

Islamic Banking Principles, Sharia Contracts & Governance

STATUTORY MANDATE & CORE PROTECTION RULE

All member banks in Somaliland must comply with these Sharia

1. Core Tenets of Islamic Banking: Islamic banking is governed by fundamental prohibitions against Riba (usury or exploitative interest), Gharar (excessive ambiguity or deception), and Maysir (pure gambling and speculation). All capital deployment must be tied to tangible economic assets.
2. Murabaha (Cost-Plus Sale): The bank purchases a tangible asset (such as vehicle, machinery, or building supplies) on your behalf and sells it to you at cost plus a transparent, agreed-upon profit margin payable in scheduled installments.
3. Mudaraba & Ijara: Mudaraba is a partnership where one party provides capital while the other contributes expertise, with profits shared per contract. Ijara is a lease agreement where the bank owns an asset and leases its usufruct with the option of final transfer of ownership.
4. Role of the Sharia Supervisory Board: Every accredited member bank retains an independent Sharia Supervisory Board comprised of recognized Islamic scholars who audit financial products, operational contracts, and treasury investments to certify strict compliance.