

Diminishing Musharaka

1. Underlying Islamic Mode

The Bank and the Customer will first enter into a **Musharaka** for the purchase of a particular asset, after which the Bank will lease out its share in the asset to the Customer under **Ijarah**.

2. Type of Product

The product can be categorized under Corporate/Commercial financing.

3. Basis for Pricing/Return

The pricing mechanism will depend upon the risk, transaction nature, tenor, underlying collateral of the transaction and liquidity position of the Bank.

4. Minimum and Maximum Financing Limit

No minimum and maximum limit as per SBP Prudential Regulations and Bank's per party exposure limits.

5. Tenors Minimum and Maximum

There will be no minimum and maximum tenor.

6. Target Customers

Corporate/Commercial.

7. Security/Collateral Required

Cash/Hypothecation/Pledge, Mortgage.

8. Other Salient Features

- The customer approaches the Bank to establish Musharaka in a particular asset
- The Bank shall purchase an undivided share in the identified unencumbered asset from the Customer through a Purchase Agreement
- The Customer and Bank shall sign the Musharaka Agreement which would spell out the terms and conditions of the partnership
- The Bank shall lease the asset that it has purchased to the Customer for agreed rentals
- The rentals shall comprise variable rentals for the first lease period and variable as well as supplementary rentals for the subsequent lease periods
- The Customer/Lessee shall give a purchase undertaking to the Bank to purchase the Lease Asset upon occurrence of an event of default and periodically as per an agreed schedule
- The Bank may give a sale undertaking to the Customer/Lessee giving it a call option to purchase the asset at the successful end of the lease agreement or prematurely but after passage of at least one year from the time of purchase of the asset by the Bank