



## IMPORTANT NOTICE

This Shariah pronouncement (the "**Pronouncement**") has been issued by the Internal Shariah Supervision Committee ("**ISSC**") in respect of HSBC Bank Middle East Limited's ("**HBME**") Collateralised Murabaha Financing (the "**Product**"). This Pronouncement has been provided for information purposes only and may not be relied upon for any purpose. This Pronouncement is proprietary to HSBC Bank Middle East Limited and may not be shared, forwarded, reproduced, altered or otherwise distributed to any person.

This Pronouncement does not constitute a representation that the Product is Shariah compliant. This Pronouncement represents the views of the ISSC of HBME which may differ from those of other Shariah advisers and different Shariah standards may be applied by different Shariah boards and advisers. Customers wishing to avail the Product should conduct their own due diligence and consult their own Shariah advisers as to whether the Product is in compliance with Shariah principles for their own purposes.

This Pronouncement is a summary of the Product and does not represent a complete description of the Product, nor is it an offer to enter into such Product with any customer. Any agreement by HBME to provide the Product to a customer will be subject to separate terms and conditions.

This Pronouncement is not a recommendation to avail the Product nor should any aspect of the Pronouncement be viewed as giving any legal, regulatory, financial, tax, accounting, Shariah or other advice.

**Pronouncement of the Internal Shariah Supervision Committee of HSBC Bank Middle East Limited**

In the name of Allah, the Most Gracious, the Most Merciful  
All Praise is due to Allah, the Cherisher of the world  
Peace and blessing be upon the Prophet of Allah, on his family and all his companions

**Collateralised Murabaha Financing**

The Internal Shariah Supervision Committee (“**ISSC**”) of HSBC Bank Middle East Limited (the “**Bank**” or “**HSBC**”) has reviewed the structure and documentation for the Collateralised Murabaha Financing product (the “**Product**”) backed by a Shariah compliant portfolio of assets as collateral. The structure and documentation will be as following:

**a. Structure**

1. A Murabaha financing facility (“**Murabaha Financing Facility**”) will be provided by the Bank to its counterparty (the “**Counterparty**”) which will be secured by a portfolio of Shariah-compliant assets, such as Sukuk, equities and/or cash (the “**Collateral Portfolio of Assets**”) provided by the Counterparty in favour of the Bank. Under the Collateral Support Agreements, the Collateral Portfolio of Assets will be taken to secure the obligations of the Counterparty under the Murabaha Financing Facility. An amount equal to any income derived from the Collateral Portfolio of Assets during the life of the Product is returned to the Counterparty. Once the Counterparty’s obligations under the Murabaha Agreement are settled, the Bank will deliver the Collateral Portfolio of Assets with full title back to the Counterparty pursuant to Collateral Support Agreement.
2. As long as the Counterparty’s obligations to the Bank are outstanding under the Murabaha Financing Facility, the Counterparty undertakes to provide margin or additional Shariah-compliant assets (if requested by the Bank) to the Bank to ensure that the market value of the Collateral Portfolio of Assets meets an agreed threshold. If the Bank requests cash collateral to meet the agreed threshold, the cash collateral will then be placed with a non-HSBC custodian.

**b. Documentation**

1. Master Murabaha Agreement Security Interest (Fixed Interest)
2. Master Murabaha Agreement Title Transfer (Fixed Interest)
3. Master Collateral Support Agreement - Security Interest
4. Master Collateral Support Agreement - Title Transfer
5. Master Euroclear Security Agreement
6. Supplemental Instrument (Fixed Rate Security Interest)
7. Supplemental Instrument (Fixed Rate Title Transfer)

The ISSC hereby rules that the structure and documentation of the Product are in accordance with the principles of Islamic Shariah.

Allah Knows best.



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**Dr Aznan Hasan**



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**Dr Mohamed Elgari**



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**Dr Salim Al-Ali**

**Members of the Internal Shariah Supervision Committee of HSBC Bank Middle East Limited**

Dated: 30 June 2021