

Deferred Sale of Stocks

This is a product provided by the company to its customers to enable them to own the shares they desire according to the sharia rules adopted by the company in the local market, while postponing the payment of its value due to the existence of a markup (profit margin) specified in the contract. Thus, the company purchases a specific number of shares based on a request from the customer, and then sells them on a deferred basis to him. These shares are or withheld in the customer's portfolio as a mortgage for the company, and the Company may automatically sell them, If the value of the portfolio becomes lower than the amount agreed upon, as a guarantee for the indebtedness due from the customer. This product is considered to be a sharia-compliant alternative for the margin(markup) provided by the traditional banks.

- **The Executive Steps:**

Phase One : Expression of Desire to Purchase

If the customer wishes to purchase shares from the company on deferred basis and mortgage his investment portfolio against this purchase he must fill and sign the "The Promise for Deferred Purchase of Shares" form in which is stated the customer's data and the shares to be purchased.

- **The Sharia rules:**

1. The Company is prohibited according to Islamic Sharia to take from the customer an advance payment before the company owns these shares to avoid selling what it doesn't own.
2. The shares to be purchased shall be compliant with the sharia rules.
3. The company shall have the right to ask the customer for compensation for the actual damages resulting from failing to keep its promise to purchase.

Phase Two: The Company's Ownership of the Shares

The company purchases the shares from the market owns them and receives them by depositing the same in its portfolio.

- **The Sharia rules:**

1. In this stage, the company's ownership of shares must be ascertained before the customer signs the sale's contract of which the company avoids selling what it doesn't own.
2. The company must receive the shares by depositing them in its portfolio, prior to selling them to the customer.
3. The sold shares must be compatible with the sharia rules, issued in regard with trading and investment in stocks.

Phase Four: Selling the Shares to the Customer:

If the customer is interested to purchase these shares from the company on deferred basis, the company must fill and sign "The Contract for Deferred Sale of Shares" which is considered an acceptance (affirmation or offer) from its side to selling the shares to the customer. If the customer accepts this offer, the sale process will be completed, and consequently the ownership of the shares will be transferred to the customer.

- **The Sharia rules:**

Shares may not be sold to the customer on a deferred basis if the company had purchased them from him as this falls under the baye' aleayna'(buy-back sale),which is prohibited by sharia .

- **The General Sharia Controls for the deferred sale of shares:**

1. The company may not lend cash amounts to its customer, and impose as a condition that he must use it in share trading through the company only, and not through any other party as that falls under the type of loan that leads to a benefit.
2. The company may make legal documentation for its debt by mortgaging the sold shares or others, or by a sponsor , or by a letter of guarantee, or any similar documentation which are deemed to be sharia-compliant .
3. The company is entitled to have other guarantees on a mortgage basis against the deferred selling of shares provided that the mortgage is permissible by sharia whether being shares or others.
4. If the customer desires to pay the value of shares earlier, prior to its due date, the company shall have the right to drop part of the debt pursuant to the following rules:
 1. The non-existence of a prior agreement between the two parties, upon contracting to perform the early repayment.
 2. Deduction from the debt shall be according to what the two parties have agreed upon ,at the time.