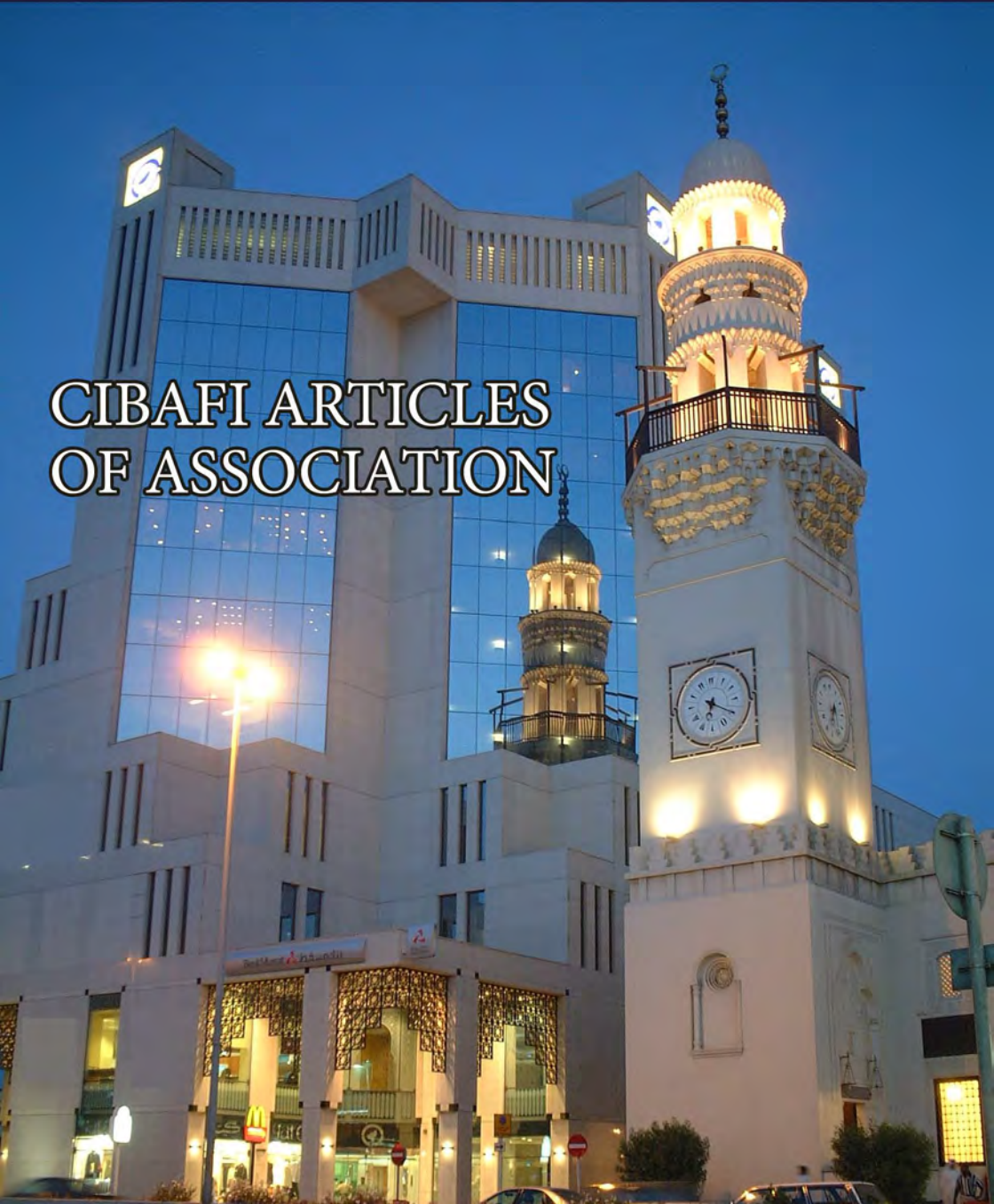


General Council for Islamic
Banks And Financial Institutions



المجلس العام للبنوك
والمؤسسات المالية الإسلامية

CIBAFI ARTICLES OF ASSOCIATION



The Amiree Decree

**By approving the Headquarters Agreement
Decree No (23) for the year 2001
Between the State of Bahrain**

And the General Council For Islamic Banks And Financial Institutions

WE, Salam Bin Hamad Eissa Al Khalifa Amir of the State of Bahrain
by delegation

After reviewing the constitution

And the Amiree Decree No (30) for the year 2001

And after the headquarters agreement signed between the state of Bahrain
and the General Council For Islamic Banks And Financial Institutions,
and based on the offer of the finance and economy minister, and after
approval of the ministerial council

Decreed the following :

Article 1:

Pursuant to the headquarters agreement between the state of Bahrain and
the General Council For Islamic Banks And Financial Institutions signed
in Manama on Saturday 31 March 2001 annexed to this decree.

Article 2:

All ministers, each according to his respective capacity, make sure this
decree is implemented and effective since its publication in the official
journal.

Amir of the State of Bahrain by delegation

Issued in Rifaa Palace

Date: 18 Safar 1422 H

Corresponding to: 12 May 2001

I. OVERVIEW

Introduction

- To consolidate the Islamic financial and economic thought, both theoretical and applied, and to extend communication channels between Islamic banks and financial institutions on the one hand and other related Islamic organizations on the other to expand the framework of this work, diversify its activities and enhance its efficiency.
- To complete the successful march of joint Islamic action in financial and economic fields,
- And in pursuance of the outcome of the special meeting of Presidents of Islamic banks and financial institutions, which was held at the Islamic Development Bank's Headquarters on 23.3.1420 H, corresponding to 10.7.1999, by recommending the establishment of a general council for Islamic banks and financial institutions and appointing a constituent committee consisting of ten Islamic banks and financial institutions and related Islamic organizations and authorize them to draw up the Council's Statutes and register it,

The Islamic banks and financial institutions and related Islamic organizations, which are members of the Council, have approved the following Statute, which consists of (28) Articles, as follows:

PART I

GENERAL PROVISIONS

Article 1

The General Council for Islamic Banks and Financial Institutions (Council) is an international autonomous non-profit corporate body. Its membership shall consist of the following:

- 1/1 Members: They are Islamic banks and financial institutions whose Articles of Associations are in compliance with the provisions of Islamic Shari' a, or those whose activities are in complete compliance with the tenets of Islamic Shari' a. They also include banks and financial institutions providing Islamic financial or banking services as part of their activities, and have dedicated management team and shari'a supervisory board.
- 1/2 Observer Members: They include research, consultancy and service companies related to Islamic Banking sector, in case they adhere to shari'a laws in executing their activities.

Article 2

The headquarters of the Council shall be located in the Kingdom of Bahrain. The Council may establish branch offices in the host country or elsewhere, if it deems necessary.

Article 3

The Council shall be legally represented by the Chairman of the Board of Directors. In his absence, he shall be represented by his Deputy. In case of the absence of the Chairman and his Deputy, the Council shall appoint whoever it deems fit to represent it.

Article 4: Financial Year and Calendar

The financial year of the Council shall commence on the first day of January and shall end on the last day of December of each Gregorian year. All dates shall be computed according to the Gregorian calendar.

PART II

COUNCIL'S OBJECTIVES AND MEANS OF IMPLEMENTATION AND SCOPE OF ACTIVITIES

Article 5: Council's Objectives

- 5/1 Promoting Islamic financial institutions, dissemination of concepts, rules and relevant provisions, developing and promoting Islamic financial industry, and enhancing its existence regionally and globally.
- 5/2 Consolidating co-operation among members of the Council and similar institutions in areas which serve the common objectives by using available means.
- 5/3 Providing information related to Islamic banks and financial institutions and related Islamic organizations.
- 5/4 Promoting the interests of members, protecting the industry and its course, confronting the common difficulties and challenges, promoting co-operation among members on the one hand, and between members and other parties on the other hand, particularly regulatory authorities.
- 5/5 Participating in the development of the Islamic financial services by encouraging research and development, product registration, and tracking the development of laws and procedures of product registration.
- 5/6 Participating in the development of human resources to tackle international challenges and development opportunities

Article 6: Means of Implementation

- 6/1 Publishing introductory literature, books, periodicals and Islamic Fiqh Encyclopedias, studies and research and other modern means of publication.
- 6/2 Organizing conferences, seminars, lectures, meetings and workshops to realize the Council's objectives.
- 6/3 Co-operating with competent authorities to promulgate laws regulating Islamic banks and financial institutions and related Islamic bodies and encouraging the issue of government and non-government financial instruments.
- 6/4 Creating a database to project the Council's mission and Islamic financial and economic action very strongly and efficiently through various available technologies.
- 6/5 Participating in the formulation of training programs to improve the professional standards of Human Resources power in the Islamic banking and financial field.
- 6/6 Supporting the activities of Islamic financial institutions through the innovation of new financial products that satisfy market needs, and also by putting in place procedures and quality standards for Islamic financial products.
- 6/7 Developing a Code of Ethics for the Islamic financial industry to ensure its safety and protection.
- 6/8 Performing any duties that further attain the Council objectives.

PART III

MEMBERSHIP CONDITIONS

Article 7: Conditions for Membership

- 7/1 A member shall be from amongst the categories comprising the General Council listed in Article (1) of this Statute.
- 7/2 A member shall pay the prescribed membership fees.
- 7/3 A member shall comply with the Council's Statute and by-laws, and respect the Code of Ethics.
- 7/4 A member shall satisfy any other condition that may be laid down by the Council. Membership shall expire by a resolution of the General Assembly in case the above-mentioned conditions are not satisfied or in case the member institution or observer member is liquidated.

Article 8: Member's Duties

A member shall undertake as follows:

- 8/1 To comply with the Statute of the Council and its by-laws and the resolutions of the General Assembly.
- 8/2 To pay membership and subscription fees as specified in the financial by-laws.
- 8/3 To strive to realize the Council's objectives by taking part in its programmes, activities and work.
- 8/4 To co-operate with the Board of Directors and the Council's committee in everything that would serve the common interest of members and Islamic financial industry.

Article 9: Member's Rights

- 9/1 To attend the meetings of the General Assembly, discuss the topics listed on its agenda and vote thereon through his authorized representatives whose membership is approved by the Council and nominate himself for membership of the Board of Directors.
- 9/2 To obtain a copy of the Articles of Association of the Council.
- 9/3 To avail himself of the facilities provided by the Council to its members on a professional, social and cultural level.
- 9/4 To obtain any literature or publications issued by the Council at the special prices specified for members.
- 9/5 An observer member shall have all the rights enjoyed by the member, except for the right to vote during the General Assembly's meetings.

PART IV ORGANIZATIONAL STRUCTURE

Article 10

The Council shall consist of the following:

- General Assembly.
- Board of Directors.
- General Secretariat.

General Assembly

Article 11: General Assembly: Composition

- 11/1 The General Assembly is the Council's supreme authority and shall be composed of the members of the Council and listed in Article 1 of this Statute.
- 11/2 The first General Assembly of the Council shall meet for the purposes of implementing this Statute. It shall have the power to admit members from other categories in accordance with the conditions of membership.
- 11/3 Each member shall appoint whoever to represent it in the General Assembly, provided that he must not be less than an assistant General Manager.

Article 12

Powers of the General Assembly

- 12/1 Approval of amendments of the Articles of Association of the Council.
- 12/2 Approval of applications for admission of new members of the General Council. The Chairman of the Board of Directors may, in principle, approve membership applications before these are submitted to the General Assembly for final approval.
- 12/3 Election of members of the Board of Directors.
- 12/4 Approval of the Council's final financial accounts.
- 12/5 Appointment of the external auditor.

Article 13

General Assembly Meeting

- 13/1 The General Assembly shall be convened at least once a year at the invitation of the Chairman of the Board of Directors or at the request of 25% of the members who have the right to vote. The quorum necessary for convening a valid meeting of the General Assembly shall be the presence of at least 50% of the members who have the right to vote.

- 13/2 Resolutions of the General Assembly shall be issued by the absolute majority of members present thereat, except for amendments to the Statute, which requires the agreement of two thirds of the attending members who have the right to vote.
- 13/3 Any member may delegate other members, in writing, to represent him in attendance and voting.
- 13/4 Where the quorum referred to in 3/1 above is not satisfied, the General Assembly shall be called for another meeting to be convened within not more than two months. This other meeting shall be valid in the presence of no less than 40% of the members who have the right to vote.

Board of Directors

Article 14

The Board of Directors is the supreme executive authority of the Council. It shall draw up executive policies and plans to realize the Council's objectives. The Board of Directors shall manage the Council's affairs. For this purpose, it may undertake any activities save those reserved in the Articles of Association for the General Assembly's approval beforehand.

Article 15

Composition of the Board of Directors

The Board of Directors shall be composed of fifteen members, including Islamic Development Bank (IDB) as permanent member. The General Assembly shall elect the other members for a term of three years, which may be renewed. The date of registering the Council shall be the commencement date of the membership of the members in their first term.

Article 16

Powers of the Board of Directors

- 16/1 Drawing up the general framework for the policies and plans of the Council.
- 16/2 Confirming regulations governing the Council's activities.
- 16/3 Confirming programs and plans, which realize the Council's objectives.
- 16/4 Reviewing the reports submitted by the Council's sub-committees and members' suggestions and adopting appropriate decisions related thereto.
- 16/5 Approval of the draft annual budget and recommending ratification of the Council's final accounts and annual report.

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- 16/5 Approval of the draft annual budget and recommending ratification of the Council's final accounts and annual report.

- 16/6 Approval of the donations, grants, bequests and Waqf for the Council and management of its financial and Waqf resources.
- 16/7 Implementation of the resolutions and recommendations of the General Assembly of the Council.
- 16/8 Approval of opening branches and regional offices for the Council.
- 16/9 Approval of the appropriate managerial hierarchy.
- 16/10 Appointment of the Secretary General.
- 16/11 Determination of subscription fees and granting exemptions in cases decided by the Council.

Article 17

Meetings of the Board of Directors

- 17/1 The Board of Directors shall meet at least once every six months at the invitation of its Chairman, or on the request of one third of its members to review urgent matters.
- 17/2 The Board of Directors shall elect, during its first meeting, a Chairman and Deputy Chairman for Five years. The Chairman and Deputy Chairman may not be elected for more than two successive terms. The Chairman shall have the following powers:
 - 17/2/A- The Chairman of the Board of Directors shall be the Chairman of the Council, and he shall represent it towards third parties. He may delegate others to act on his behalf. He shall chair the meetings of the General Assembly and the Board of Directors and sign the minutes of meetings.
 - 17/2/B- The Deputy Chairman of the Board of Directors shall have the same powers of the Chairman of the Board of Directors in his absence.
- 17/3 The meeting of the Board of Directors shall be valid if attended by the majority of its members in person or by proxy .
- 17/4 Resolutions of the Board of Directors shall be adopted by the majority of the votes of members present thereat. In case of a tie, the Chairman shall have a casting vote.

Article 18

Sub-Committees

The Board of Directors may form sub-committees from among its members or from others, and shall determine the number of members of each sub-committee and its terms of reference and the manner in which it shall conduct its business. Their studies and research shall be submitted to it to determine the necessary action.

General Secretariat of the Council

Article 19

Composition of the General Secretariat

The General Secretariat shall be comprised of the Secretary General and the technical and administrative units of the Council.

Article 20

Conditions of Appointment of the Secretary General

The Board of Directors shall appoint a full-time Secretary General for the Council who shall not be a member of the Board of Directors. The Board of Directors shall determine the Secretary General's salary, benefits and terms of service. To be eligible for appointment as Secretary General, a person must fulfill the following conditions:

- 20/1 He must hold a suitable academic qualification, preferably in a discipline related to the field of Islamic banking and financial institutions.
- 20/2 Preference shall be given to the person who has practical experience in the field of Islamic banking and finance.
- 20/3 He must be capable of carrying out his duties in both the Arabic and English language.

Article 21

Powers and Duties of the Secretary General

The Secretary General is the Council's executive director and shall perform the following duties:

- 21/1 Co-ordinating the activities of the General Assembly, the Board of Directors and sub-committees. He shall take measures to ensure the implementation of the resolutions adopted by any of these bodies and follow up their implementation.
- 21/2 Running of the day-to-day affairs and activities of the Council.
- 21/3 Co-ordination and supervision of the studies, publications, booklets and reports issued by the Council.
- 21/4 Strengthening ties between the Council and other organizations having similar objectives, as well as between the Council and other Islamic financial institutions.
- 21/5 Preparing the Council's future plans and its annual budget and submitting them to the Board of Directors for discussion prior to their approval.
- 2/6 Proposing employment rules for the Council and submitting them to the Board of Directors for discussion prior to their approval.
- 21/7 Appointing members of the technical and administrative units according to the approved plan.

- 21/8 Preparing the Board of Director’s report and the financial statements and submitting them to the Board of Directors for discussion prior to their approval.
- 21/9 Acting as rapporteur for the General Assembly and the Board of Directors and attending their meetings and taking part in discussing the topics listed on their agendas but without having the right to vote thereat.
- 21/10 Undertaking any other function assigned to him by the General Assembly or the Board of Directors.

Article 22

The Secretary General shall undertake to maintain the following registers at the Council’s Headquarters:

- 22/1 A register for Islamic banks and financial institutions and related Islamic organizations which are members of the Council and recording full details about each member.
- 22/2 A register containing the minutes of meetings of the Board of Directors which must be signed by the Chairman and the Secretary General.
- 22/3 Maintain the necessary books and records, in accordance with rules and regulations. He may also maintain whatever registers he deems necessary to ensure smooth running of business.

PART V

COUNCIL’S SOURCES OF FINANCE

Article 23

Council’s Financial Sources

The Council’s sources of finance shall consist of the following:

- 23/1 Membership fees and annual subscription fees.
 - 23/1/ A – Membership fees to be paid once by each of the member after he is registered or re-registered as member of the Council.
 - 23/1/ B - Subscription fees of members.
- 23/2 Grants, donations, bequests and Waqf approved by the Board of Directors.
- 23/3 Proceeds of publications, training workshops and services provided by the Council.
- 23/4 Profits earned from investing the Council’s funds.
- 23/5 Fees charged by the Council for the services it provides.
- 23/6 Any other sources of finance to be approved by the Board of Directors.

PART VI FINAL PROVISIONS

Article 24

Language of the Articles of Association

This Article of Association was drawn up in Arabic and English. In case of any discrepancy between the two languages, the Arabic language shall prevail.

Article 25

Interpretation of the Statute

The Board of Directors will be the body responsible for the interpretation of the provisions of this Statute. If any matter concerns the Board of Directors, its interpretation shall be the responsibility of the General Assembly.

Article 26

Disposal of the Council's Funds on Liquidation or Winding Up

The General Assembly of the Council shall specify the party on which the Council's funds shall devolve in case of its liquidation or winding up.

Article 27

Compliance with Shari'a Provisions

The Council shall comply, in all its activities, with the provisions of the glorious Islamic Shari'a.

Article 28

Effective Date

This Articles of Association shall come into effect on the date it is registered by the competent authorities in the State of Bahrain.