CIAE Program

1. **Introduction to Arbitration:** Overview of arbitration types, mechanisms, and legal foundations, including key laws governing arbitration both internationally and regionally. Focus on reconciliation and arbitration proceedings in accordance with international law and the UNCITRAL and IICRA Rules of 2020.
2. **Shari'ah Standards:** Examination of Shari'ah Standard No. 32 for Arbitration, including the terms and conditions for registering Arbitrators and Experts, along with ethical and legal guidelines for their functions.
3. **Professional Standards:** Definition of professional standards required for serving on Arbitral Tribunals and within expert missions.
4. **Conservatory and Interim Measures:** Exploration of necessary measures for enforcing final and binding awards, referencing the New York Convention 1958 on the enforcement of foreign judgments.
5. **Islamic Finance Industry:** Identification of the foundational elements of the Islamic finance industry and the legal framework of the Islamic economy.
6. **Contemporary Transactions:** Analysis of significant contemporary Islamic financial transactions from Shari'ah, legal, and technical perspectives.
7. **Shari'ah Standards for Transactions:** Study of relevant Shari'ah standards regarding Islamic financial transactions, including challenges faced by Arbitrators and Experts in adjudicating disputes, along with strategies to address such challenges.
8. **Banking Topics:** Investigation of issues related to bank transfers, Shari'ah supervisory frameworks, prudential controls, and risk management.
9. **Developments in Islamic Banking:** Monitoring recent advancements in Islamic banking, including the study of judicial and arbitral precedents within the Islamic financial industry.
10. **Practical Applications:** Hands-on examination of Shari'ah, legal, and technical aspects of cases adjudicated under IICRA. Guidance on drafting arbitration documents from the initial Request for Arbitration (RFA) to the issuance of the final and binding award.

Target Groups

1. **Experts and Legal Advisors:** Professionals working in Islamic and conventional financial institutions.
2. **Legal Professionals:** Lawyers and research scholars affiliated with legal offices and law firms.
3. **Judicial and Financial Personnel:** Members of the judiciary, judicial staff, legal and financial advisors, and auditors.
4. **Students:** Graduate and postgraduate students in the fields of Law, Shari'ah, Economics, and Business Administration.

Note: To obtain the CIAE Certificate, applicants must possess a qualification equivalent to at least a bachelor's degree in law, Shari'ah, economics, business administration, or related fields.

Venue

The training program will take place at the IICRA Headquarters in Dubai, United Arab Emirates (UAE). However, IICRA is mindful of participants' locations and aims to offer training sessions either closer to their residences or through virtual formats, thereby minimizing transportation and accommodation expenses.

Training Fee

As a non-profit organization, IICRA strives to keep the CIAE training program fees affordable in alignment with the features and services offered. Therefore, the fee for each program will be determined once the venue, timing, and language of the training are finalized.

Language

The training program is offered in three languages: Arabic, English, and French. Additionally, other official languages may be considered with the approval of all participants to ensure that the assessment examination is conducted in the same language in which the trainee/applicant receives their training.





Workshops Held Alongside IICRA Conference on Islamic Financial Transactions between Legislation & Practice

On the 22nd of December 2023, International Islamic Centre for Reconciliation and Arbitration (IICRA) organized workshops on the sidelines of the Conference titled "Islamic Financial Transactions between Legislation and Practice."

Distinguished judges, jurists, and Shari'ah specialists in Islamic finance and commercial arbitration convened from various nations, including the Kingdom of Saudi Arabia, the Arab Republic of Egypt, the Republic of Sudan, the United Arab Emirates, the Hashemite Kingdom of Jordan, the Kingdom of Bahrain, and Algeria.

Guiding these insightful workshops were prominent figures in the field:

1. Dr. Asem Ahmed Hamad
2. Dr. Rami Sulaiman Abudagga

The workshops garnered praise from participants, an elite assembly dedicated to enriching their academic and practical acumen in the realm of Islamic finance and commercial arbitration.

Further, to meet the escalating demand for specialized knowledge, we are pleased to have conducted the succeeding editions of the "Certified Islamic Arbitrator and Expert" certificate training program:

- The 16th edition is scheduled for January 2025 and will be conducted virtually in Arabic.
- The 17th edition is also set for January 2025 and will be conducted virtually in English.
- The 18th edition will take place in September 2025 and will be conducted virtually in Arabic.
- The 19th edition is planned for September 2025 and will be conducted virtually in English.

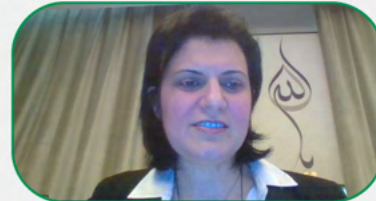
For comprehensive details about the training program and an in-depth understanding of IICRA's services, please visit our official website www.iicra.com or contact us via email at ciae@iicra.com.

Embark on your journey towards excellence in Islamic finance and commercial arbitration with IICRA.

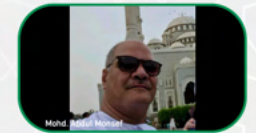
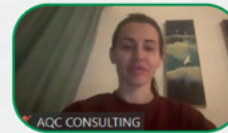
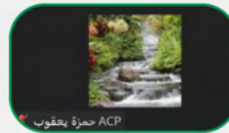
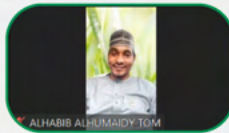
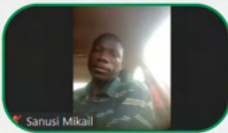
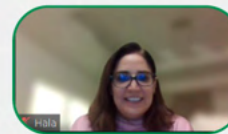
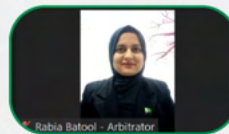
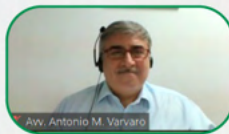
IICRA 14th Edition of Certified Islamic Arbitrator and Expert (CIAE) Training Program

Certified Islamic Arbitrator & Expert (CIAE) Training Program
29 February - 03 March, 2024 | 19 Shaban – 22 Shaban 1445المركز الإسلامي الدولي للتصالح والتحكيم
International Islamic Centre For Reconciliation and Arbitration
Centre International islamique de Reconciliation et d'Arbitrage

Mr. Abdul Rahim Adi



Dr. Suzanne Munir Abdullah



IICRA has successfully concluded its 14th edition of the Certified Islamic Arbitrator and Expert (CIAE) Training Program conducted in English. Held virtually from 29th February to 3rd March 2024, the program garnered participation from esteemed professionals across various nations, including the United Kingdom, Senegal, Islamic Republic of Pakistan, Italy, Malaysia, Lebanon, and Egypt.

Distinguished judges, jurists, and Shari'ah specialists in Islamic finance and commercial arbitration convened from various nations, including the Kingdom of Saudi Arabia, the Arab Republic of Egypt, the Republic of Sudan, the United Arab Emirates, the Hashemite Kingdom of Jordan, the Kingdom of Bahrain, and Algeria.

Mr. Musheer Ahmad, Head of the Communication Department at IICRA, graciously inaugurated the training session, extending a warm welcome to all attendees eager to enhancing their knowledge and expertise in Commercial Arbitration and Islamic finance. We extend our sincere appreciation to esteemed instructors Dr. Suzanne Munir Abdullah and Mr. Abdulrahim Adi for their invaluable contributions to the training program's delivery.

Participants lauded the comprehensive curriculum and engaging discussions throughout the training, acknowledging

its pivotal role in augmenting both their academic and professional capabilities. The training assessment exam was conducted on 18 April 2024.

Looking ahead, IICRA excitedly announced the forthcoming editions of the CIAE training program, scheduled to be conducted in both Arabic and English languages. The sessions were slated to commence in late May and the first week of June 2024.

To learn more about the program and its enrollment process, please reach out to us via email at ciae@iicra.com or call us at +971 4 294 9292.

About IICRA:

IICRA is an international independent non-profit organization that aims to organize settlement of all kinds of banking, financial and commercial disputes with compliance of Shari'ah Provisions through institutional Reconciliation and Arbitration. With a commitment to fostering knowledge exchange and professional development, IICRA offers specialized training programs and resources tailored to meet the evolving needs of industry practitioners worldwide. For more information about IICRA services, please visit: www.iicra.com

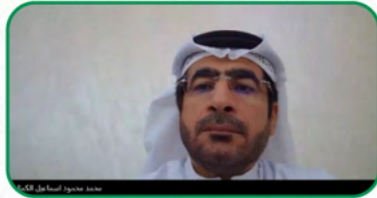
Training Program on Contemporary Applications of Islamic Financial Transactions

المركز الإسلامي للمصالحة والتحكيم
International Islamic Centre for Reconciliation and Arbitration
Centre International Islamique de Reconciliation et d'Arbitrageالإمارات العربية المتحدة
وزارة العدل
معهد التدريب القضائي

Contemporary Applications of Islamic Financial Transactions

"Shari'ah, Legal, & Technical Aspects"

HELD ON 30-31 MARCH 2024 | 21-22 RAMADAN 1445



The International Islamic Centre for Reconciliation and Arbitration (IICRA), the Institute for Training and Judicial Studies (ITJS), and the Sharjah Center for Islamic Economics (SCIE) have recently collaborated to organize a comprehensive training program titled "Contemporary Applications of Islamic Financial Transactions: Shariah, Legal, and Technical Aspects." Held on 30 - 31 March 2024 corresponding to 21-22 Ramadan 1444, this program was designed to serve members of the judicial and legal community in the United Arab Emirates.

This initiative stems from the recommendations put forth during the "Islamic Financial Transactions between Legislation and Practice" conference, convened by IICRA on 21-22 December 2023 (equivalent to 08-09 Jumada Al-Akhir, 1445) at Sofitel Dubai Downtown Hotel, Dubai, UAE. Under the esteemed patronage and presence of His Excellency Abdullah bin Touq Al Marri, UAE's Minister of Economy, the conference

emphasized the imperative to collaborate with IICRA in intensifying training and qualification endeavors led by competent authorities. The goal is to equip legal and technical professionals with comprehensive expertise in the Shariah, legal, and technical facets of Islamic financial transactions.

Feedback from participants underscores the significance of this training program in enhancing their scholarly and practical competencies within the Islamic financial industry and commercial arbitration domain.

IICRA has announced the upcoming edition of the "Certified Islamic Arbitrator and Expert (CIAE) Training Program" scheduled to take place in 2025, as outlined in its 2025 Activities Schedule (page 55).

For further details about this training program and other services offered by IICRA, please visit our website at www.iicra.com or reach out to us directly at +97142949292.



SOME FEEDBACK FROM CIAE PARTICIPANTS



Ms. May Mehnna



Accounting Witness Expert
Egyptian Ministry of Justice

The Certified Islamic Arbitrator & Expert Training Program was a wonderfully practical course – both personally and professionally, with lots of opportunities to ask questions and talk about practical examples which all made for a really enjoyable and informative course. This has more than met my expectations.



Ms. Israa Abdullah



Lawyer, Mediator, and International Arbitrator

I found the Arbitration training course at IICRA to be very thorough and informative. I especially enjoyed the discussions that the research material generated among the group participant. Learning with great professionals is a humbling experience that I am proud of. I am looking forward to putting my certificate to good use and immersing myself in the field of Islamic Finance.



Mr. Mohammad Bengana



Legal Researcher

Having an Islamic finance background, I have benefited a lot and acquired valuable knowledge and insights in the field of alternative dispute resolution in Islamic banking and finance industry. Looking forward and for upcoming trainings, I recommend to incorporate further practical aspects and case studies where participants cannot find elsewhere. Therefore, I highly recommend this training for all Islamic finance practitioners looking to have a career in or acquire knowledge and insights in dispute resolution. Thank you IICRA staff and lecturers for your efforts and contributions. See you in future events and conferences.



Mr. Adilbek Ryskulov



Chief Shari'ah Officer

I found the course very interesting and informative. I was really excited of getting new knowledge in the field of arbitration and reconciliation. I really recommend this program to all who are interested in arbitration in the field of Islamic finance.



المركز الإسلامي الدولي للصالح والتحكيم

International Islamic Centre for Reconciliation and Arbitration

Centre International Islamique de Réconciliation et d'Arbitrage

TENTATIVE SCHEDULE OF IICRA ACTIVITIES FOR THE YEAR 2025

FEBRUARY	CERTIFIED ISLAMIC ARBITRATOR AND EXPERT TRAINING PROGRAM (ARABIC)	12-16 FEB 2025
	CERTIFIED ISLAMIC ARBITRATOR AND EXPERT TRAINING PROGRAM (ENGLISH)	19-23 FEB 2025
MARCH	SEMINAR ON RECENT TRENDS IN ISLAMIC FINANCE	13 MAR 2025
APRIL	SEMINAR ON THE RECOMMENDATIONS AND SUGGESTIONS FROM THE CONFERENCE	16 APRIL 2025
MAY	CERTIFIED ISLAMIC ARBITRATOR AND EXPERT TRAINING PROGRAM (ARABIC)	7-11 MAY 2025
JUNE	LAUNCHING OF CONSTRUCTION CONTRACTS BASED ON ISLAMIC SHARI'AH	12 JUNE 2025
SEPTEMBER	CERTIFIED ISLAMIC ARBITRATOR AND EXPERT TRAINING PROGRAM (ARABIC)	10-14 SEPT 2025
	CERTIFIED ISLAMIC ARBITRATOR AND EXPERT TRAINING PROGRAM (ENGLISH)	24-28 SEPT 2025
OCTOBER	SEMINAR ON CODIFICATION IN ISLAMIC FINANCE	16 OCT 2025
NOVEMBER	DUBAI ARBITRATION WEEK 2025	13 NOV 2025
	CONFERENCE: ISLAMIC CONSTRUCTION AND CONTRACTS	27-28 NOV 2025



IICRA MEMBERSHIP

Why Gain IICRA Membership

IICRA membership spans more than 70 regional and international Islamic financial institutions, including the largest Islamic banks, finance, insurance companies and businessmen supporting the Islamic Economy. The membership supports IICRA to achieve its objective to be the ideal global platform in resolving financial disputes with compliance of Islamic Shari'ah Principles.

Membership Benefits

IICRA offers many advantages to its members, summarized as follows:

1. The membership of IICRA have the right to participate in the meetings of the General Assembly of the institution and to vote on the decisions adopted by that Assembly as the supreme authority in IICRA, in accordance with the powers set forth in Article 5, paragraph (c) of IICRA rules.
2. IICRA offers one training course (by operating fee) for the member regarding the legal, Shari'ah and technical prospective of Islamic transactions along with the rules of IICRA and UNCITRAL for settling disputes through Arbitration.
3. IICRA will invite the member to participate in IICRA events without registration fees.
4. IICRA will provide the member its studies and publications.
5. IICRA guarantees 50% discount on administration fees of settling the disputes through reconciliation (without Arbitration which does not accept the discrimination between the parties).

6. Guaranteeing the Board of Trustee's member representatives privileges approved by the International Establishment of IICRA.

7. IICRA provides the member the new arbitration awards to help to consolidate and form the contracts and their terms as this will avoid many future disputes and eliminate uncertainties that may be created in the future.

8. Giving the priorities to the members of IICRA to be main or co-sponsor of its events.

9. IICRA will create E-Link on its website with the member as one of its institutions which are supporting the infrastructure institutions of Islamic finance industry.

Terms and Conditions of Membership

1. Membership is available to all financial, commercial, industrial, banking and investment institutions around the globe wishing to support the Islamic economy and work within its framework.
2. Membership is a contribution and support to IICRA activities in legal and arbitral fields and does not have any privileges for the members of institution.
3. The acceptance of membership application is subject to the prior approval from the IICRA Board of Trustees.

INSTITUTIONAL MEMBERSHIP

 IsDB مجموعة البنك الإسلامي للتنمية Islamic Development Bank Group	 الإمارات الإسلامي EMIRATES ISLAMIC	 بنك البحرين الإسلامي BisB
 بنك فيصل الإسلامي المصري Faisal Islamic Bank of Egypt	 البنك الإسلامي الأردني عضو مجموعة البركة المصرفية	 البركة alBaraka
 بنك دبي الإسلامي Dubai Islamic Bank	 بنك نزوى Bank Nizwa	 مصرف السلام-الجزائر AL SALAM BANK ALGERIA
 مصرف أبوظبي الإسلامي ADIB	 THE ISLAMIC CORPORATION FOR THE INSURANCE OF INVESTMENT AND EXPORT CREDIT ICIEC	 بنك الشام CHAM BANK المصرف الإسلامي الأول في سورية
 Islamic Corporation For The Development Of The Private Sector ICD	 itfc International Islamic Trade Finance Corporation	 بيت التمويل الكويتي Kuwait Finance House البحرين B.S.C.(ق.م.ب)
 Omdurman National Bank Master of Youth Banks	 شركة التأمين الإسلامية THE ISLAMIC INSURANCE CO.	 بنك دبي التجاري Commercial Bank of Dubai

IICRA PARTNERS IN INFRASTRUCTURE INSTITUTION OF ISLAMIC ECONOMY



ISLAMIC FINANCIAL SERVICES BOARD

EXEMPLARY ARBITRATION CLAUSE

The International Islamic Centre for Reconciliation and Arbitration (IICRA) advises parties intending to resolve their disputes under the IICRA Rules to include the following Arbitration Clause in their agreements and contracts:

"If any dispute arises between the parties out of the formation, performance, interpretation, nullification, termination or invalidation of this agreement (contract) or arising therefore or related thereto, the dispute shall be referred to the Arbitral Tribunal for a final and binding Award in accordance with the Rules of the International Islamic Centre for Reconciliation and Arbitration".

For disputes arising without the prior inclusion of IICRA's Arbitration Clause, the parties should formalize a separate Arbitration Agreement, which will be prepared by IICRA following the review of the parties' submissions and the specifics of the dispute.