

MUDHARABAH SAVINGS & INVESTMENT

TERMS AND CONDITIONS

Investment

Mudharabah Investments may be opened by Individuals (single or joint) and as well as by legal entities such as limited liability companies, sole proprietorships, partnerships, associations, clubs, societies, and trade unions.

Renewal

If no notice of withdrawal is received in writing 2 days prior to the maturity, such Mudharabah Investment will be automatically renewed for the same period and treated as a fresh Mudharabah Investment subject to the terms & conditions prevailing at the time of such renewal. For which a renewal notice shall be sent by the Mudharib to the Rabbul Maal.

General

- An Investment Certificate / Pass book will be issued in respect of each investment.
- In the event of death of an Investor, the Investment (s) proceeds will be paid to the nominee(s) or Heirs, Executors, Administrators and/ or assigns as applicable.
- Investment certificates are not transferable by endorsement in the event of withdrawal prematurely / at maturity. The Investor or in the case of joint investment(s) any one of the signatories may obtain proceeds, unless Instructions to the contrary are given.
- Where a nomination has been made on a joint deposit such nomination shall be null and void if any one of the depositors survives at maturity.
- Where a Mudharabah Investment is held jointly, instructions shall be carried out as per the operating mandate provided (Anyone / Two / All / Other).
- At the request of the Investor (s) the company may remit the profit share/capital as per the Mudharabah Investment agreement to an account designated by the Investor(s) and in such event the Investor(s) hereby undertakes to indemnify the company against any loss, expense or other detriment that may arise resulting from such remittance as directed by the investor(s).
- In instance of Investments made by cheque, the Investment certificate will be issued, subject to realization of the cheque. All cheques must be drawn in favour of "LOLC Finance PLC" and crossed "PAYEES ACCOUNT ONLY".
- Investment certificates will be signed by two authorized officers of the company.
- Strict secrecy is observed with regard to all Investment accounts.

The Company Reserves the Right To

- i. Restrict the amount of each Mudharabah Investment.
- ii. Accept or reject any offer for a Mudharabah Investment.
- iii. Refund a Mudharabah Investment after giving due notice of not less than ONE MONTH.
- iv. Make any changes in the terms of Mudharabah Investment, if so required by the Government or occasioned by Government Monetary or Fiscal policy, after giving due notice to the Investor.
- v. Recover any statutory levies if any that may be imposed by the State from time to time.

- vi. All other terms and conditions are as per the Mudharabah Agreement executed by the Investor/Rabbul Maal and Fund Manager/ Mudharib

MUDHARABAH AGREEMENT

THIS MUDHARABAH AGREEMENT is made between LOLC Finance PLC incorporated in the Democratic Socialist Republic of Sri Lanka bearing business registration number PB 244 PQ and having registered office at No: 100/1, Sri Jayawardenapura Mawatha, Rajagiriya (Hereinafter called and referred to as "**Mudharib/Fund Manager**") which term or expression shall mean and include successors and permitted assigns) of the ONE PART

And

Investor / Rabbul Maal (which term or expression shall mean and include the heirs, executors, administrators/its successors, nominees or permitted assigns) of the OTHER PART.

The "**Rabbul Maal / Investor**" has hereby made an offer to the Mudharib / Fund Manager to invest in the Mudharabah fund with the Mudharib/ Fund Manager in profit generating business ventures and projects, within the guidelines of Al-Falaah, Alternate Financial services unit.

And the Mudharib / Fund Manager has hereby accepted the said offer of the Rabbul Maal / Investor to invest in the Mudharabah fund, and both parties hereto agree to fulfill their respective obligations under this Mudharabah Agreement.

Definitions:	Definitions of the following words shall have, whenever mentioned / used, the following meaning associated with each of them.
Mudharabah:	Is a partnership in profit whereby one party provides capital (Rabbul Maal) and the other party provides the management / labour (Mudharib).
Rabbul Maal/ Investor:	Refers to the individual or entity who provides money for investment and enters into a Mudharabah Agreement (Individual or Corporate).
Mudharib / Fund Manager:	Refers to an individual or entity who manage the funds by investing in business ventures / Projects within the guidelines of Al-Falaah, Alternate Financial services unit and shares profits with the Rabbul Maal / Investor.
Investment Fund:	Is a pool of funds entrusted by the Rabbul Maal/ Investor with the Mudharib / Fund Manager for investments in profit generating legitimate business activities / the guidelines of Al-Falaah, Alterate Financial services unit
Unrestricted Mudharabah:	Is a contract in which the capital provider permits the Mudharib to administer the Mudharaba fund without any restriction provided that the investment is carried out according to the laws of Sri Lanka.
MIC:	Mudharabah Investment Certificate.
MIB:	Mudharabah Investment Book.
Profit:	Surplus that accrues on investment made by the Investment Fund, which at the end of a specified period. is available for distribution among investors and the fund manager.
Loss:	Deficit resulting from investment made by the Investment Fund at the end of a specified period to be bore by the Rabbul Maal / Investors).

Terms and Conditions

1. The funds in the Investment Fund shall be invested on the basis of Unrestricted Mudharabah.
2. The Mudharib / Fund Manager shall issue MIC / MIB evidencing the investment in the Investment Fund and terms of Investment Fund.
3. MIC shall be stamped by Mudharib / Fund Manager and shall bear signatures of its authorized signatories.
4. Withdrawal of investment in the investment fund prior to maturity is possible and may be allowed on the mutual agreement between Rabbul Maal / investor and Mudharib / Fund Manager, Subject to notice of 3 working days and applicable regulatory directions.

However, profits will be calculated only to the actual investment period completed as per the relevant profit sharing ratio applicable for the lesser period or as per directions issued from time to time by the regulator. Any over payment of profit resulting from a pre-mature withdrawal will be adjusted from the accrued profits of the respective investment or recovered from the capital invested.

In the event of a loss in the investment fund, Mudharib / Fund Manager will deduct a pro-rated portion of the loss when making payment.

5. Investments must remain for a minimum period of One Calendar month from the date of investment in order to qualify for sharing of profits.
6. The profit of the Investment Fund will be calculated on the average Investment in the fund, the profit shall be paid and loss shall be deducted after determining the outcome of the Mudharib's / Fund manager's business operations and distributed to the investors, Monthly or at Maturity or Annually as agreed on the Mudharabah agreement ideally on the 10th working day on the subsequent month or as early as possible.
7. In a Mudharabah Investment, the Investor / Rabbul Maal and the Mudharib / Fund Manager will share profits based on a progressive Profit-Sharing Ratio (PSR), in line with the maximum profit payment thresholds set by the CBSL. The applicable PSR for each period can be viewed through [Finance Companies in Sri Lanka | LOLC Finance by LOLC Group](#) and all subsequent PSR changes will be notified to Rabbul Maal / Investor prior to it being effected.
8. The Mudharib/Fund Manager will maintain a reserve account, referred to as the "Profit Equalization Reserve" (PER). This reserve fund, Which will be maintained by the Mudharib / Fund Manager as a contingency arrangement, accumulated from the distributable profit bench marked by CBSL cap rate and provisioning guidelines together with the industry trends, will be utilized, whenever the expected profit return has a significant negative variance.

If the Rabbul Maal terminates the Mudharabah Contract, he/she hereby expressly consents and agrees that any contributions previously allocated to the Profit Equalization Reserve (PER) shall remain within the PER pool managed by the Fund Manager and shall continue to be applied in accordance with the Fund manager's policy and guidelines to offset any future negative variances in expected returns or to stabilize profit distributions for the remaining Investors. The Rabbul Maal confirms that he will not have any claim or entitlement to any portion of the PER after termination and the Fund manager shall not be under any obligations to refund, release or otherwise account for such amount to the Rabbul Maal thereafter.

9. The Mudharib's / Fund Manager's determination of profit and loss shall be final and binding on the investor(s) for all purposes.

10. In the event of loss in business / investments, which may occur without any fault or negligence on the part of the Mudharib / Fund Manager all investors of the Investment pool agree to share the loss on a pro rata basis.
11. The Mudharib / Fund Manager shall not be responsible for any mistake loss or oversight unless caused by its own negligence or a willful breach of the terms and conditions contained in this agreement.
12. The Mudharib / Fund Manager shall be empowered to charge expenses directly connected with the administration of the Investment Fund, to the Investment pool.
13. The Mudharib / Fund Manager shall be fully authorized to deduct / withhold any duties / taxes / levies in any form, as required under any applicable rules / laws in force, without reference to the Rabbul Maal / Investor.
14. The Mudharib / Fund Manager shall be entitled to introduce any procedure or amendment to the Investment Fund's terms and conditions. Such amendments shall only be applied in future after notifying the Rabbul Maal / Investor by giving 7 days notice therefrom.
15. In the event of death of the Rabbul Maal / Investor, provided, the Mudharib / Fund Manager receives a valid notice of his/ her death, the credit balances in his / her accounts shall be released by the Mudharib / Fund Manager against a valid succession certificate, order of the court, letters of administration, probate, except, where operating instructions are given to release the funds to a nominee(s).
16. This Mudharabah Agreement is governed by and shall be construed in accordance with the applicable laws of Sri Lanka. All competent courts shall have jurisdiction to hear and determine any action, claim or proceedings arising out of or in connection with this Agreement
17. All matters either provided or not provided for in this Mudharabah Agreement will be conducted strictly within the existing regulatory framework applicable to Registered Finance Companies and funds mobilized will be considered as deposits for the purpose of the Finance Companies (Liquid Assets) Direction No. 03 of 2005, Finance Companies (Capital Funds) Direction No. 01 of 2003, Finance Companies (Deposit) Direction No. 01 of 2005, Finance Companies (Deposit -Incentive Schemes) Direction No. 05 of 2001 and the Finance Companies (Interest) Direction No. 02 of 2005. All competent courts shall have the non-exclusive jurisdiction to hear and determine any action, claim or proceedings arising out of or in connection with this Mudharabah Agreement.
18. The Mudharib/Fund Manager shall maintain a reserve for doubtful debts in respect of the investment fund.
19. All documents issued consequent and in relation to this Mudharabah Agreement, such as the Account opening Form, Mudharabah Investment Slip, Mudharabah Investment Certificate/ Mudharabah Savings Pass Book shall be an integral part hereof.