The Islamic Finance and Markets Law Review

Sixth Edition

Editors
John Dewar and Munib Hussain

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SIXTH EDITION

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PREFACE

We are honoured to present the sixth edition of *The Islamic Finance and Markets Law Review*. The chapters that follow describe the manner in which Islamic, or *shariah*-compliant, finance is practised in various jurisdictions throughout the world. Although each country will have variations, one of the most striking features of Islamic finance as a legal discipline is that it includes core concepts and structures that cross jurisdictional boundaries. Given the importance and ubiquity of these concepts and structures, a short introduction to them is in order.

i Sources of Islamic finance

Islamic, or *shariah*-compliant, finance is concerned with the conduct of commercial and financial activities in accordance with *shariah*, or Islamic, law. Islamic finance emphasises productive economic activity over pure speculation, and encourages transaction counterparties to share profits and losses to promote collaborative efforts. Islamic finance practices are based upon a central core constituting:

a the Quran, the holy book of Islam;

b the Sunnah, words or practices instituted or approved by the Prophet Muhammad, including the Hadith, which are oral traditions regarding the words and deeds of the Prophet Muhammad, as compiled by the Sahabah (closest companions of the Prophet Muhammad);

c *ijma*, or consensus of the independent Muslim jurists qualified to exercise *ijtihad* (a *mujtahid*) on a particular interpretation of *shariah*; and

d *qiyas*, which is interpretation by analogical reasoning where one situation is measured against another by the *mujtahids*, in each case subject to and in accordance with the Quran, Sunnah and *ijma*.

The principles derived from the application of *ijma* and *qiyas* to *shariah* form the body of jurisprudence known as *fiqh* (understanding and knowledge applied to any branch of knowledge). The body of rules that underpin the derivation of *fiqh* is referred to as *usul al-fiqh*.

Certain *shariah* principles may be ambiguous, not least because of the numerous exegeses of the Quran, the voluminous Hadith and the *mujtahids* involved in the practice of *ijtihad*, interpreting *shariah* in different (yet equally permissible) ways because of the interpretation methodologies they may apply. This means that often there can be different legal opinions (*fatawa*) on the same aspect of *shariah*. This difference of methodology for interpreting *shariah*, and the body of *fatawa* derived thereby, is one reason why there have developed several schools of thought or *fiqh* (*madhabs*) to which a *mujtahid* would ordinarily be aligned. The renowned *madhabs* are *Hanafi*, *Maliki*, *Shaf'i* and *Hanbli*.

ii Principles of Islamic finance

Akin to Western legal systems, in Islam there is a presumption that everything is permissible (*halal*) unless there is an express law that rebuts that presumption by declaring it as forbidden (*haram*). Islamic financiers are therefore expected to carry out their activities subject to, and in accordance with, *shariah* principles. The pertinent *shariah* principles that relate to Islamic finance include:

a *Riba* (translated literally, excess): although *shariah* scholars debate the precise definition of *riba*, essentially it represents unearned excess or profit charged in connection with a transaction, and derived by the mere passage of time. This is generally thought to include a prohibition against charging interest in connection with the use of money. The philosophy behind the absolute prohibition of *riba* (which has the effect of rendering any contract harbouring *riba* as being void) is that *shariah* regards money as having no intrinsic value in itself (unlike commodities such as gold, silver, dates and wheat) and is merely a means of exchange to procure goods and services. Money cannot therefore derive a profit either from the exchange of money of the same denomination or as a result of the passage of time, as is the case with interest.

b *Gharar*: this refers to undue uncertainty in a transaction. For example, the sale of an object that a seller does not yet possess is considered to include *gharar*, because it is uncertain whether the seller will be able to obtain the relevant object and complete the sale transaction. Some *shariah* scholars assert that *maysir* and *gharar* prohibit life insurance contracts and financial derivatives.

c *Maysir*: this refers to impermissible speculation, meaning investments that depend chiefly upon chance for their outcomes. The prohibition of *maysir* does not prevent parties from taking on risks normally connected with business transactions.

d *Qimar*: this refers to transactions tantamount to gambling.

Two other relevant *shariah* principles are the prohibition on investing in, or being involved with, *haram* products and activities (such as alcohol and gambling establishments) and the prohibition of becoming unjustly enriched.

In practice, Islamic financial institutions and investors typically engage *shariah* scholars to establish investment guidelines and parameters for investment activity, in a manner consistent with the sources of Islamic finance, *madhabs* and Islamic finance structures referred to above. Efforts have been made to increase uniformity among these *shariah* advisers, in the hope of creating a more standardised market. For example, the Accounting and Auditing Organization for Islamic Financial Institutions, a non-profit industry-sponsored organisation, issues non-binding *shariah* standards developed in consultation with industry practitioners. Other influential bodies include the Fiqh Academy of the Organization of the Islamic Conference, the Shari'ah Supervisory Board of the Islamic Development Bank and the Islamic Financial Services Board in Kuala Lumpur. These bodies, and individual *shariah* scholars, provide the context for Islamic finance generally. The degree to which their rules are incorporated into legal regimes varies between jurisdictions.

iii Basic Islamic finance structures

Although structures differ across national boundaries, the basic structures outlined below tend to be widely used by market participants. Profit and loss-sharing forms the bedrock of Islamic finance, since Islam perceives that the ideal relationship between contract parties should be that of equals in which profit and losses are shared. *Shariah* by no means prohibits the making of profit, but it does scrutinise the basis upon which profit is made as, for example, charging interest could exploit a client in a time of hardship whereas a financier's wealth is increased by no effort of his or her own. Islam instead empowers the financier to derive a profit by investing money or another consideration directly (or indirectly through a joint venture arrangement, for example) in real assets using one or more of the Islamic finance structures discussed below. The financier will then generate a profit and recoup the principal sum invested in an asset by exercising his or her rights as an owner: using, leasing or selling the asset. Here, unlike in conventional finance, the money itself has not yielded the profit: instead the assumption of the risks and responsibilities as the owner of the asset, or as a partner in the venture, has yielded the profit made by the financier. This highlights the preference of Islamic finance for equity over debt and seeking to deal in tangible assets. This also explains why Islamic finance can be used as a form of both asset-backed financing and asset-based financing.

Combinations of the following Islamic finance structures can be used in project finance and other structured transactions. For example, a *mudarabah* or *musharakah* could be used to invest in a venture to commission the manufacture of an asset under an *istisnah*, which, once constructed, can be leased through an *ijarah*.

Ijarah (lease)

The *ijarah* is a form of lease financing whereby the usage (usufruct) of an asset or the services of a person are leased by the lessor to the lessee for rental consideration. The *ijarah* can take effect as an operating lease, with the asset returning to the lessor at the end of the lease term, or akin to a finance lease, with title to the asset being transferred to the lessee at the end of the lease term or ownership units being transferred to the lessee during the term of the lease (an *ijarah wa iqtina*). Although *shariah* does not permit a forward sale, the *ijarah* can become effective at a future date provided the rent is only payable after the leased asset is delivered to the lessee. This type of forward lease is called an *ijarah mawsufa fi al-dhimma* and is most prevalent in the project financing context.

Istisnah

An *istisnah* is used for the manufacture or development of an asset. Under this structure, one party engages a counterparty to construct an asset in accordance with agreed specifications, and agrees to purchase or lease the asset upon completion. The manufacturing party must finance the manufacture or construction of the asset, although it may require a down payment or progress payments from its counterparty, or both. The manufactured asset must be accepted by the counterparty if it meets the given specifications. Once the asset has been constructed, title to the asset must be transferred by the manufacturing party to the counterparty, who will then either sell the asset or lease the asset to a counterparty pursuant to an *ijarah*. This structure may be employed for project finance, among other purposes.

Murabahah

A *murabahah* is an asset purchase transaction in which a party purchases an asset from a third party at the request of its counterparty, and then resells the asset to that counterparty. The sale price payable by the counterparty equals the original acquisition price paid by the first party plus an agreed return (i.e., cost-plus), and is payable on a deferred basis. Under this technique, the counterparty is able to acquire an identified asset, but can pay the purchase price for it over time. A *murabahah* can be used to finance the acquisition of a variety of assets, and its versatility makes the structure a favourite among market participants.

Mudarabah

A *mudarabah* is an investment fund arrangement under which one party (the *rab-al-mal*) provides capital to an enterprise while a second party (the *mudarib*) contributes work. The *mudarib* manages the enterprise's capital, and in doing so usually has wide discretion. In return, the *mudarib* often earns a fee. The *mudarabah* parties also share any profits of the enterprise according to agreed percentages. However, only the *rab-al-mal* bears the risk of losing money on the enterprise. Guarantees of the capital by the *mudarib* are not permitted, as this would depart from the principle that the *rab-al-mal* bears the risk of any loss. In *Dana Gas PJSC v. Dana Gas Sukuk Ltd & Ors* ([2017] EWHC 2928),[1] Dana Gas attempted to (but ultimately was unable to) render its *mudarabah sukuk* unenforceable on a number of grounds, one of which was that the *sukuk* were not *shariah*-compliant because they featured what appeared to be a guarantee from the *mudarib* of the face amount of the *sukuk* contrary to the risk-sharing methodology reflecting a traditional *mudarabah*. The *mudarib's* risk should solely be that its time and effort will not produce a return. Among other uses, a *mudarabah* may be employed for investment funds that make *shariah*-compliant investments.

Musharakah

A *musharakah* is a partnership arrangement in which transaction parties contribute cash or property, or both, to a collective enterprise. The parties share profits according to agreed percentages (as with a *mudarabah*), but also share losses in proportion to their capital investments. All *musharakah* parties may exercise control of the *musharakah*, although in practice there is usually a designated control party. Under diminishing *musharakah* (*musharaka muntahiya bittamleek*), one or more of the *musharakah* parties have the ability to buy out the interests of the other *musharakah* parties over time for an agreed price. The *musharakah* structure is considered the most ideal for profit and loss sharing.

Sukuk

Although *sukuk* (plural of *sakk*) are often referred to as Islamic bonds, they are more akin to Islamic trust certificates representing an undivided beneficial ownership interest in an underlying asset where the return is based on the performance of that underlying asset. A *sukuk* issuer pays an agreed amount of the revenue produced by the *sukuk* assets to the *sukuk* holders. A distinction is made between asset-backed *sukuk*, which provide *sukuk* holders with a claim to the subject assets, and asset-based *sukuk*, which derive cash from the assets, but do not grant *sukuk* holders direct rights in the assets. *Sukuk* do share certain features

1 *Dana Gas PJSC v. Dana Gas Sukuk Ltd & Ors* ([2017] EWHC 2928).

with conventional bonds, such as being in certificated form, being freely transferable on the secondary market if the *sukuk* is listed, paying a regular return and being redeemable at maturity, but conventional bonds are also tradable debt, which *shariah* prohibits.

iv Conclusion

Islamic finance has grown rapidly during the past 25 years in terms of market participants, structuring expertise and transaction types. Islamic finance is vibrant, and has proven its competitiveness with conventional financing products, often featuring alongside, or as an alternative to, conventional financing products. The chapters in this book illustrate the dynamic manner in which Islamic finance has adapted and continues to develop globally, and we recommend them to you.

We would like to thank the writers who have taken the time to contribute their insights on Islamic finance practice, and to the editors who made publication of this book a reality.

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Milbank LLP
London
September 2021

Chapter 8

UNITED ARAB EMIRATES

Amjad Ali Khan and Rahat Dar[1]

I LEGISLATIVE AND REGULATORY FRAMEWORK

i Legislative and regulatory regime

The United Arab Emirates (UAE) has always provided an attractive environment from which to provide Islamic finance services and products into the Gulf Cooperation Council (GCC) and beyond. In addition to being an established and vibrant global financial centre and having its geographical location in the centre of the Asian and Western financial markets, the UAE also provides a legal system and a judiciary that is familiar with the principles of *shariah*. The UAE's Constitution identifies *shariah* as a principle source of law and the UAE Civil Code,[2] which is deeply anchored in *shariah*, recognises the basic Islamic financing contracts, including:

a *Murabahah* (cost-plus financing): Article 506 of the UAE Civil Code defines a *murabahah* sale as:

> *1. A sale may be by way of resale with a profit, a loss or at cost price if the capital value of the thing sold is known at the time of the contract, and the amount of the profit or loss is specified.*
>
> *2. If it appears that the seller has exaggerated in declaring the amount of the capital value, the purchaser may reduce (the amount) by the amount of the excess.*
>
> *3. If the capital value of the thing sold is not known when the contract is made, the purchaser may rescind the contract when he learns of it, and the same shall apply if the seller conceals a matter affecting the thing sold or the capital value, and he shall lose his right to elect if the goods are sold or consumed or pass out of his ownership after delivery.*

b *Mudarabah* (trust financing): Article 693 of the UAE Civil Code states that a *mudarabah* is 'a contract whereby the person owning property puts in the capital, and the *mudarib* puts in effort or work, with a view to making a profit'.

c *Musharakah* (partnership financing): Article 654 of the UAE Civil Code identifies *musharakah* generally in the following statement: 'A company is a contract whereby two or more persons are bound each to participate in a financial project by providing a share of property or work for the exploitation of that project and the division of any profit or loss which may arise therefrom.'

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1 Amjad Ali Khan is a senior consultant and Rahat Dar is a senior associate at Afridi & Angell.

2 UAE Federal Law No. 5 of 1985 Concerning Civil Transactions.

d *Ijarah* (leasing): Article 742 of the UAE Civil Code defines *ijarah* as 'the conferring by the lessor on the lessee of the right of use intended for the thing hired for a specified period in consideration of an ascertained rent'.

e *Istisnah*: while there is no specific article in UAE law that expressly refers to and deals with *istisnah*, the official commentary to the UAE Civil Code stipulates that the *shariah* principles of *istisnah* are applicable in the case of construction contracts (*muqawala*), which are defined in Article 872 as 'a contact whereby one of the parties thereto undertakes to make a thing or to perform work in consideration which the other undertakes to provide'.

While the emirate of Dubai has established itself as a major centre for business and commerce, the UAE is a relatively young country and the laws and regulations applicable to financial products and services (including Islamic finance) are rudimentary – often just providing a mandate for the formation of regulatory authorities to govern the provision of the relevant financial products and services in the UAE. Consequently, the detailed rules, regulation and policies relating to financial products and services are left to the discretion of the relevant regulatory authorities. The internal rules, policies and guidelines implemented by the authorities relating to the relevant financial products are not always made public. The laws relevant to Islamic financial services are in many cases diffused in multiple pieces of legislation, and the coverage of issues (including consumer protection) is general rather than comprehensive.

Islamic banking

The UAE is one of the largest Islamic banking markets in the world, after Saudi Arabia and Malaysia. According to the UAE Central Bank's annual report for 2020, as at December 2020, while the total assets held by UAE banks increased by 3.4 per cent in 2020, the share of *shariah*-compliant assets saw a very modest increase from 18.6 to 18.9 per cent (approximately 602.5 billion UAE dirhams), representing the second consecutive year that the Islamic finance sector has posted a lower rate of growth than conventional lending. Year-on-year figures[3] across a number of key indicators, such as gross assets, gross credit and bank deposits, have all shown negative growth for Islamic banks in the UAE, compared with the positive growth (albeit modest) in the commercial lending segment.

The principal governmental and regulatory policies that govern the UAE banking sector, including Islamic banks (except in the Dubai International Financial Centre (DIFC), where the regulatory authority is the Dubai Financial Services Authority), are the Banking Law,[4] which came into force on 30 September 2018 and repealed UAE Federal Law No. 10 of 1980 concerning the UAE Central Bank, the Monetary System and the Organisation of Banking and UAE Federal Law No. 6 of 1985 concerning Islamic Banks, Financial Establishments and Investment Companies; the Commercial Code;[5] and the various circulars, decisions, notices and resolutions issued by the board of governors of the UAE Central Bank, from time to time, and that deal with various aspects of banking, including bank accounts, maintaining of certain reserve ratios, capital adequacy norms and reporting requirements to the UAE

3 UAE Central Bank's UAE Bank Indicators (Conventional and Islamic Banks) for the end of March 2020.

4 UAE Federal Law No. 14 of 2018 concerning the Central Bank and Organisation of Financial Institutions and Banking, as amended.

5 UAE Federal Law No. 18 of 1993, as amended.

Central Bank. (Under the Banking Law, all existing UAE Central Bank circulars, decisions, notices and resolutions will remain in full force for a period of three years, unless replaced by new circulars, decisions, notices or resolutions).

The Banking Law is the primary legislation giving the UAE Central Bank the authority to regulate financial services (including Islamic financial services) in the UAE. According to the Banking Law, the UAE Central Bank has the power to license and regulate a wide variety of financial institutions operating in the banking and financial sector in the UAE. In particular, the following institutions are regulated:

- *a* banks, which are defined to include institutions licensed primarily to carry on the activity of accepting deposits and other licensed financial activities, such as granting loans, issuing and collecting cheques, placing bonds, trading in foreign exchange and precious metals, or carrying on other operations allowed by law or by customary banking practice;
- *b* exchange houses and money intermediaries (i.e., foreign exchange dealers who purchase and sell currency);
- *c* Islamic financial institutions; and
- *d* other financial institutions.

With respect to Islamic financial institutions, permissible activities are not specified in the Banking Law, which provides that the phrase Islamic financial institutions means financial institutions licensed to undertake all the activities of a commercial bank but in accordance with the principles of Islamic *shariah*. The Banking Law provides that licensed Islamic financial institutions may undertake any of the following activities, provided they are done in a *shariah*-compliant manner:

- *a* taking deposits of all types, including *shariah*-compliant deposits;
- *b* providing credit facilities of all types;
- *c* providing funding facilities of all types, including *shariah*-complaint funding facilities;
- *d* providing currency exchange and money transfer services;
- *e* providing monetary intermediating services;
- *f* providing stored values services, electronic retail payments and digital money services;
- *g* providing virtual banking services;
- *h* arranging or marketing licensed financial activities; and
- *i* acting as a principal in financial products that affect the financial position of a licensed financial institution, including but not limited to foreign exchange, financial derivatives, bonds and *sukuk*, equities, commodities and any other financial products approved by the UAE Central Bank.

The concept of a higher *shariah* authority was first contemplated under Article 5 of UAE Federal Law No. 6 of 1985 concerning Islamic Banks, Financial Establishments and Investment Companies, which provided that this authority should incorporate:

> *legal and banking personnel to undertake higher supervision over Islamic banks, financial institutions and investment companies to ensure legitimacy of their transactions according to the provisions of Islamic shariah law, and also to offer opinion on matters that these agencies may come across while conducting their activities. The opinion of the said higher shariah authority shall be binding on the said agencies.*

In 2017, the UAE cabinet approved the formation of the board of the higher *shariah* authority to strengthen consistency in the Islamic finance industry across the UAE. At its first meeting, the board identified a number of core objectives for the higher *shariah* authority, in particular:

- *a* issuing *fatawa* (opinions) and ensuring the legitimacy of the products, services and activities of institutions providing Islamic services;
- *b* introducing and approving new and existing *shariah* standards and uniform documents relating to best practices for global Islamic financial services;
- *c* notifying the UAE Central Bank of *shariah* matters concerning preventive systems related to global Islamic financial services, as well as *shariah*-compliant instruments and ways to develop these;
- *d* conducting *shariah* research regarding Islamic financing and ways of supporting it; and
- *e* communicating and cooperating with other international organisations that currently set *shariah* regulations and standards for the Islamic financial industry.

The Banking Law has formalised the establishment, and expanded the mandate, of the existing higher *shariah* authority (Higher Authority). The Higher Authority shall consist of at least five members (but not more than seven) with sufficient knowledge and experience in *shariah* and Islamic financial transactions. The Higher Authority will, among other things, determine the rules, standards and general principles applicable to Islamic financial institutions and will undertake supervision and oversight of the *shariah* committees (see below). A *fatwa* issued by the Higher Authority shall be binding on both *shariah* committees and all Islamic financial institutions undertaking part or all of their business in accordance with the principles of *shariah*. In recent years the Higher Authority has continued to promote and enhance governance and standardisation of *shariah* requirements and alignment of practices of Islamic financial institutions with international standards. In 2019, the Higher Authority's work focused on:

- *a* compliance with the internationally recognised Shariah Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), with the adoption of a new Standard on the sale of debt and the initiation of a new generation of Standards regarding *murabahah*;
- *b* the issuance of updated guidance for new *shariah*-compliant product application processes; and
- *c* strengthening the *shariah* governance of Islamic financial institutions.

In conducting its work, the Higher Authority collaborates closely with the UAE market participants. During the year, it held nine meetings and organised an inaugural executive programme delivered by the Higher Authority members on the effective integration of *shariah* in the regulatory and legal framework of the *shariah*-compliant financial industry.

Each Islamic financial institution must appoint and maintain a *shariah* committee, called the internal *shariah* supervision committee (*shariah* committee); these *shariah* committees mirror the activities of *shariah* supervisory boards (SSBs) under the earlier banking regime, consisting of experienced experts in Islamic finance jurisprudence. Currently, the *shariah* committee shall undertake internal *shariah* supervision of all business, products, services and the business conduct of a Islamic financial institution to ensure that its operations and products comply with the rules and principles of *shariah*, as set by the Higher Authority. Once a product has been finalised between the business development team and the *shariah* committee, the Islamic financial institution will make an application to the Higher Authority to approve the product. Once a financial product has received the approval of the Higher Authority, it can be offered by the Islamic financial institution to the public in the UAE.

Capital markets

The capital markets in the UAE are still in their infancy, and there are very few Islamic products listed on the local exchanges. While the UAE Central Bank is the principal financial services regulator for banks and financial institutions in the UAE, these entities are also subject to additional registration and licensing requirements at the federal and emirate levels. The Emirates Securities and Commodities Authority (ESCA) is the regulator in relation to listed securities (including *sukuk*). As with other jurisdictions in the GCC, the laws and regulation relating to the provision of financial products on the local capital markets are supplemented to a large extent by the regulatory regime implemented on the individual exchanges. In the UAE, while the regulators will provide the broad requirements for issuing securities, it is the individual regulators of the exchanges (such as in the Abu Dhabi Stock Exchange and the Dubai Financial Market) that will provide the detailed framework for the listing of the relevant financial products on these exchanges. A detailed review of the rules and regulations of the individual stock exchanges in the UAE and the DIFC is beyond the scope of this chapter.

While the UAE equity capital markets have been near-inactive in the past few years, with only a handful of primary listings on the local exchanges, *sukuk* (or Islamic bonds) have bucked the trend and emerged as the fastest-growing segment of the UAE Islamic capital markets. The UAE is also a popular destination for listing *sukuk*. At the end of 2018, the total value of *sukuk* listed on NASDAQ Dubai stood at US$51.2 billion, with 14 new *sukuk* listings with an aggregate value of US$11.99 billion in 2018.

Decision No. 16 of the ESCA Board of Directors of 2014 Concerning the Regulation of Sukuk (Sukuk Regulations) provides specific guidelines for the issuance of *sukuk* in the UAE and the listing of *sukuk* on the local capital markets. In particular, the Sukuk Regulations provide that:

a all retail *sukuk* (i.e., *sukuk* where the maximum value of each sukuk certificate is 100,000 UAE dirhams and is offered to the public through a public subscription) shall only be issued in the UAE through public subscription and shall be listed on a local market;

b the obligor (i.e., the company that will receive the funds from the issuance of the *sukuk* certificates) must obtain ESCA's approval before issuing or listing *sukuk* on a regulated market;

c for a primary listing of a *sukuk*, the obligor must ensure that the *sukuk* has been approved by its SSB. If the obligor does not have an SSB, the *sukuk* must be approved by a *shariah* committee approved by ESCA;

d unless ESCA provides otherwise, the nominal value of a listed *sukuk* must be above 10 million UAE dirhams or its equivalent in any foreign currency accepted by ESCA and the relevant capital market;

e the issuer must appoint a UAE licensed bank to act as the paying agent in the UAE;

f the obligor must provide a prospectus (prepared in accordance with the guidelines in the Sukuk Regulations) for a primary listing of a *sukuk*;

g the obligor must comply with detailed continuing obligations in connection with a listed *sukuk*, including notifying ESCA and the relevant market of any information that may be expected to materially affect market activity, the price of the listed *sukuk*, or the ability of the obligor or issuer to meet its commitments under the *sukuk*; and *h* ESCA shall respond to any application for the listing of a *sukuk* within five business days. If no response is received in this time frame, the application shall be considered rejected. ESCA shall have the right to attach any conditions to any listing approval that it deems necessary to protect the public interest.

ESCA's Board of Directors Decision No. 20 of 2018 Concerning the Offering or Issuance of Islamic Securities (the Offering Regulations) also imposes various obligations in relation to the issuance or offering of any *shariah*-compliant securities in the UAE (including by foreign entities) or outside the UAE by UAE-based issuers. In particular, the Offering Regulations set out the minimum information that an issuer wishing to offer or issue an Islamic security inside or outside the UAE (as well as a foreign issuer wishing to offer an Islamic security in the UAE) will have to incorporate in the offering document or prospectus and the information that must be disclosed to ESCA and the market in connection with such an issuance or offering.

Takaful insurance

The growth in *takaful* is far outstripping that of conventional insurance. In the wider Middle East, the *takaful* market segment is showing modest growth, largely due to the continued demand for insurance products relating to ongoing infrastructure projects in the region.

Under the Insurance Law,[6] the UAE Insurance Authority (Insurance Authority) was appointed as the regulator for the insurance industry in the UAE (outside the free zones), including *takaful* insurance, and was tasked with promoting the role of the insurance industry to indemnify persons, property and liabilities against risks to ultimately protect the national economy; to accumulate and grow national savings and invest them to support economic development in the UAE; to encourage fair and effective competition; to provide the best insurance services with appropriate coverage at affordable rates; and to achieve job emiratisation (i.e., job creation for UAE citizens) in the UAE insurance market.

Takaful insurance companies are required to comply with the provisions of the Insurance Law, and the Takaful Regulations (below) must be read in conjunction with the Insurance Law.

The Insurance Authority issued Board of Directors Resolution No. 4 of 2010 concerning the Takaful Insurance Regulations, which outlined rules designed to regulate the work of *takaful* insurance companies and can be summarised as follows:

a All insurance and investment transactions by a *takaful* insurance company must be compliant with the provisions of *shariah*. Pursuant to the 2010 Regulations, all premiums should be invested in accordance with *shariah*. We are not aware of any instance where this is not the case. We are not aware of *takaful* companies investing *takaful* funds with conventional insurers or using conventional insurers for reinsurance purposes.

b *Takaful* products may not be offered through an Islamic window of a conventional insurance company.

c Risk management operations and investment business shall be conducted by a company on *wakalah* or *wakalah* and *mudarabah* together.

d Family *takaful* insurance and general insurance may not be combined in one *takaful* insurance company. The existing *takaful* insurance companies currently engaged in both types were given a specific deadline to adjust their positions.

6 Federal Law No. 6 of 2007 regarding the Establishment of the Insurance Authority and Organisation of its Operations.

e The insurance company is committed to provide a *qard hasan* to the participants' fund in the event of a deficit in the assets of this fund.
f The maximum amount of *qard hasan* is the sum of the shareholders' equity.
g The amount of *wakalah* fees and how it is calculated, as well as the *takaful* insurance company's share of *mudarabah*, must be stated in advance.
h An SSB must be formed in each *takaful* insurance company.
i The Supreme Committee for Fatwa and Sharia Oversight was formed within the Insurance Authority.
j It is necessary to appoint a *shariah* controller within each *takaful* insurance company.

The Insurance Authority's Board of Directors' Decision No. 26 of 2014 Pertinent to Financial Regulations for Takaful Insurance Companies (2014 Regulations), which was largely inspired by the EU's Solvency II standards, outlined various financial standards required for *takaful* insurance companies, including the following:

a The introduction of solvency margins and a guarantee fund. The previous minimum capital requirements (MCR) of 100 million and 250 million UAE dirhams, required for insurers and reinsurers respectively, have been supplemented with the following capital requirements:
   - a minimum guarantee fund (MGF) comprising an amount that is the higher of not less than one-third of the solvency capital requirement (SCR); or the higher of a minimum amount to be specified by the Insurance Authority for each type of business and a specified percentage of the net earned premium for each type of business; and
   - an SCR, which is a risk-based capital calculation that utilises the solvency template published by the Insurance Authority. The SCR introduces, for the first time in the UAE, a risk-based capital component for insurers.

b The requirement for *takaful* operators to maintain the higher of the MCR, the MGF or the SCR. In practice, it is likely that the MCR will remain the key requirement for much of the *takaful* industry given the relative youth and lack of scale of *takaful* operators in the UAE.
c The basis for calculating the financial provisions required by *takaful* insurance companies to meet their obligations towards participants and their beneficiaries, including unearned contribution reserves, outstanding loss reserves and unexpired risk reserves (all as defined in the 2014 Regulations).
d A determination as to the *takaful* operator's assets that meet the accrued insurance policies. The *takaful* operator must develop investment and risk management policies, including strict limitations on each class of asset that may be held by a single counterparty, to address concentration risk. For example, maximum limits set by law include:
   - a 30 per cent limit on real estate assets;
   - a 30 per cent limit on equities: only one-third of this may be invested in a particular class of assets; and
   - a 20 per cent limit on mutual fund investment: only half of this may be invested in a particular asset class.

e The accounting standards to be adopted by *takaful* operators.
f The records and documents to be maintained by *takaful* operators, which shall be made available to the Insurance Authority upon request.

While the above developments will enhance consumer protection, they will also cause some hardship for *takaful* operators, particularly for the smaller operators who may find it difficult to meet the extensive reporting requirements and limitations on the types of assets in which they may invest. We note that these requirements have encouraged smaller *takaful* operators to merge and consolidate their business to manage the new solvency and reporting requirements.

Investment funds

The vast majority of funds (including Islamic investment funds) marketed in the UAE (whether to retail customers, high-net-worth individuals or institutional investors) are organised offshore, and the number of onshore funds is extremely low.

There are no laws in the UAE that deal specifically with Islamic investment funds. Therefore, the legal and regulatory regime applicable to investments in general will also apply to Islamic investment funds.

The principal financial services regulator in the UAE is the UAE Central Bank. Important UAE legislation applicable to investment funds includes:

a the Banking Law;

b UAE Central Bank Resolution 164/A/94 (regarding the regulation of financial companies and banking, and financial and investment consultation establishments or companies);

c UAE Central Bank Resolution 89/3/2000 (regarding the amendment to the regulation of investment companies and banking and financial investment consultation establishment of companies);

d UAE Central Bank Resolution 58/3/96 (regarding the regulation of finance companies);

e UAE Central Bank Resolution 21/2/88 (regarding the system of investment banks in the state);

f ESCA Resolution 3 of 2000 (concerning regulations on disclosure and transparency);

g ESCA Resolution 4 of 2000 (concerning the securities and commodities authority and market of the Emirates);

h ESCA Resolution 48 of 2008 (concerning financial advice and analysis);

i ESCA Board of Directors Decision No. 9 of 2016 (concerning the regulation of mutual funds) (Investment Funds Regulation); and

j ESCA Chairman Decision No. 13 of 2021 (on the rules handbook of financial activities and mechanisms of status regularisation).

The Investment Funds Regulation further confirmed the transfer from the UAE Central Bank to ESCA of responsibility for the licensing and marketing of mutual funds (including any Islamic investment funds), which are defined as financial pools engaged in the activity of accumulating investors' assets for the purpose of investment against the issue of fund units of equal value, and a number of related activities. ESCA approval is required for the sale, marketing and promotion of foreign securities and funds in the UAE and the establishment of domestic funds. In particular, the Investment Funds Regulation provides that:

a all foreign mutual funds (which are the most common type of investment fund in the UAE) must be approved by ESCA to be marketed in the UAE. The fact that a foreign fund may only be offered to institutional investors does not provide an exemption from the requirement to obtain ESCA approval;

b a foreign mutual fund may not be marketed to the public in the UAE unless the foreign fund is subject to the supervision of an authority equivalent to ESCA in its jurisdiction of incorporation and is authorised to make offers to the public in its jurisdiction of incorporation;

c all approved foreign mutual funds, whether public or private, must be promoted by a local promoter, which includes banks and investment companies licensed by the UAE Central Bank and companies licensed to be local promoters by ESCA. The local promoter will act as an intermediary between the foreign fund and the persons to whom units in the fund are promoted in the UAE. The local promoter will also be responsible for a broad range of issues, including:
- continuous monitoring of the operations of funds to safeguard the investments of unitholders;
- keeping records of the units distributed by the fund;
- providing subscribers with copies of the foreign fund's offering document;
- ensuring timely disclosure of material information and financial statements relating to the foreign fund to investors in the UAE; and
- distributing dividends and redemption proceeds to the unitholders in accordance with the foreign fund's documents.

An entity establishing a local fund must be a UAE joint-stock company or a UAE branch of a foreign company. The company or branch must have a minimum capital of 5 million UAE dirhams.

The investment policy of the investment fund must specify, among other things, proposed investment instruments, investment risks relevant to the proposed investment instruments, restrictions on types of investments and borrowing controls. The Investment Funds Regulation also prescribes certain restrictions on investment of the fund's assets, in line with the investment nature of the fund, covering:

a investment in tradable securities (stocks, bonds and cash instruments) or high liquid non-tradable securities;

b financial derivatives on tradable securities to control the level of risk set out in the fund's prospectus or for hedging in an amount not greater than the total net asset value and subject to disclosure;

c declared indexes or bank deposits to ensure liquidity with a maximum maturity of 12 months with licensed banks;

d open-ended mutual funds, subject to determining the investment ratio (such funds must be licensed by an entity similar to ESCA); and

e immovable assets of high liquidity.

Any application for a licence from ESCA for either the establishment of a fund or the establishment of a local promoter company requires the submission of a letter of application, various constitutional documents from the applicant and a business plan of some sort. The exact documents are not prescribed by the relevant authority; rather, the normal practice is for ESCA to notify the applicant of such additional documents as it might require on an ad hoc basis. ESCA requires an applicant seeking approval for promotion of a foreign mutual fund to submit the fund's key information, an undertaking from the local promoter, a signed promotion agreement, the fund offering document and the constitutional documents, and the applicant's previous two years' audited financial statements (although additional documents may be requested).

ii Regulatory and supervisory authorities

While the authorities identified in Section I.i have the power to regulate the provision of financial services in and from the UAE, in practice, day-to-day *shariah* supervision and compliance is still left to individual Islamic financial institutions. Over the past couple of years the decisions and regulations issued by the Higher Authority have become the dominant authority in the regulatory regime governing Islamic financial institutions.

Previously, adherence to the voluntary standards issued by standard setting bodies such as the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and the Islamic Financial Services Board varied among individual Islamic banks and financial institutions in the UAE. However, this has changed following the recommendation by the Higher Authority that all banks and financial institutions offering *shariah*-compliant products in the UAE comply with the requirements of the AAOIFI's standards with effect from 1 September 2018. While Islamic financial institutions in the UAE are required to submit applications for the approval of financial products, they continue to seek guidance from their internal *shariah* committee on specific transactions. This can be problematic when arranging syndicates of Islamic banks or financial institutions, as there may be differences of opinion between the different *shariah* committees on the application of *shariah* principles to the financing structure.

In determining whether an Islamic financial instrument is *shariah*-compliant, the *shariah* scholars generally adhere to the following process:

a review the product concept description created by the product development team;
b review the market conditions identified by the product development team;
c review the product development team's views on the Islamic principles on which the transactions will be based; and
d review the product development team's proposals and issue *fatawa*.

Currently, the scholars' resulting *fatwa* is then reviewed by the product development team and this can be followed by a discussion between the scholars and the product development team to finalise a product. The need for a constant dialogue between the product development team and the scholars throughout this process should be stressed. Once a product has been finalised between the business development team and the *shariah* committee, the Islamic financial institution will make an application to the Higher Authority to approve the product. The Higher Authority has the power to reject, approve or request further amendments to the product (as a condition for approval). The establishment of the Higher Authority has resulted in the UAE becoming the latest country to adopt a near-centralised *shariah* compliance regime, like those in place in other jurisdictions such as Malaysia and Sudan, where *shariah* compliance is centralised within the central bank.

Originally pioneered by the Malaysian Central Bank (Bank Negara Malaysia), other central banks (e.g., in Oman, Nigeria and Pakistan) have established a centralised SSB within their central bank or financial regulator. The central SSB is responsible for the approval of all *shariah*-compliant financial transaction structures in the country. The responsibility of the SSBs of the individual financial institutions is to ensure the transactions undertaken by institutions are compliant with these rules. Any amendments requested by individual institutions will have to be presented to the central SSB for ratification. The centralised SSB and Bank Negara Malaysia maintain a register of approved scholars. Scholars cannot be a member of more than one board per type of financial institution. As a result, a scholar could, for example, be a member of the SSB of a retail bank and an investment bank, but not of two retail banks.

II COMMON STRUCTURES

i Consumer finance

Islamic banks provide a comprehensive range of core consumer banking services similar to those offered by their conventional counterparts. In particular:

a Islamic banks accept deposits into current accounts for safe custody of their funds, as well as convenience and use. A bank may levy a charge for providing this service. These deposits are not subject to any conditions on drawing or depositing. The bank may use such deposits at its own risk and responsibility in respect of profit or loss.

b Savings accounts are operated similarly to current accounts. However, customers may be restricted as to the frequency with which they can withdraw their funds, or may be required to give notice to the bank and observe a notice period prior to the withdrawal. The bank, at its discretion, may reward its customers with a profit-share generated from their deposits at the end of its financial year.

c Islamic banks open investment accounts into which they accept deposits from customers seeking investment opportunities for their funds using the *mudarabah* contract. Deposits are held for a specified period. While the profits generated by the bank from the investment of the funds are shared between both the bank and the customer, according to a predetermined ratio, any losses must be borne by the customer, unless the loss was attributed to any fault by the bank.

d Islamic banks are unlikely to give an overdraft facility to their customers since they will not charge interest for such a service. Instead, the bank may give a *qard hasan* to customers in cases of hardship to enable them to meet certain obligations.

e To provide trade finance facilities, Islamic banks use either a conventional letter of credit or the *murabahah* contract. In practice, Islamic banks tend to open a letter of credit only for customers who have an equivalent credit balance with the bank and in return for a fee. An Islamic bank is likely to use the *murabahah* contract for trade financing where a customer does not have adequate credit with the bank. As mentioned, under a *murabahah* contract, the bank earns its return from the markup profit.

ii Home finance

For the acquisition of completed properties an Islamic bank will generally provide funding by using the *murabahah* structure. However, for properties under construction, banks generally use the *istisnah* and forward *ijarah* structure.

For a *murabahah* financing the bank will acquire title to the asset from a third party and then transfer title to the customer (subject to a mortgage over land or a flat, etc.).

Under an *ijarah* financing, once the asset is completed the title will first pass to the customer and then (following entry into the *ijarah* financing) pass to the bank. Once the lease term is completed, the title should revert to the customer (assuming that the customer has complied with its obligations under the *ijarah*).

iii Insurance

Participants jointly donate funds (on a *tabarru'* basis) to a pool for the purpose of providing mutual indemnity and protection to the participants exposed to defined risks under the *takaful* policy. The *takaful* contract is a combination of, on one hand, *tabarru'* (donation) and *dhaman* (indemnity) contracts between the individual insured and the pool of insured (policyholders) as represented by the *takaful* and, on the other hand, agency (*wakalah*) or profit-sharing (*mudarabah*) contracts between the insured and the *takaful* operator.

iv Project finance

Many investors get together to become shareholders in large financial projects through the mechanism of the *mudarabah*. The Islamic bank's role in these funds is to act as the *mudarib* and to use these funds to finance a large project. This *mudarabah* fund can be utilised by the bank in conducting its business using any of the Islamic contracts, such as *murabahah*, *ijarah*, *salam* or *istisnah*.

v Asset finance

Islamic banks finance acquisitions of assets by using the *ijarah* contract and the *ijarah wa iqtina* for longer-term assets. This technique is particularly popular for vessel financing by Islamic banks. The title to the asset will pass from the customer to the bank. The asset will be leased back to the customer for the term of the lease. At the end of the lease period, the title to the asset will revert to the customer.

vi Investment funds

The Islamic structure used for a fund will depend on the underlying objectives of the fund. Fixed-income funds usually invest in *murabahah* (commonly commodity *murabahah*), *sukuk* and *ijarah*, with the investors investing their funds with *mudarib* using a *mudarabah* or *wakalah* contract (which governs the relationship between the investors and the *mudarib*). The *ijarah* fund structure is favoured as it can generate higher returns.

III TAXATION

Legislation establishing a general corporate income tax regime is currently in force in the UAE. The regime is, however, only applicable to companies active in the hydrocarbon industry and branches of foreign banks operating in the wider UAE. Under the current legislation, there is no requirement for withholding or deducting for or on account of UAE taxation in respect of payments of accrued return or principal on investments.

The Constitution of the UAE specifically reserves to the federal government of the UAE the right to raise taxes (such as VAT) on a federal basis for the purposes of funding its budget. It is not clear how or if such taxes will affect Islamic finance agreements or institutions. This will only become clear once the relevant laws are passed.

IV INSOLVENCY

There is no separate insolvency regime for Islamic finance participants in the UAE.

V JUDICIAL FRAMEWORK

i Courts

Although the UAE has *shariah* courts, these courts only deal with family law-related issues, including marriage, divorce and intestacy. Any commercial disputes in the UAE (including Islamic finance disputes) are resolved through litigation in the UAE civil courts or arbitration. Consequently, should a commercial dispute be brought before a UAE court, the court is unlikely to apply a different treatment to the dispute solely on account of the transaction being *shariah*-compliant. The dispute will be subject to the same processes and procedures as a conventional financing counterpart. The courts will also apply the laws of the UAE in determining a case. Furthermore, if a document purports to be governed by *shariah* law, courts will likely disregard this choice of law and will instead apply the applicable UAE laws.

The UAE is a federation of seven emirates. All member emirates, except Dubai and Ras al-Khaimah, are part of a federal judicial system; Dubai and Ras al-Khaimah have independent judicial systems. In every emirate, the court system consists of a court of first instance, a court of appeal and a court of cassation (Ras al-Khaimah, however, does not have a court of cassation).

Commercial disputes in the UAE (including Islamic finance disputes) are generally resolved through litigation in the UAE civil courts or arbitration. It is common for UAE banks and financial institutions to choose UAE law (or the law of a particular emirate) as the governing law of the transaction documents and the UAE courts as having exclusive jurisdiction over all related disputes.

The UAE operates under a civil law system. The civil court (or court of first instance) hears all claims ranging from commercial matters (including debt recovery cases) to maritime disputes. After judgment has been delivered, the parties have the right to appeal to a civil court of appeal on factual or legal grounds, or both, within 30 days of the date of judgment. It is possible to introduce additional evidence to the court of appeal and request that additional witnesses be called to testify. Thereafter, parties may appeal on points of law alone to the court of cassation (the highest court in Dubai), which is usually composed of five judges. An appeal must be filed within 30 days of the date the parties were notified of a judgment of the court of appeal. All decisions of the court of cassation are final and are not subject to appeal.

Each case is decided on its own merits and facts. All court proceedings are in Arabic. All non-Arabic documents filed in court by the litigants must be translated into Arabic by a translator licensed by the Ministry of Justice. The judicial system in the UAE is essentially inquisitorial in nature. In each case, the judge will investigate the facts and apply the law to the facts in reaching his or her judgment. There is no concept of a jury trial.

All proceedings in UAE civil matters are based on the written pleadings of the parties, supported by documentary evidence. In general, there is no oral hearing in civil cases. There is a widespread practice for both the federal and Dubai courts to refer matters to court-appointed experts for findings of fact in a variety of areas, including finance, accounting and other technical matters. Experts' reports (including reports from *shariah* scholars) are not binding and can be challenged by the parties, but they are usually considered persuasive by the courts. Oral evidence can only be given to establish a fact in a civil case with the permission of the court, and the right to cross-examine witnesses is severely restricted.

The UAE courts do not adhere to the traditional common law standards of proof such as the balance of probability test in civil claims or the beyond all reasonable doubt test in criminal matters. The final decision in any case is at the discretion of the judge or judges hearing the case.

All commercial cases are heard by the civil courts, usually consisting of three judges in the court of first instance, three judges in the court of appeal and five judges in the court of cassation.

These judges may not have specialist knowledge of commercial matters. However, commercial disputes must first be referred to a reconciliation and settlement committee (committee) appointed by the Ministry of Justice under the Reconciliation Committee Law.[7] The committee facilitates settlement and usually hears parties in person. If a claim cannot be settled, the claimant can file a claim in the court of first instance. If the parties reach a settlement, they record and sign its terms. This agreement is binding and enforceable. This procedure does not apply in Dubai or Ras al-Khaimah. Dubai recently passed a law creating the Centre for Amicable Settlement of Disputes, to which certain cases must be referred before initiating court action.

To maintain the legal enforceability of an agreement, it is advisable for all the elements necessary for *shariah*-compliance purposes to be incorporated into the agreement itself. Under the UAE Civil Code, where the intention of the parties is clear from the language of the contract, the courts will not imply any further meaning or additional terms to the contrary. Save in cases where a contract was unclear and the provisions of the law and customary practice are silent on an issue, the UAE courts are unlikely to examine the *shariah* aspects of a document.

In addition to the civil courts, the parties may choose to resolve a dispute through the International Islamic Centre for Reconciliation and Commercial Arbitration (IICRCA). The IICRCA is a dispute resolution forum for the Islamic finance industry based in Dubai. The IICRCA was established for the purpose of assisting in resolving financial and commercial disputes that may arise between financial and commercial institutions or between such institutions and their clients or third parties through reconciliation or arbitration in accordance with the principles and rules of the Islamic *shariah*. The IICRCA handles commercial disputes in the Islamic financial industry from across the GCC as well as Malaysia. The agreement of the parties is required for the IICRCA to have jurisdiction. The IICRCA is not commonly used.

There are other regional arbitration centres, in Sharjah and Ras al-Khaimah, such as the Sharjah International Commercial Arbitration Centre and the Ras al-Khaimah Centre of Reconciliation and Commercial Arbitration. These arbitration centres are not commonly used.

ii Cases

Appeal Number 898 and Appeal Number 927 of 2019 at the Dubai Court of Cassation involved a dispute between an Islamic financial institution and its customer in connection with a commodity *murabahah* financing. When the customer failed to make repayments in accordance with the *murabahah* contract, the Islamic financial institution filed a claim with the Dubai courts. The customer argued that the *murabahah* financing was not *shariah*-compliant, and in fact the facility was actually a conventional loan requiring the payment of interest; and that the commodity under the *murabahah* contract had been artificially introduced to disguise a conventional loan as a *murabahah* financing.

In its decision, the Dubai Court of Cassation found that a *murabahah* contract should meet certain requirements, including, the following:

- *a* the commodity must be owned by a seller prior to being sold to the purchaser;
- *b* if the commodity is purchased by the seller immediately prior to being sold to the purchaser, the cost price of the commodities must be known at the time of the sale from the seller to the purchaser;

7 Federal Law No. 26 of 1999 regarding establishing reconciliation committees in the Federal Courts.

c the deferred sale price of the commodities may comprise a single calculation or distinguish between the cost price and profit components of the deferred sale price; and
d the deferred sale price payable for the commodities must not be payable in the same kind of commodities.

Furthermore, the Court identified a number of conditions that must be satisfied in relation to *murabahah* contracts entered into with Islamic financial institutions or banks: for example, there must not be a commitment to sell the commodities until the commodities are in the ownership and possession of the seller. The Court also held that a *murabahah* financing in name only would not be considered as a true Islamic-compliant funding. This case represents a lesson for Islamic financial institutions to ensure that the structures and documentation relating to financial products are reviewed by *shariah* advisers and their *shariah* committees and, if possible, approved by the Higher Authority. The case has been referred back to the Court of Appeal for reconsideration.

It should be noted that the UAE does not follow the principle of *stare decisis*, and judgments of the UAE courts are not always published.

VI OUTLOOK

Merger of the Insurance Authority into the UAE Central Bank

In October 2020, the UAE government issued UAE Federal Law No. 25 of 2020 confirming that the Insurance Authority was to merge with the UAE Central Bank. According to Sheikh Mohammed bin Rashid Al-Maktoum, Ruler of Dubai, the merger will increase the insurance sector's efficiency, and increase the efficiency and competitiveness of its local financial markets, giving them greater flexibility in their business. The principal objectives of the UAE Central Bank, as outlined in article 4 of the Banking Law, have been amended to include, among other things:
a a suitable environment to develop and improve the role of the insurance industry in securing persons and properties against any risk, to protect the national economy, to encourage fair and effective competition and to provide the best insurance services, with competitive prices and coverage, in addition to emiratisation in the insurance market;
b to regulate, develop and supervise the insurance sector and its activities, and suggest and implement regulating legislation in this regard; and
c to enhance the performance and competence of insurance companies and request them to abide by the practice rules of the profession and its ethics in order to increase their ability to provide better services for customers and achieve effective competitiveness.

In January 2021 the UAE Central Bank announced the commencement of operational procedures aimed at assuming supervisory and regulatory responsibility for the insurance sector pursuant to UAE Federal Law No. 25 of 2020. While the UAE Central Bank has formed several committees and working groups to complete the merger process, the practical effects of this merger remain to be seen. Following the completion of the merger process, it is understood that the UAE Central Bank will coordinate with relevant international authorities in order to implement best practices and standards in executing its mandate to supervise and regulate the insurance sector.

Appendix 1

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