

Date:

CID:

MASTER MUDARABAH AGREEMENT

This agreement is entered into by and between the parties on the days and dates hereinafter set forth at Colombo in the Democratic Socialist Republic of Sri Lanka

BETWEEN

NATIONAL DEVELOPMENT BANK PLC a banking company incorporated under Companies Act No 17 at 1982 and re registered under the Companies Act No 07 of 2007 bearing registration No PQ 27 and having its registered office at No 40, Nawam Mawatha, Colombo 02, in the said Republic through its Islamic Banking unit (hereinafter referred to as the "Bank" or the "Mudarib" which expression as herein used where the context so requires or admits shall mean and include the said National Development Bank PLC and its successors and assigns) of the ONE PART

AND

The "Customer", whose details are more fully specified in the Schedule hereto, of the OTHER PART.

AND WHEREAS the Customer desires to invest the Mudarabah Investments (hereinafter defined) in the Mudarabah Fund (hereinafter defined) managed by the Mudarib for further investment by the Mudarib in Sharia compliant profit generating business ventures.

AND WHEREAS the Mudarib is agreeable to invest the Mudarabah Investment/s of the Customer on the terms and conditions set out in this Agreement.

NOW THEREFORE THIS AGREEMENT WITNESSETH AND IT IS HEREBY AGREED BY AND BETWEEN THE PARTIES HERETO AS FOLLOWS;

Definitions:

- **"Agreement"** means this Mudarabah Agreement, the Schedule/s, and the Investment Application/s attached hereto from time to time together with any amendments mutually agreed upon and made in terms of this Agreement
- **"Customer"** means the party whose details are more fully specified in the Schedule to this Agreement being the party who makes the Mudarabah Investment
- **"Loss"** means the deficit resulting from investments made by the Mudarib from the Mudarabah Fund, which at the end of a relevant profit Distribution Cycle is borne entirely by the customer during the said Profit Distribution Cycle.
- **"Mudarabah Fund"** means the pool of funds entrusted by the Customers to the Mudarib in terms of Mudarabah Agreements entered into with them for investment in Sharia Compliant profit generating business ventures.
- **"Mudarabah Investment/s"** means such principle sum or sums of monies specified in an Investment Application from time to time and invested by the Customer in the Mudarabah Fund.
- **"Profit"** means the surplus that accrues on the investments made by the Mudarib from the Mudarabah Fund, which at the end of a relevant Profit Distribution Cycle is available for distribution among the customers during the said Profit Distribution Cycle and the Mudarib, in terms of a pre agreed profit sharing ratio as agreed upon in this Agreement/Investment Application form.
- **"Profit Sharing Ratio"** means the ratio of profit sharing between the Customer and the Mudarib, which will be pre agreed at the time of investment and shall always be a ratio of actual profits earned.
- **"Profit Distribution Cycle"** means the period between the first day and the last day of the calendar month in which the profit distribution is performed.

1 - INVESTING IN THE MUDARABAH FUND

The Mudarib upon accepting an investment from the Customer into the Mudarabah Fund on the terms and conditions in this Agreement shall issue a receipt to the Customer acknowledging the amount invested in the Mudarabah Fund.

2 - TENURE

Mudarabah Investment/s will be invested in the Mudarabah pool as per the period stated and agreed in the Investment Application/s. Mudarabah Investment/s will however be automatically reinvested at the end of every period, for a similar period, on terms and conditions prevailing at the time of such reinvestment unless written instructions to the contrary are given to the Mudarib by the Customer.

3 - PROFIT AND LOSS

In case of Profit earned by the Mudarabah Fund in respect of any investment period, the Mudarib will be entitled to the pre agreed percentage share of the profits earned by the Mudarabah Fund for such period and the balance will be distributed among the Customer on a pro rata basis.

In the event the Mudarabah Fund makes a loss in respect of any investment period, the Customer will bear the entire loss up to a maximum value not exceeding the Customer's Mudarabah Investment.

In the event of a loss, the Mudarib will not be entitled for any reimbursement or compensation for expenses incurred in the management of the Mudarabah Fund

4 - NEGLIGENCE / MISCONDUCT / FRAUD

Any loss incurred by the Mudarabah Fund which is directly attributable to the Mudarib involving gross negligence or willful misconduct or fraud on the part of the Mudarib, shall be solely and entirely borne by the Mudarib.

5 - DISTRIBUTION OF PROFITS

In respect of the Mudarabah Investment/s that have completed a Profit Distribution Cycle/s, Profits will be distributed to the Customer on a pro rata basis of weighted average balances for the period the Mudarabah Investment/s were in the Mudarabah Fund during the relevant profit Distribution Cycle.

The Mudarabah Investment/s that have completed a minimum 14 consecutive days in the Mudarabah Fund are qualified to receive Profits.

6 - EXPENSES

All expenses relating to the management, administration and operations of the Mudarabah Fund will be borne entirely by the Mudarib. The Mudarib is however entitled to charge direct expenses connected with the administration of the Mudarabah Fund.

7 – PROFIT EQUALIZATION RESERVE

The reserve fund which is maintained by the Mudarib (Bank) by holding back and not distributing an amount not exceeding 1.00% of the total Mudarabah fund, which is due to the customers. This reserve will be used at the discretion of the Mudarib (Bank) to be distributed to the Customers whenever the expected profit return is not achieved from the Mudarabah pool.

8 - PREMATURE WITHDRAWALS

Premature withdrawal of a Mudarabah Investment may be permitted at the absolute discretion of the Mudarib. Premature withdrawals are subject to a minimum notice period of three (3) working days.

Upon the Mudarib agreeing to a premature withdrawal of a Mudarabah Investment in full or in part, penalties of any form will not be imposed by the Mudarib. However, when a Customer has made a premature withdrawal in full or in part of a Mudarabah Investment and the Mudarabah Fund has made a Loss during relevant Profit Distribution Cycle, then such Customer shall be liable for his/their share of the loss. In view of this the Mudarib may at its total discretion withhold a portion of the Mudarabah Investment at the time of premature withdrawal, and release only such portion of the money which it considers prudent to release. Further, Mudarabah savings profit rates will be applied for the number of days during the month where the premature withdrawal is made.

9 - PROVISION FOR INVESTMENT RISK RESERVE

The Mudarib may, at the end of a Profit Distribution Cycle, at its sole discretion and judgment transfer into a provision for loss account, such amounts from the profits distributable to the Customer as the Mudarib considers prudentially necessary for the long term safety of the capital sums invested in the Mudarabah Fund

10- SUSPENSION DUE TO LEGAL INCAPACITY

Upon receipt of a valid notice of insanity, insolvency, bankruptcy, liquidation or death of the Customer, all transactions on the Mudarabah Investment in the name of such Customer will be suspended and the monies lying in such Mudarabah Investments, as from the date of receipt of such notice shall be held by the Mudarib without any further right of withdrawal or without any accretion.

The balance outstanding in such accounts together with any Profit earned up to the date of such notices will be paid to the person or persons named in the 'Nomination Form' /Customer

11- INVESTMENTS IN JOINT NAMES

In the case of a Mudarabah Investment made in the joint names, the Mudarib will have the right to hold upon the death of any of the joint investors, the money held in the joint investment to the order of the survivor(s), without any prejudice to the Mudarib's right of lien or set off of whatever nature, and the right to take any steps to comply with the provisions of the Mudarib's rules governing Mudarabah Investments as shall apply from time to time.

In the event of death of one of the joint investors, the survivors undertake to provide notice of death, to the Mudarib in writing.

12- GOVERNING LAW AND JURISDICTION

The parties hereby record that they wish to uphold Islamic principles when entering into this Agreement. These Terms and Conditions shall be governed by and construed in accordance with the laws of Sri Lanka and I/we hereby irrevocably submit to the exclusive jurisdiction of the courts of Sri Lanka. Such submission shall, however, not prejudice the right of the Bank to bring proceedings against me/us in any other jurisdiction.

13- TAXES

The Customer shall duly and punctually pay and discharge all taxes imposed upon them or their assets within the prescribed time period.

Signature of Customer/s

Authorized signatory

Witness:

	Signature	Name	Date
1			
2			

Detail of customer:

Full Name:

NIC:

Permanent Address: