

Decision Number 15

On Islamic Collective Investment Schemes

The Chairman of the Capital Markets Authority (hereinafter the “CMA”)/Governor of the Banque du Liban,

Pursuant to Law 161 of August 17, 2011 on Capital Markets, this vested in the CMA all the powers related to the establishment and functioning of Islamic Collective Investments Schemes,

Pursuant to Law 575 of February 11, 2004, in particular article 4, on the establishment of Islamic Banks in Lebanon,

Pursuant to Law 706 of December 9, 2005 on the Islamic Collective Investments Schemes in transferable securities and other financial instruments,

Pursuant to the decision of the Board of the CMA taken in its meeting held on December 20, 2013,

Declares the following,

Article 1: For the purpose of the implementation of this decision’s provisions, the terms hereunder shall have the meaning ascribed to them below:

“Islamic Scheme” : The Islamic Collective Investment Scheme in Islamic financial instruments and other financial instruments aimed at the collective investment of the investors’ funds, according to the risk distribution principle, and in conformity with the Sharia laws and regulations, without prejudice to the provisions of the observed laws and regulations. The “Islamic Scheme” may be represented by an “Islamic Investment Fund” or an “Islamic Investment Company”.



“Islamic Investment Fund”	: A collective investment fund specialized in the investment in Islamic financial instruments and other financial instruments, according to the Islamic Sharia rules.
“Islamic Investment Company”	: An open end investment company, specialized in the investment in Islamic financial instruments and other financial instruments according to the Islamic Sharia rules.
“Administrator”	: The Islamic bank, financial institution or specialized company in charge of managing the “Islamic Scheme”.
“Investments”	: Investing funds in order to own shares, “Islamic financial instruments” or “units” of the collective investment Schemes, for the purpose of trading or generating a revenue.
“Specialized Collective Investment Schemes”	: Schemes which invest directly in “Islamic financial instruments” or in any other financial instruments stemming from one or many specific projects, issued by the “Administrator” of the “Islamic Scheme” to the investors, with the term of the “Islamic Scheme” linked to the term of the project or projects.
“Units”	: The shares or nominative stakes representing the properties of their owners within the assets of the “Islamic Scheme”.
“Net assets”	: Represent the rights of the investors, and include the equivalent of the contributions of the “units” owners, undistributed net investments income (or investments’ losses), undistributed net realized profits (or net realized losses), net increase or decrease in the investments value, and the net of any other assets.
“Capital margins”	: Additional funds collected from “units” owners or other parties, without issuing any “units” in return, in order to fund the “Islamic Scheme” or uphold its credit situation.
“Islamic financial instruments”	: Financial instruments of equal value, issued and traded in accordance with the Islamic Sharia rules, representing joint stakes in the ownership of in kind properties, utilities, specific project or investment activity.
“Speculation”	: An agreement between the employer and the speculator, whereby the first puts down his/her money, and the latter his/her work for the purpose of splitting the profits according to the agreement.



Article 2: Taking into consideration the supervisory authority of Banque Du Liban over Islamic banks,

It is not allowed to establish, or contribute in the establishment of an “Islamic Investment Fund” or “Islamic Investment Company”, except by the following Schemes working in Lebanon:

- 1- Islamic banks
- 2- Companies specialized in the management of “Islamic Schemes”.

Article 3: The management contract signed between the “Administrator” and the management of the “Islamic Investment Company” should include, explicitly and accurately, at least, the following items:

- 1- The rights and obligations of the “Administrator”, particularly, an explicit mention of the exclusive right of the “Administrator” to manage the operations of the “Islamic Investment Company”.
- 2- The term of the contract.
- 3- Any termination, amendments, or cancellation of the contract.

Article 4: The “Administrator” must appoint a legal auditing body or legal consultant for the “Islamic Scheme”, in order to set forth legal rules for the management of the investment of the “Islamic Scheme”, without prejudice to the enforced laws and regulations.

Article 5: In addition to any other information required by the regulations and decisions on Collective Investment Schemes, the prospectus should include, in particular, the following information:

- 1- The type and activity of the “Islamic Scheme”, along with the main investment policies governing its activities, investments goals behind its creation, as well as the explicit mention that the “Islamic Scheme” was created in conformity with the Sharia rules.
- 2- The accounting policy for the valuation of investments, receivables, financing operations and other assets.



- 3- The accounting policy to be adopted for the confirmation of income.
- 4- The accounting policy to be adopted for covering the “Islamic Scheme” establishment costs.
- 5- The principles governing the restoration, by the investor, of some or all of his/her units.
- 6- The contractual relationship between the “Islamic Scheme” and the managing party or parties, as needed.
- 7- The principles governing the purchase and sales operation, by the “Islamic Scheme”, of assets belonging to the “Administrator”, or those which he has an interest in.
- 8- The principles governing the joint operations between the “Administrator” and “Islamic Scheme”, for financing some or all of the “Islamic Scheme” operations.
- 9- The principles governing the investment operations that the “Administrator” might carry out in the “Islamic Scheme” he/she manages.
- 10- The “Administrator’s” potential fee, which can be either deducted or calculated, exclusively, based on a known proportion of the “Islamic Scheme’s” profits, of the contributions’ value, or of the value of the “Islamic Scheme’s” assets.
- 11- The principles governing the investment operation carried out by the “Islamic Scheme” in another “Islamic Scheme” managed by the “Administrator”.
- 12- The principles of the evaluation of the “Islamic Scheme’s” assets.
- 13- How to act in the case of a profit not in conformity with the Sharia, if it occurred.
- 14- Determining whether the Zaqat (almsgiving) is the responsibility of the units’ owners or that of the “Islamic Scheme”, in which case, the “Islamic Scheme” shall declare the value of the Zaqat due by each unit.
- 15- Whether or not the “Islamic Scheme” shall receive any allocations in return for its commitments.
- 16- The term and conditions for the cancellation of the “Islamic Scheme”.



Article 16: The “Administrator” shall:

- 1- Organize the financial statements of the “Islamic Scheme”, based on the templates (1), (2), (3), (4), (5), (6), (7), (8) and (9) attached to this decision.
- 2- Provide the CMA with the above-mentioned statements prior to the end of April.

Article 7: In addition to the provisions of this decision, all the provisions, regulations and principles pertaining to the Collective Investment Schemes shall be applied to the Islamic Collective Investment Schemes, unless otherwise mentioned in another law.

Article 8: Any person violating the provisions of this decision shall be subject to the administrative sanctions provided for in the observed laws and regulations, particularly those stated in Law 161 of August 17, 2011 (on Capital Markets).

Article 9: This decision shall be published in the Official Gazette, and shall enter into force as of March 3, 2014.

Beirut, February 13, 2014
Chairman of the CMA/ Governor of the
Banque du Liban

Riad Toufic Salameh
(Signature)



Annex 1

Charts of Accounts

Islamic Collective Investment Schemes

Category 1 Private capitals accounts	Category 2 Fixed assets accounts	Category 3 Financial portfolio accounts	Category 4 Accounts with others	Category 5 Financial accounts	Category 6 Costs accounts	Category 7 Revenues accounts
<ul style="list-style-type: none"> - Capital <ul style="list-style-type: none"> • Capital at the beginning of the cycle • Issuance and re-purchases <ul style="list-style-type: none"> - Issuance - Re-purchases - Capital margins - Fees <ul style="list-style-type: none"> • Underwriting fees • Re-purchase fees - Fees redistribution <ul style="list-style-type: none"> • From underwriting operations • From re-purchase operations - Valuation variance fluctuations (*) <ul style="list-style-type: none"> • Exchange variance • Operations on securities <ul style="list-style-type: none"> - Purchase costs - Sales costs • Securities overflows and shortfalls <ul style="list-style-type: none"> - Securities overflows (*) - Securities shortfalls (*) • Receivables from performance surety - Profit re-cycling - Cycle incomes 	<ul style="list-style-type: none"> - Physical fixed assets - Intangible fixed assets - Financial fixed assets - Fixed assets depreciation 	<ul style="list-style-type: none"> - Shares and similar securities listed on regulated markets (*) - Other listed financial securities (*) (Islamic deposit certificates...etc.) - Collective investment Schemes shares and stakes (divided into registered and unregistered Schemes on regulated markets) - Financial instruments (*) - Temporary purchase and sales operations on financial securities (*) - Other financial securities (*) - Portfolio valuation variances (divided according to the type of securities and 	<ul style="list-style-type: none"> - Creditors and associated accounts - Underwriting operations to be settled - Purchases with deferred settlement - Required monetary margins - Debtors and associated accounts (divided by type of operation) - Employees and related accounts - Social security and other social institutions - Public sector and other public 	<ul style="list-style-type: none"> - Banks and financial institutions <ul style="list-style-type: none"> • Call accounts • Investment accounts • Stock exchange market and other mediators • Other financial Schemes • Current revenues 	<ul style="list-style-type: none"> - Financial operations costs (*) - Operational costs <ul style="list-style-type: none"> • Taxes and fees • Employees costs • Other current operational costs • Exceptional costs • Costs allocations stated in the balance sheet • Depreciation allocations 	<ul style="list-style-type: none"> - Financial operation revenues (*) - Other revenues - Cycle revenues settlement - Advance payments from profits' stakes



<p>- Settlement accounts</p> <ul style="list-style-type: none"> • Re-cycled profit settlement • Cycle revenues settlement (under distribution) 		<p>operations)</p> <ul style="list-style-type: none"> - Valuation variances of sales operations of securities with redemption rights - Sales operations of transferable securities - Borrowed then re-sold securities - Consigned then re-sold securities - Redeemed then re-sold securities - Redeemed then re-sold securities 	<p>Schemes</p> <ul style="list-style-type: none"> - Investors and other shareholders - Various debtors and creditors <ul style="list-style-type: none"> • Various debtors • Various creditors - Transitional accounts - Settlement accounts - Pre-calculated costs - Periodic cost distribution accounts 			
<p>(*) Divided by assets, types of financial securities and operations on securities.</p>		<p>(*) Divided by type, while taking into account the current revenues accounts, when applicable.</p>			<p>(*) Divided by type of operations.</p>	<p>(*) Divided by type of operations .</p>



Annex 2

Name of the Islamic Collective Investment Scheme _____

Legal nature of the Islamic Scheme Fund/Company

Managing Company _____

Custodian _____

Auditor _____

Monthly statement on financial information

And development of shares or stakes' prices

As on __/__/____

(Values are in Thousands of Lebanese Pounds or foreign currency units)

a) Financial information	Amounts
1- Share or stake price at the end of the previous month	
2- Share or stake price at the end of the current month	
3- Basic value of the Islamic Scheme	
4- Market value of the Islamic Scheme at the end of the month	

b) Shares or stakes' price development during the month	
Date	Shares or stakes' price
1-	
2-	
3-	
4-	
5-	
6-	



7-	
8-	
9-	
10-	
11-	
12-	
13-	
14-	
15-	
16-	
17-	
18-	
19-	
20-	
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22-	
23-	
24-	
25-	
26-	
27-	
28-	
29-	
30-	
31-	

Signature of the Managing Company

Cancelled



Annex 3

Name of the Islamic Collective Investment Scheme _____

Legal nature of the Islamic Scheme Fund/Company

Managing Company _____

Custodian _____

Auditor _____

Half-yearly statement

On the distribution of shares or stakes

As on __/__/__

(Values are in Thousands of Lebanese Pounds or foreign currency units)

	Current period			Previous period		
	Resident	Non-resident	Total	Resident	Non-resident	Total
1- Number of shares or stakes at the end of the period - Including those whose ownership by a natural or juridical person or one economic group exceeds 10% of the total shares or stakes of the Scheme						
2- Total underwriting amounts - Including those whose underwriting by any person or group exceeds 10% of the total shares or stakes of the Scheme						
3- Total value of the re-purchased shares or stakes						
4- Distributed shares of profits or advance payments						
5- Sales value of the share or stake at the end of the period						

Signature of the Managing Company

Signature of the auditors



Annex 4

Name of the Islamic Collective Investment Scheme _____

Legal nature of the Islamic Scheme Fund/Company

Managing Company _____

Custodian _____

Auditor _____

Half yearly statement

On the distribution of the net assets

As on

(Values are in Thousands of Lebanese Pounds or foreign currency units)

Category	Amounts			Ratio of the total of each category to the total assets	Ratio at the end of the previous period
	Resident	Non-resident	Total		
<u>1- Shares and similar securities</u> - In banks and financial institutions including: those listed on regulated markets - In the non-financial private sector including: those listed on regulated markets					
<u>2- Deposit certificates</u> - Purchased from Banque du Liban - Purchased from international issuing institutions - Purchased from banks - Other					
<u>3- Collective Investments Schemes shares or stakes</u> Including: those listed on regulated markets					



4- <u>Government and Lebanese and non-Lebanese Islamic instruments</u> - Government instruments - Lebanese Islamic instruments - Non-Lebanese Islamic instruments - Other financial instruments					
5- <u>Other transferable securities (*)</u>					
6- <u>Total purchased portfolio (1+2+3+4+5)</u> including: those with the custodian					
7- <u>Debtor receivables (+)</u>					
8- <u>Creditor receivables (-)</u>					
9- <u>Operations with other banks and financial institutions + or (-)</u> - Deposits - Investments					
10- <u>Miscellaneous + or (-)</u>					
11- <u>Total net assets (6+7+8+9+10)</u>					
12- <u>Number of units (shares or stakes)</u>					
13- <u>Net assets for each unit</u>					

Note: The amounts are listed according to their value in the balance sheet (market or national value), while taking into consideration the valuation variances (between the value on the listing date in the balance sheet and the current value), pre-calculated revenues and current undue revenues, where applicable.

(*) In case of their existence, their details shall be attached to the present statement.

Signature of the Managing Company

Signature of the auditors



Annex 5

Name of the Islamic Collective Investment Scheme _____

Legal nature of the Islamic Scheme Fund/Company

Managing Company _____

Custodian _____

Auditor _____

Final balance sheet

As on

Assets	Last cycle			Previous cycle		
	Lebanese Pounds	Foreign	Total	Lebanese Pounds	Foreign	Total
<u>1- Net fixed assets</u>						
<u>2- Investments portfolio – Purchased (*)</u>						
<u>2-1 Shares and similar securities</u>						
- Purchased for the purpose of trade						
- Purchased and available for sale						
- Valuation variances						
<u>2-2 Deposit certificates</u>						
- Purchased for the purpose of trade						
- Purchased and available for sale						
- Purchased until maturity						
- Valuation variances						
<u>2-3 Collective Investment Schemes shares or stakes</u>						
- Purchased for the purpose of trade						
- Purchased and available for sale						
- Valuation variances						
<u>2-4 Instruments</u>						
- Purchased for the purpose of trade						
- Purchased and available for sale						
- Purchased until maturity						



- Valuation variances <u>2-5 Other transferrable securities</u> - Purchased for the purpose of trade - Purchased and available for sale - Purchased until maturity - Valuation variances						
<u>3- Debit receivables and other debtors</u>						
<u>4- Cash funds</u>						
Total assets						

(*) Taking into consideration the undue current revenues and pre-calculated revenues.

Payables	Last cycle			Previous cycle		
	Lebanese Pounds	Foreign	Total	Lebanese Pounds	Foreign	Total
<u>1- Private capitals</u> - Capital - Re-cycled previous incomes (1) - Re-cycled incomes settlement account (1) - Capital margins - Incomes (2) - Capitalizable (3) - Allocable (4) - Distributable (3) Total private capitals						
<u>2- Non-Islamic earnings</u>						
<u>3- Investments portfolio – Sold</u> 3-1 Temporary sales or with the right of redemption of financial securities - Receivables representing loaned financial securities - Receivables representing financial securities granted with the right of redemption 3-2 Sales operations of transferable securities (5)						
<u>4- Debit receivables and other debtors</u>						
<u>5- Other payables</u>						
Total payables						



Off balance sheet						
1- Bonds to be delivered						
2- Commitments made based on mutual consent						
3- Other commitments						

- (1) Directly included in capitalized Schemes' capitals.
- (2) Following the settlement of the cycle's profits, and the inclusion of the advance distribution during the cycle, if it takes place.
- (3) Only applies to the capitalized collective investment Schemes, or those with distributable revenues.
- (4) Based on the policy adopted within the Islamic Scheme.
- (5) Loaned, consigned values or values with the right of redemption then re-sold.

Signature of the Managing Company

Signature of the auditors

Cancelled



Annex 6

Name of the Islamic Collective Investment Scheme _____

Legal nature of the Scheme Fund/Company

Managing Company _____

Custodian _____

Auditor _____

Yearly income chart

And the development of the net assets

From Until

	Amounts	
	Last cycle	Previous cycle
a) Income chart		
1- <u>Financial operations revenues</u> (*)		
1-1 Shares and similar securities revenues		
1-2 Deposit certificates revenues		
1-3 Financial instruments revenues		
1-4 Collective investment Schemes' shares or stakes revenues		
1-5 Revenues from deposits		
1-6 Other financial revenues		
Total 1		
2- <u>Financial operations costs</u> (*)		
2-1 Purchases and temporary sales of securities		
2-2 Other financial costs		
Total 2		
Financial operations income (1-2)		
3- Other revenues		
4- Management fee (in the case of the fund management based on an affidavit)		
5- Professional costs		
6- Administration costs		
7- Depreciation allocations		
8- Various costs		



Net investment income or loss		
9- Realized and/or unrealized profits or losses from the investments		
9-1 Net realized profits or losses from the investments		
9-2 Change in the unrealized overflow or shortfall of the investments value		
Net profits or losses from the investments		
Net income or loss before the allocation of the Islamic Scheme Administrator's cut		
10- Cut of the Islamic Scheme Administrator		
Income		
Capitalizable		
Allocable		
Distributable		

(*) Taking into consideration the undue current interests, where applicable.

b) Development of the net assets	Amounts	
	Last cycle	Previous cycle
1- Net assets at the beginning of the cycle		
2- Underwritings (including the fees collected from the Islamic Scheme)		
3- Value of the re-purchased shares and stakes (except for the fees collected from the Islamic Scheme)		
4- Investments value overflow		
5- Investments value shortfall		
6- Exchange variance + or (-)		
7- Investments valuation variance changes + or (-)		
8- Supply changes due to the decrease of the Islamic Scheme's share value in companies under liquidation + or (-)		
9- Distribution of the last cycle's profits		
10- Net cycle income prior to the settlement + or (-)		
11- Advance payables during the cycle		
12- Other items (**) + or (-)		
13- Net assets at the end of the cycle		

(**) In case of their existence, their details shall be attached to the present statement.

Signature of the Managing Company

Signature of the auditors



Annex 7

Template of the Islamic Collective Investment Scheme's summary

- 1- Name and SEDOL number of the "Islamic Scheme"
- 2- Nationality
- 3- Legal statute: (Investment Company, Trust...etc.)
- 4- Managing company of the Islamic investment Scheme: activities and location (The possibility of appointing a third party to carry on its operations)
- 5- Company in charge of setting up an investment strategy and follow-up (if applicable): activities, location and date of licensing
- 6- Marketing company (if applicable): activities, location and date of licensing
- 7- Investment consultant (if applicable): activities and location
- 8- Custodian: activities, location, tasks and date of licensing
- 9- Auditing commission: activities and location
- 10- Islamic Collective Investment Scheme's nature: individual fund – umbrella fund...etc.
- 11- Establishment date
- 12- Licensing date by the competent authorities in the country of origin
- 13- Summary of the adopted investment policy (place, investment sector...etc.)
- 14- Yearly accounts closing date
- 15- Special risks (if applicable) – Special Risk Warning
- 16- Costs and fees stemming from the investment in the "Islamic Scheme":
 - Subscription fee
 - Early subscription termination fee
 - Yearly subscription fee
 - Additional fee for the marketing operations in Lebanon (if applicable)
- 17- Currency of the "Islamic Scheme"
- 18- "Promoter" in Lebanon
- 19- Marketing method in Lebanon
- 20- Other remarks



Annex 8

Monthly statement of the performance and price development of the stocks or shares

And the size of subscriptions

As of --/--/----

Name of the Islamic Collective Investment Scheme _____

Legal nature of the Scheme Fund/Company

Managing Company _____

Custodian _____

Auditor _____

Currency	Price				Performance			Subscription			Profits and losses (half-yearly)	
	Share or stake price at the end of the previous month	Share or stake price at the end of the current month	Basic value	Market value at the end of the month	Monthly performance	Quarterly performance	Year-to-date performance	Primary marketing subscription	Subscription balance at the end of the month	Number of subscribers	Realized	Unrealized

Signature of the Managing Company

Signature of the auditors