



تعميم

المحترمون

السادة/

السلام عليكم ورحمة الله وبركاته،

الموضوع: قواعد حسابات الاستثمار القائمة على مشاركة الأرباح للبنوك والمصارف التي تمارس نشاط المصرفية الإسلامية.

استناداً إلى الصلاحيات المنوطة بالبنك المركزي بموجب نظامه الصادر بالمرسوم الملكي رقم (م/٣٦) وتاريخ ١٤٤٢/٠٤/١١هـ، والأنظمة ذات العلاقة. وإشارةً إلى العمل القائم لوضع إطار إشرافي للبنوك والمصارف التي تمارس نشاط المصرفية الإسلامية، وحرصاً منه لتعزيز بيئة الالتزام بأحكام ومبادئ الشريعة.

مرافق لكم قواعد حسابات الاستثمار القائمة على مشاركة الأرباح للبنوك والمصارف التي تمارس نشاط المصرفية الإسلامية، والهادفة إلى وضع حد أدنى للمتطلبات التنظيمية الواجب الالتزام بها من قبل البنوك والمصارف التي تقدم تلك الحسابات، بالإضافة إلى تعزيز حماية العملاء ورفع مستوى الشفافية في القطاع البنكي.

للإحاطة، والعمل بموجبه اعتباراً من ١ مارس ٢٠٢٣ م.

وتقبلوا تحياتي،  
الطيبان

يزيد بن أحمد آل الشيخ

وكيل المحافظ للرقابة

عنه / زياد بن بندر اليوسف  
وكيل المحافظة للتطوير والتقنية

أبا الخبي

نطاق التوزيع:

- البنوك والمصارف المحلية العاملة في المملكة.

# Saudi Central Bank (SAMA)

## Profit Sharing Investment Accounts Rules

Sep 2022

البنك المركزي السعودي  
SAMA  
Saudi Central Bank



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## Profit Sharing Investment Accounts Rules

### **1. Introduction**

In exercise of the powers vested upon the Saudi Central Bank (SAMA) under the charter issued by the Royal Decree M/36 on 11-04-1442AH (26 November 2020G) and the Banking Control Law issued by Royal Decree no. M/5 dated 22/2/1386AH (11 June 1966G) and the rules for Enforcing its Provisions issued by Ministerial Decision no.3/2149 on 14-10-1406AH, SAMA is hereby issuing the enclosed Rules on Profit Sharing Investment Accounts (PSIA) aimed to develop the practices followed by banks operating PSIA's. These rules should be read in conjunction with the wider SAMA regulatory framework.

### **2. Objectives**

The objectives of these rules are to provide the minimum requirements to be met by banks in Saudi Arabia that offer PSIA products. The rules aims to enhance consumer protection, transparency and financial stability in the banking sector whilst also ensuring compliance with Shari'ah principles in the operation of PSIA's.

### **3. Scope of Application**

These rules are applicable for all local Saudi banks that conduct Shari'ah compliant banking and are licensed by SAMA under the Banking Control Law.

### **4. Definitions**

The following words and phrases, wherever mentioned in these Rules will have the meanings assigned to them unless the context implies otherwise:

**SAMA:** Saudi Central Bank

**Bank:** Any local bank that is licensed to carry out banking business in Saudi Arabia in accordance with the provisions of the Banking Control Law and that conducts Shari'ah compliant banking.

**Board:** The Board of Directors appointed by the shareholders in line with applicable laws and regulations.

**Executive Management (Senior Management):** Persons entrusted with managing the daily activities of the bank, and proposing and implementing strategic decisions.

**Shari'ah Committee:** a Shari'ah Committee responsible for supervising compliance with Shari'ah principles and rules and their application in the bank.

**Shari'ah Compliant:** Compliance with Shari'ah decisions issued by the bank's Shari'ah Committee.

**Islamic Window:** That part of a conventional bank (which may be a branch or a dedicated unit of that bank) that conducts Shari'ah compliant banking, finance and investment activities.

**Investment Account Holders (or IAH):** Bank clients who have Shari'ah compliant investment accounts.

**A Profit Sharing Investment Account (or PSIA):** an account that satisfies the following conditions:

- a. It is managed by a bank in accordance with Shari'ah principles and is held as being Shari'ah compliant;
- b. Under a management agreement with the bank, where the Investment Account Holder (IAH) concerned and the bank agree to share any profits generated from PSIA's assets in a specified ratio and the IAH agrees to bear any loss not caused by the bank's negligence, misconduct, fraud or breach of contract.

**Mudarabah:** a partnership contract between the capital provider and a partner whereby the capital provider would contribute capital to an investment that is to be managed by the partner. Profits generated by the investment are shared in accordance with the agreement specified in the contract, while losses are borne by the capital provider unless the losses are due to misconduct, negligence or breach of contracted terms.

**Musharakah:** a partnership contract in which the partners agree to contribute capital to an enterprise, whether existing or new. Profits generated by that enterprise are shared in accordance with the agreement specified in the Musharakah contract, while losses are shared in proportion to each partner's share of capital.

**Wakalah:** an agency contract where the customer (principal) appoints an institution as agent (wakil) to carry out the business on his behalf. The contract can be for a fee or without a fee.

**Unrestricted PSIA:** is a PSIA for which the IAHs authorize the PSIA manager to invest the IAHs' funds in a way that the manager considers appropriate, without any restriction as to where, how or for what purpose the funds may be invested. In an unrestricted PSIA, the bank can comingle the IAHs funds with its own funds or with other funds that the bank has the right to use.

**Restricted PSIA:** is a PSIA where the IAHs authorize the bank to invest the IAHs' funds, with specified restrictions as to where, how and for what purpose the funds may be invested.

**Profit Equalization Reserve (or PER):** The amount appropriated out of the muḍarabah profits, in order to maintain a certain level of return on investment for the muḍarib and unrestricted investment account holders.

**Investment Risk Reserve (or IRR):** The amount appropriated out of the profit of investment account holders, after allocating the muḍarib's share of profit, in order to cushion against future investment losses for investment account holders.

## 5. Operation of Profit Sharing Investment Accounts

Banks may raise funding through Profit Sharing Investment Accounts (PSIA) using, for example, *Mudarabah* and *Wakalah* contracts. In a *Mudarabah* arrangement, the bank acts as the *Mudarib* and the fund providers as the *Rabb-ul-Mal*, otherwise called Investment Account Holders (IAH). In a *Wakalah* arrangement, the bank acts as a *Wakeel* for the IAH.

*Mudarabah* contracts entail the sharing of profits between the contracting parties using a pre-agreed profit sharing ratio. IAHs are liable to bear losses arising from the investments managed by the bank except in case of proven fraud, negligence, misconduct or breach of contract.

Being an equity-based contract, IAH are expected to bear the credit risk of any counterparty to whom the funds are invested with as well as the market risk of the assets in which the funds were invested.

Banks may also in practice use profit smoothing techniques to mitigate against withdrawal risks associated with PSIA. Profit smoothing can include the creation

of reserve accounts such as the Profit Equalization Reserve (PER) and the Investment Risk Reserve (IRR) as per the discretion of the bank.

## **6. Responsibilities of the Board of Directors**

A bank's Board of Directors (or the delegated committee of the Board) must ensure that it approves policies that enable a prudent management of assets and risks associated with PSIA's.

The Board (or the delegated committee of the Board) is responsible to provide effective oversight and monitoring to ensure that PSIA's are managed in the best interests of the IAHS, in line with these Rules. In particular the Board must ensure there is effective oversight of:

- a. Financing and investment activities undertaken on behalf of IAHS;
- b. A sound risk management framework that adequately identifies, measures, monitors and controls risks that are funded by assets funded by PSIA's
- c. The fiduciary duties performed by the bank to ensure that they are in accordance with the terms and conditions of the contracts between the bank and its IAHS
- d. The level of reserves (PER/IRR), to ensure that the level is appropriate and as fair as possible to existing and new IAHS; and
- e. The disclosure of relevant information to IAHS on a periodic basis

## **7. Responsibilities of the Senior Management**

A bank's Senior Management must ensure it formulates policies which approved by the Board of Directors governing PSIA's which ensure their effective and prudent management, including the following:

- a. Governance requirements including setting controls, responsibilities, and delegation of authority.
- b. Guidelines to ensure PSIA funds are invested in accordance with the relevant terms and conditions of the PSIA contract
- c. Guidelines to safeguarding the interests and rights of the IAHS
- d. The basis for allocating expenses and profits or losses to IAHS

- e. Guidelines on PER and IRR management, and to whom those reserves would revert in the event of a write-off or recovery
- f. Monitoring liquidity mismatches
- g. Valuation and monitoring of PSIA assets
- h. Dealing with any losses incurred as a result of negligence, misconduct, fraud or breach of contract on the part of the bank
- i. An acknowledgement of the right of the IAHs to monitor the performance of their investments and the associated risks, and how IAHs can exercise that right

## **8. Prudential Requirements**

Banks must follow SAMA's prudential requirements pertaining to regulatory capital for the calculation of risk weights for assets funded by PSIAs and also ensure appropriate calculation of PSIA funds in their Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) as per SAMA's liquidity requirements.

PSIA funds and any associated reserve accounts (PER and IRR) are prohibited from being included in the calculation of a bank's regulatory capital.

Banks must ensure that they manage concentration risks arising from PSIAs in line with SAMA's Large Exposure Rules.

If the management of IAH funds is outsourced to a 3<sup>rd</sup> party, Banks must ensure that such an arrangement is in compliance with all applicable outsourcing rules and regulations issued by SAMA.

SAMA may, by way of prudential assessment, direct a bank to treat, or not to treat, an arrangement between the bank and a client (for example by way of *mudarabah*, *musharakah* or *wakalah*) to be a PSIA.



## **9. Product Awareness**

A bank must ensure prospective IAH are made aware, in writing, as part of the investor agreement that:

- a. The IAH bears the risk of loss to the extent of the IAHs investment; and
- b. The IAH would not be able to recover that loss from the bank, except in the case of negligence, misconduct, fraud or breach of contract on the part of the bank

## **10. Product Governance**

SAMA emphasises that banks ensure compliance with relevant regulations and instructions pertaining to new products and services when considering PSIA.

### **10.1 Terms & Conditions**

The terms and conditions of a contract for a PSIA must be clear, concise and easily understandable by an IAH. The contract must state the type, purpose, terms and period of the contract and the profit-sharing ratio agreed at the time of the opening of the account. A bank must ensure that the following information is included in the terms and conditions given to an IAH:

- a. How the funds of the IAH will be managed and invested;
- b. The PSIA's investment objectives;
- c. The basis for allocating profits and losses;
- d. A summary of the policies for valuing the PSIA's assets
- e. If the bank uses PER/IRR reserves as a smoothing technique, a summary of the policies for transferring funds to and from the reserve

### **10.2 Contract Form**

The following must be stated in the contract:

- a. the rights and liabilities of both parties—in particular, the circumstances where losses are to be borne by the IAH;

- b. the implications on the IAH's contractual rights with regard to the early withdrawal, early redemption or other exit;
- c. the duty of the bank to disclose accurate, relevant and timely information to the IAH on the investment of funds, including its performance, investment strategies, valuation, and frequency of valuation of the PSIA's assets;
- d. how any losses incurred as a result of negligence, misconduct, fraud or breach of contract on the part of the bank will be dealt with;
- e. how any subsequent changes in the profit-sharing ratio will be disclosed;
- f. any smoothing techniques that the bank uses
- g. whether or not zakat is paid on behalf of the IAH by the bank

## **11. Disclosure Requirements**

### **11.1 Financial Statements**

A bank must ensure that its financial statements contain at minimum the following disclosures with regards to PSIA:

- a. an analysis of its income according to types of investments and their financing;
- b. the basis for calculating and allocating profits between the bank and the IAHs;
- c. the equity of the IAHs at the end of the reporting period;
- d. the basis for determining any PER or IRR;
- e. the changes that have occurred in any of those reserves during the reporting period;
- f. to whom any remaining balances of any of those reserves is attributable in the event of liquidation of the bank

### **11.2 IAH Disclosures**

A bank must provide each IAH of a PSIA a periodic statement (through SMS, e-mail or website) about the PSIA at intervals stated in the contract or terms of business. The interval must not be longer than 6 months

The bank must ensure that the periodic statement contains the following information as at the end of the period covered by the statement:

- a. the number, description and value of investments held by the IAH;
- b. the amount of cash held by the IAH;
- c. details of applicable charges (including any deductions of fees that the bank is allowed to deduct from the profits of the PSIA) and the basis on which the charges are calculated;
- d. the total of any dividends and other benefits received by the bank for the PSIA;
- e. the total amount, and particulars, of all investments transferred into or out of the PSIA;
- f. details of the performance of the IAH's investment and the historical performance on PSIA investment returns;
- g. the allocation of profit between the bank and the IAH;
- h. any changes to the investment strategies that could affect the IAH's investment.

## **12. Separation of PSIA types**

A bank must keep its accounts for unrestricted IAHs separate from the accounts for restricted IAHs. The bank must record all its transactions in investments for those accounts separately.

## **13. Effective Date**

These Rules shall come into force with effect from the 1<sup>st</sup> March 2023.