

Wakala Account Agreement



This Agreement is made on this _____ day of _____ 20__ between the parties described below (each represented as a "Party and together represented as "Parties")

1. Al Salam Bank B.S.C
P.O Box 18282, Manama, Kingdom Of Bahrain
Tel. 00973 17 560056
Fax 00973 17 560005

Hereinafter referred to as (the "Bank")

2. Mr. / Mrs. / Miss /M/S _____
CPR /CR / Passport No. _____
Tel: _____ Fax: _____

Hereinafter referred to as (the "client")

The Client's Wakala Account Details (Saving/current/ call account from which monies will be utilized for a Transaction)

Account Number: _____

This Agreement is subject to the General Wakala Account terms and conditions herein under:

Whereas the client wishes to monies with the bank and appoint the Bank as its agent for the purpose of entering into Transaction from time to time with the aim of achieving a profit.

It is agreed as follows:

1 Interpretation

1.1 Definitions

In this Agreement, unless the context otherwise requires, the following words and phrases shall have the following meaning:

"Agent" means the Bank, where the Bank act on behalf of the client in a Transaction;

"Application" means the form completed by the client for Wakala Account. The Application contains amongst other things, type of Wakala scheme, the amount of the initial Deposit, terms of the initial deposit, the maturity date and the Expected Profit as well as re-investment instruction;

"Breaking charges" means service fee payable for processing early maturity payment.

"Deposit" means either an initial Deposit or a New Deposit, as the context may require.

"Initial Deposit" means the Wakala Account described in the Application (which for the avoidance of doubt contains the offer and acceptance relating to the Initial Deposit) placed with the Bank by client;

"Instruction" means an instruction from the client by letter, telephone, fax, e-mail or in person present at branch of the Bank to:

- a. Request the bank to enter into a Transaction; or
- b. Accept the Bank's offer relating to a Deposit; or
- c. Accept a revised rate of profit pursuant to clause 4.5

And include any other instruction that may be given by the client and accepted by the Bank in its absolute discretion;

"Maturity Proceeds" means, with respect to each Transaction, the Deposit and the earned profit on the Transaction as set out in each Transaction Confirmation and always subject to adjustment (if any) under clause 4.5;

"Maturity Proceeds Payment Date" or **"Maturity Date"** means, with respect to each Transaction. The date on which the Bank will pay the maturity proceeds into Wakala deposit Account;

"New Deposit" means a further Wakala deposit placed with the bank by the client pursuant to an instruction from the client in accordance with this Agreement;

"Expected Profit" means, with respect to each Transaction, the expected profit, if any that the bank may achieve in accordance with the clause 4.5 of this Agreement, due to the client as described in each transaction Confirmation.

"Revised Rate" means the interpolated rate determined by the Bank applicable to the subsequent Deposit period used for the purpose of calculation the adjusted profit pursuant to clauses 4.3.1(j); 4.3.2(i); 4.3.3(i) and 4.3.4(i)

"Transaction" means the use by the Bank of a deposit either:

- a. In an investment that complies with the Islamic principles with the aim of achieving a profit; or
- b. In the Bank's treasury pool with the aim of achieving a profit.

"Transaction Confirmation" means a written computer generated confirmation sent by the Bank to the Client setting out the material terms of each Transaction entered into pursuant to this Agreement; and

"Type of Wakala Scheme" means, the type of Wakala scheme contained under this Agreement as follows:

- (a) The Wakala: in this scheme, the Bank in its capacity as agent of the Client, invest the deposited amount of client and, in the absence of justifiable loss, return the principal of deposited amount along with earn profits, if any, on the contracted / early maturity of Wakala.
- (b) Wakala Plus: in this scheme, the Bank in its capacity as agent of the Client, pays in advance the estimated profits on the investment of the deposited amount into the Client's Wakala Account, subject to recovery of such amount from the earned profit, if any, of the client at the maturity of the Wakala.
- (c) Easy Wakala: in this scheme, the Bank in its capacity as agent of the Client invest the deposited amount of the Client and, in the absence of justifiable loss, returns the principal of deposited amount on maturity/ early maturity of Wakala and pays estimated profits on the investment of the deposited amount on monthly basis into the Client's Wakala Account subject to recovery of any excess payment of profit amount or payment of shortfall on contracted / early maturity of Wakala.
- (d) Jawhar: in this scheme, the Bank in its capacity as agent of the Client, invested the deposited amount of the client on a monthly basis and, in the absence of justifiable loss, return principal of deposited amount

along with earned profits if any, on the contracted / early maturity of Wakala.

"Wakala" means the Saving/Current/Call account above.

1.2 Reference to clause and schedules of this Agreement.

1.3 The heading of these Terms are for the purpose of reference only and shall be ignored in the interoperation of this Agreement.

1.4 A person who is not a party to this Agreement shall have no right to enforce any these terms.

2. Appointment of Bank as the Client's Agent

2.1 The Client appoints the Bank, and the Bank agrees to act, as the Client's agent (under this general Wakala) for the purposes of entering Transactions in accordance with this Agreement.

2.2 The Bank will not assume, or be demand to have assumed, any additional obligations to, or to have special relationship with the Client other than those for which specific provision is made in this Agreement.

3. Client's duties

3.1 The Client's agrees to:

3.1.1 Grant the Bank rights, powers and discretions necessary to negotiate and enter into Transaction on the Client's behalf, in accordance with the Application and any further instruction, and to execute and delivery any instrument or transfer which is necessary in connection with a transaction;

3.1.2 Bear the risks associated with the Bank acting as client's agent, subject only to Bank's agreement to accept liability for reasonable direct damages or loss that occur as result of the loss incurred by the Bank on account of fraud, act of bad faith, willful default, gross negligence or failure to comply either these Terms. The Bank will not be liable where any damage or loss caused by circumstances beyond the Bank's control or for indirect damage or consequential losses;

3.1.3 Indemnify the Bank irrevocably and unconditionally (and promise to pay immediately on demand) against all and any reasonable liabilities, obligations, damages, claims, costs and expenses incurred directly or indirectly arising in relation to the Bank acting as agent; and

3.1.4 Pay any disbursements that arise when the Bank carries out a Transaction as Agent.

4. Procedure for Transactions

4.1 Initial Deposit

4.1.1 The Client must complete and sign an application if it wishes to open a Wakala account transaction with the Bank and invest an initial Deposit.

4.1.2 The application together with this Agreement contains the term and conditions that shall govern the operation of the Wakala Account.

4.1.3 The application contains the Bank's offer to invest the initial Deposit into a Transaction as the client's Agent. By signing the Application, the client accept the Bank's offer to invest the initial Deposit on the Terms and condition set out in Application.

4.1.4 Upon signing the Application, the client irrevocably and unconditionally undertakes to pay the initial Deposit into the Wakala Account. The term of the initial Deposit will only begin once the initial Deposit id fully cleared and freely available.

4.2 New Deposit

4.2.1 On any normal banking day during the operation of this agreement, the Client may give the Bank an instruction to invest a new Deposit on the Client's behalf in accordance with these Terms.

4.2.2 Upon receiving an instruction under clause 4.2.1 above, the Bank shall notify the Client of the proposed terms of the New Deposit on the type of Wakala scheme, the amount of the New Deposit, the term of New Deposit, the maturity date and estimated profit. If the Client agrees to the proposed offered terms, it shall give the Bank an instruction confirming its acceptance.

4.2.3 Upon receiving the instruction accepting the term for the New Deposit, the Bank shall send the Client a Transaction Confirmation.

4.2.4 The Client irrevocably and unconditionally undertakes to pay the New Deposit into the Wakala Account. The term of the New Deposit will only begin once the New Deposit id fully cleared and freely available.

4.3 Terms and conditions governing types of Wakala scheme:

4.3.1 The Wakala

- a) The client agrees to place a fixed amount under the wakala scheme for a fixed period as decided by the bank from time to time.
- b) The bank provides the estimated profit rates to the client under this scheme based on the quantum and period of the deposit.
- c) Upon maturity of a deposit, the client hereby agrees that the deposit shall be automatically reinvested in a New Deposit for the same duration (unless the client has selected a different term) according to this scheme.
- d) In the event, the client wishes to modify the maturity instructions to other than clause "C" above , the client shall notify the bank at least two working days prior to the maturity date or at the time of placement of the deposit.
- e) The Client can choose to reinvest the deposit amount alone or the deposit amount and the profit earned and with increase /decrease of principal deposit amount.
- f) On maturity date, the Bank shall pay back the deposit amount, in the absence of any valid loss, along with the actual profits earned, if any, to the client under this scheme.
- g) The Client's deposit will be invested in the Wakala account transaction for a fixed term as set out in the application or instruction (as the case may be) and eventual transaction confirmation. The deposit may not be withdrawn prior to the expiry of the fixed term.
- h) In the event of breaking the Wakala account under the scheme, the client shall give the bank a minimum of one business day written notice.
- i) The bank may permit the client to make an early partial or total withdrawal of a deposit before the expiry of the fixed term at banks absolute discretion. If the bank agrees to allow an early withdrawal of part or all of a deposit, the profit payable will be calculated by reference to the actual number of days' (and not the total fixed term period) that the deposit remained with the bank (excluding the date of early withdrawal) and additionally, the profit payable shall be calculated using the revised rate (the "adjusted profit"). Additionally, the bank will deduct its profit portion from the adjusted profit in accordance with the banks tariff sheet published from time to time (and which can be obtained upon request at any of the branches of the bank).
- j) The bank may consider the clients request for early closure, subject to payment by the clients of profit portion of the bank due on the deposit amount at the time of early closure and deposit breaking charges.

4.3.2 Wakala plus

- a) The client agrees to place a fixed amount under Wakala plus scheme for a period as decided by the bank from time to time.
- b) The Bank agrees to pay in advance an amount as payment on account of the estimated profit for the full period of deposit on the same day of making deposit as interest-free loan.
- c) On maturity date, the bank agrees to return the interest free loan made by the bank at the time of placement of Wakala plus deposit, on maturity or early maturity of this scheme irrespective of the final profit the Clint is entitled to as declared by the bank on the maturity/ early maturity of the Wakala plus deposit.
- d) The Client agrees to return the interest free loan made by the Bank at the time of placement of Wakala Plus deposit, on maturity or early maturity of this scheme irrespective of the final profit the client is entitled to as declared by the Bank on the maturity/ early maturity of the Wakala Plus deposit.
- e) On maturity date, the Wakala plus deposit under this scheme is closed and proceeds are credited to the Wakala account of the depositor. The client agrees that an automatic new Wakala plus deposit.
- f) The clients Deposit will be invested in the Wakala plus Deposit transaction for a fixed term as set out in the Application or instruction (as the case may be) and eventual transaction conformation. The Deposit may not be withdrawn prior to the expiry of the fixed term.
- g) In the event of breaking the Wakala plus Deposit under this scheme, the Client shall give the bank a minimum of one business day written notice.
- h) The bank may permit the client to make an early withdrawal of a Deposit before the expiry of the fixed term at Banks absolute discretion. If the Bank agrees to allow an early withdrawal of part or all of a Deposit, the Profit payable, after recovery of the interest free loan,

- will be calculated by reference to the actual number of days (and not the total fixed term period) that the Deposit remained with the bank (excluding the date of early withdrawal) and additionally, the Profit payable shall be calculated using the Revised Rate (the "adjusted profit"). Additionally, the Bank will deduct its portion of from the adjusted profit in accordance with the bank's Tariff sheet published from time to time (and which can be obtained upon request at any of the branch of the bank).
- i) The Bank may consider the Client's request for early closure subject to deposit breaking charges.
 - j) No charges are levied for the payment on account made by the Bank from date of payment till date of recovery under Wakala plus scheme.
- #### 4.3.3 Easy Wakala
- a) The Client agrees to place a fixed amount under Wakala Plus scheme for a fixed period of 12 months or any other period as decided by the bank from time to time.
 - b) The Bank agrees to pay the realized profit on monthly basis on the same calendar every month. If the same calendar date is a holiday, realized profit will be paid on the immediate following working day.
 - c) Upon maturity of Deposit, the Client hereby agrees that the Deposit shall be automatically reinvested in a New Deposit for the same duration.
 - d) In the event, the Client wishes to modify the maturity instructions to other than clause "C" above, the client shall notify the bank at least two working days prior to the maturity date or at the time of placement of the deposit.
 - e) If the client chooses not to reinvest the amount, on maturity date, the principal will be paid to client's Wakala account.
 - f) The Client's Deposit will be invested in the Wakala account transaction of this scheme for a fixed term as set out in the Application or instruction (as the case may be) and eventual transaction confirmation. The Deposit may not be withdrawn prior to the expiry of the fixed term.
 - g) In the event of braking the Wakala account under Easy Wakala scheme, the client shall give the bank a minimum of one business day written notice.
 - h) The Bank may permit the client to make an early withdrawal of a Deposit before the expiry of the fixed term at Bank's absolute discretion. If the Bank agrees to allow an early withdrawal of part or all of a Deposit, the profit payable, will be calculated by reference to the actual number of days (and no the total fixed term period) that the Deposit remained with the bank (excluding the date of early withdrawal) and additionally, the Profit payable shall be calculated using the Revised Rate (the "Adjusted Profit"). Additionally, the Bank will deduct its portion of profit from the Adjusted Profit in accordance with the Bank's Tariff Sheet published from time to time (and which can be obtained upon request at any branch of the bank). If the Bank agrees for client's request for early closure, if the profit calculated for the period deposit has run falls below the profit amount already paid to the client, client agrees to refund such excess amount of profit paid to him.
 - i) The Bank may consider the client's request for early closure subject to payment by the client of profit portion of the bank due one the Deposit Amount at the time of early closure and deposit breaking charges.
- #### 4.3.4 Jawhar
- a) The client agrees to place a fixed amount in Jawhar scheme every moth for a specific period of as announced by the bank from time to time.
 - b) The client gives an irrevocable mandate to debit his/her Wakala account on a specified date every month and transfer the fixed amount to Jawhar. If the balance in the Wakala account is insufficient to cover this amount, the Bank will debit the Wakala account on the first day; client agrees to inform the Bank to transfer the available balance to Wakala account.
 - c) Bank is not obliged to transfer the amount, if sufficient balance is not maintained in Wakala account on the due date the transfer.
 - d) The Bank agrees to pay the profits declared under this scheme on maturity of the deposit amount.
 - e) On maturity date, the principal and accumulated profit will be paid to Client's Wakala account.
- f) The client's Deposit will be invested in the Wakala account transaction for fixed term as set out un the application or Instruction (as the case may be) and eventual Transaction Confirmation. The Deposit may not be withdrawn prior to the expiry of the fixed term.
 - g) In the event of breaking the Wakala account under this scheme, the client agrees to give a minimum of one business day written notice.
 - h) The Bank may permit the client to make early withdrawal of a deposit before the expiry of the fixed term at Bank's absolute discretion. If the Bank agrees to allow an early withdrawal of part or all of a Deposit, the profit payable, will be calculated by reference to the actual number of days (and no the total fixed term period) that the Deposit was made (excluding the date of early withdrawal) and additionally, the Profit payable shall be calculated using the Revised Rate (the "Adjusted Profit"). Additionally, the Bank will deduct its portion of profit from the Adjusted Profit as its administration fee in accordance with the Bank's Tariff Sheet published from time to time (and which can be obtained upon request at any branch of the bank.
 - i) The Bank may consider the client's request for early closure subject to payment by the client of profit portion of the bank due one the Deposit Amount at the time of early closure and deposit breaking charges.
 - j) Reinvestment of the Deposit amount under Jawhar scheme is not permitted and the deposit amount along with accumulated profit is paid to the credit of Client's Wakala account with the bank on maturity.
- 4.4 Subject to clause 4.5 below, provided that the client shall comply with the requirement of 4.3, the bank shall:
 - 4.4.1 Negotiate and enter into a Transaction on the client's behalf and execute and delivery any instrument or transfer which is necessary in connection with transaction; and
 - 4.4.2 Arrange for the payment and collection of funds on the client behalf for the purpose of carrying out the transaction.
 - 4.5 the bank will endeavor to achieve the profit, but where the financial market move against the parties preventing the bank from achieving the estimated profit that the bank has agreed with the client the bank will contact the client again with a revised estimated profit rate so that the Bank confirm that the client still wishes to proceed with the transaction at the new rate of estimated profit. If the client accepts the revised rate of profit, then the Bank shall send the client a Transaction Confirmation. If the client does not wish to proceed with the transaction, the bank shall return to the client the invested amount together with any accrued profit (if any). At the amount determined by the bank in its absolute discretion which the client hereby agrees shall be binding on it.
- ## 5 Payment
- 5.1 Payment of the maturity proceeds by the bank to the client shall, subject to clause 5.2 be made on the maturity proceeds payment Date and into the Wakala Account.
 - 5.2 The bank shall not be obliged to pay the maturity proceeds to the client pursuant to clause 5.1 unless and until a Transaction has been completed.
- ## 6 Indemnity for telephone, fax and other similar electronic transaction
- 6.1 The client hereby authorizes the bank from time to time without further authority or notice from the client to act on any instruction given or purporting to be given by the client. In consideration of the bank agreeing to do so. The client agrees to keep the Bank fully indemnified against all losses, costs, damages and expenses that the bank may incur through the bank acting or failing to act upon any such instruction:
 - 6.1.1 Whether or not such instruction are given or transmitted without the client's authority; or
 - 6.1.2 in relation to faxed instructions, whether or not the losses and other matters mentioned above arise directly or indirectly from any operational failure, flute or error occurring in the course of the transmission or any such faxed instructions whether relating to equipment belonging to the bank or any other party;
 - 6.1.3 And the client agrees that the bank may nevertheless debit the Wakala Account (or any other account held with the Bank) with any amount which the bank has paid in accordance with any such instructions whether such account or any other account be in debit or credit.

- 6.2 The Bank will be entitled to act on any instructions and the Bank may give the client written advice to confirm the Bank has acted on such instructions. The Bank, however, will not be liable for failure to give any such written advice. Any transaction requested or confirmed by an instruction will be subject to these Terms.
- 6.3 The Bank's written record of any instruction will be conclusive and binding on the parties' authority and indemnity shall not be prejudiced by the existence or absence of any confirmation or other communication related to any instruction.

7 Termination

- 7.1 These terms shall be operative until either (a) a party has given at least ten (10) days' notice of termination in writing to the other party whereupon these Terms shall terminate at the end of such period of notice; or (b) immediately upon written notice by a party to the other party where such latter party is in material breach of these Terms.
- 7.2 Notwithstanding the termination of these Terms pursuant to clause 7.1, the parties shall remain obligated in respect of transactions consummated under these Terms and which are outstanding at the date of the written notice of termination.
- 7.3 On receipt of notice of termination by either party pursuant to clause 7.1, the party shall not enter into any new Transaction under these Terms.
- 7.4 The right to termination under these Terms given by this clause 7 shall not prejudice or affect any other right or remedy of either party in respect of the breach concerned (if any) or any other in particular the right of the bank under clauses 4.3.1(j); 4.3.2(i); 4.3.3(i) and 4.3.4(i).

8 Sharia'a compliance

The client acknowledges that it has reviewed these Terms from a sharia'a perspective, has made its own assessment of the sharia'a compliance of these Terms, has not relied on representation by the bank as to the sharia'a compliance of these Terms and is satisfied that these terms are sharia'a compliant and undertakes that it will not at any stage in the future raise any objections to these Terms on the grounds of non-compliance with sharia'a.

9 General Provisions

- 9.1 The Bank reserves the right, at the Bank's absolute discretion any time, to enter into a Transaction. The Bank shall not be liable for any direct or indirect losses, damages, cost or expenses incurred or suffered by the client where the Bank has declined to enter into a proposed Transaction.
- 9.2 In the interest of security and to ensure that the Bank carries out Transactions in accordance with the client's instructions, the Bank may monitor and/or record telephone calls with the client. Such recording will be the Bank's sole property.

- 9.3 Each provision of these Terms is severable which means that should any individual provision become invalid or contravene any applicable legislation or regulatory requirement, the relevant provision will be deemed to be deleted from these Terms and will have no force or effect but the remaining provisions of these terms shall remain in force and effect.

- 9.4 The client acknowledges that these Terms may be modified, varied or amended by the Bank from time to time provided that such modification, variation or amendment is not of material nature and that these Terms are in addition to the Bank's standard terms of business which have been supplied to the client already and which can be obtained from any branch of the bank in the kingdom of Bahrain.

10 Governing Law and Jurisdiction

- 10.1 These Terms are governed by and construed in accordance with the laws of the kingdom of Bahrain.
- 10.2 The Parties irrevocably agree that the courts of the kingdom of Bahrain have non-exclusive jurisdiction to settle any disputes which may arise out of or in connection with these Terms. The Parties hereby irrevocably submit to the jurisdiction of such courts and waive any objection on the ground of venue or on the ground that the proceedings have been brought in an inconvenient forum provided that this clause shall be without prejudice to the right to bring proceedings in any other jurisdiction for the purpose of enforcement or execution of any judgment or other settlement in any other courts.
- 10.3 The parties recognize and agree that the payment and receipt of interest is against sharia'a principles. The Bank and the client both agree with each other that neither party will, in any proceedings against the other, claim interest from the other and the parties both expressly waive and reject any entitlement to recover interest from the other.

It is agreed by the parties that these Terms shall be performed subject to the conditions and provisions contained above. In the event of a conflict, the terms, conditions and provisions of the first part prevail over the second part (General Wakala account terms) to the extent of such conflict but no further.

Signature (Bank)

Signature (Client)

Authorized Signatory _____