

Proposed draft Provisions In relation to Islamic Investment Fund
Regulation to be considered for implementation by SCA

PRELIMINARY RECITALS

DECISION OF THE CHAIRMAN OF THE SCA BOARD OF DIRECTORS NO. (**/R.M) OF 2018

The Chairman of the Board of Directors of the Securities and Commodities Authority, having considered:

The Federal Law No. (4) of 2000 concerning the Emirates Securities and Commodities Authority and Market, and amendments thereof.

The Federal Law No. 10 of 1980 concerning the Central Bank of the United Arab Emirates, Monetary System, and Regulation of the Banking Profession, as amended.

The Federal Law No. (6) of 1985 concerning Islamic Banks, Financial Institutions and Investment Companies.

The Federal Law No. 2 of 2015 concerning Commercial Companies.

The Federal Decree No. 28 of 2016 Forming the Cabinet of the United Arab Emirates.

The Cabinet Resolution No. 12 of 2000 concerning the Regulations as to Listing of Securities and Commodities, as amended.

The Cabinet Resolution No. (13) of 2000 concerning the Regulations as to the Functioning of the Securities and Commodities Authority, as amended.

The Cabinet Resolution No. (324/11 & /23M) of 2014 concerning the Restructuring of the Board of Directors of the Securities and Commodities Authority.

The Chairman of The Chairman of the Authority's Board of Directors Decision No. (9/R.M) of 2016 concerning the Regulations as to Mutual Funds, and amendments thereof.

The Chairman of The Chairman of the Authority's Board of Directors Decision No. (11/R.M) of 2016 concerning the Regulations as to Issuing and Offering Shares of Public Joint Stock Companies, and Amendments thereof.

The Administrative Decision No (49/R.T) of 2016 Concerning Exchange Traded Funds.

The Administrative Decision No (2/R.T) of 2017 Concerning Private Equity Fund Controls.

The Administrative Decision No (1/R.T) of 2017 Concerning Real Estate Investment Fund Controls.

The Administrative Decision No (3/R.T) of 2017 Concerning Venture Capital Fund Controls.

The Chairman of The Chairman of the Authority's Board of Directors Decision No. (20/R.M) of 2018 concerning the Offering of Islamic Securities.

Based on the approval of the Board of Directors at its [] meeting of the [**] Term held on [**], has decided as follows:**

ARTICLE 1

DEFINITIONS AND INTERPRETATIONS

- (1) Unless otherwise defined in this Regulation, all words and expressions used in this Regulation shall have the same meaning as ascribed to such term under the Mutual Fund Regulation of 2016 and Islamic Securities Regulation of 2018. In this Regulation, unless the context otherwise requires, the following words and expressions are to be construed in accordance with the following definitions:

Annual Sharia Report means the annual Sharia report of the Islamic Investment Fund to be issued by the Sharia Supervisory Committee based on the findings of the Annual Sharia Review.

Annual Sharia Review means the annual Sharia review of the Islamic Investment Fund to be conducted under the supervision of the Sharia Supervisory Committee.

Exchange Trade Fund Regulation of 2016 means the Administrative Decision (49/R.T) of 2016 Concerning Exchange Traded Fund.

Foreign Issuer for the purpose of this Regulation and the Islamic Securities Regulation of 2018 shall mean the company managing a Foreign Fund (as defined in Mutual Fund Regulation of 2016) and the founders of the Foreign Fund.

Islamic Exchange Traded Fund means an Exchange Traded Fund (as contemplated under the Exchange Trade Fund Regulation of 2016) that complies with the principles of Sharia.

Islamic Fund Unit for the purpose of this Regulation shall mean Fund Unit issued by an Islamic Investment Fund, which is in accordance with the principles of Sharia.

Islamic Investment Fund for the purpose of this Regulation shall mean a Mutual Fund (as defined in the Mutual Fund Regulation of 2016) that complies with the principles of Sharia. For avoidance of doubt the term "Islamic Mutual Fund" used in Mutual Fund Regulation of 2016 shall be construed to mean an Islamic Investment Fund.

Islamic Money Market Fund means an Islamic Investment Fund that has the objective to provide investors with preservation of capital and daily liquidity, and that seeks to achieve the objective by investing in a diversified portfolio of high-quality, low-duration fixed-income instruments or short term deposit placements, which is in accordance with the principles of Sharia.

Islamic Private Equity Fund means a Private Equity Fund (as contemplated under the Private Equity Fund Regulation of 2017 that complies with the principles of Sharia.

Islamic Real Estate Investment Fund means a Real Estate Investment Fund (as contemplated under the Real Estate Investment Fund Regulation of 2017), which complies with the principles of Sharia.

Islamic Venture Capital Fund means a Venture Capital Fund (as contemplated under the Venture Capital Fund Regulation of 2017) that complies with the principles of Sharia.

Islamic Securities Regulation of 2018 means the SCA Board of Directors Decision No 20 of 2018 Concerning Offering of Islamic Securities.

Issuer for the purpose of this Regulation and the Islamic Securities Regulation of 2018 shall, mean a Management Company (as defined in Mutual Fund Regulation of 2016) and the founders of the fund.

Mutual Fund Regulation of 2016 means the SCA Board of Directors Decision No 9 of 2016 Concerning Regulation of Islamic Investment Fund.

Private Equity Fund Regulation of 2017 means the Administrative Decision No (2/R.T) of 2017 Concerning Private Equity Fund Controls (as amended from time to time).

Real Estate Investment Fund Regulation of 2017 means the Administrative Decision No (1/R.T) of 2017 Concerning Real Estate Investment Fund Controls (as amended from time to time).

Relevant Specialized Fund Regulations means and includes the following regulations issued by SCA:

- (a) Exchange Traded Fund Regulation of 2016.
- (b) Private Equity Fund Regulation of 2017.
- (c) Real Estate Investment Fund Regulation of 2017.

- (d) Venture Capital Fund Regulation of 2017.
- (e) Such other regulations issued by SCA pertaining to specialized Mutual Funds.

SCA Sharia Advisory Board means the Sharia advisory board to be duly appointed or designated by the SCA to provide opinion and interpretation on the principles of Sharia applicable to Islamic capital markets (including Islamic Investment Fund).

Sharia Determination for the purpose of this Regulation, means any determination issued by the Sharia Supervisory Committee providing their opinion from a Sharia perspective on any matter pertaining to the Islamic Investment Fund.

Sharia Pronouncement for the purpose of this Regulation, means the pronouncement issued by the Sharia Supervisory Committee providing their opinion on the structure and documentation to be in accordance with the principles of Sharia pertaining to the Islamic Investment Fund.

Venture Capital Fund Regulation of 2017 means the Administrative Decision No (3/R.T) of 2017 Concerning Venture Capital Fund Controls.

- (2) In relation to Islamic Investment Funds, the relevant provisions of the Mutual Fund Regulation of 2016, Islamic Securities Regulation of 2018 and the Relevant Specialized Fund Regulations shall be replaced to the following effect (to the extent context so permits):
 - (a) All terms or expressions in the aforementioned regulations used to mean or contemplate a “loan or borrowing of the investment fund” shall in relation to an Islamic Investment Funds be replaced to mean a “financing (including *Qard Hassan*) availed by the Islamic Investment Fund”.
 - (b) All terms or expressions in the aforementioned regulations used to mean or contemplate a “loan or lending provided by the investment fund” shall in relation to an Islamic Investment Funds be replaced to mean a “financing (including *Qard Hassan*) provided by the Islamic Investment Fund”.

ARTICLE 2
SCOPE OF APPLICATION

- (1) Subject to the provisions of the law, or the regulations or resolutions issued by the Authority concerning the issuing or offering of securities the provisions of this Regulation shall apply to the Islamic Investment Fund and all the Related Parties in addition to the applicable provisions of the Mutual Fund Regulation of 2016 and Islamic Securities Regulation of 2018.
- (2) Where no specific provision is included in the provisions of this Regulation or the Prospectus, the provisions of the Commercial Companies Law shall apply.
- (3) In case of any inconsistency between this Regulation and the provisions of the Mutual Fund Regulation of 2016 and Islamic Securities Regulation of 2018, the provisions of this Regulation shall supersede and prevail.
- (4) To the extent expressly provided otherwise under the relevant Articles of this Regulation, the application of the rest of the provisions of this Regulation shall have a prospective effect from the date of this Regulation coming into effect and shall only apply for new issuances to be made by the Issuer and/or the Foreign Issuer (as the case may apply).

ARTICLE 3

REQUIREMENT PERTAINING TO THE SHARIA SUPERVISORY COMMITTEE

- (1) The Issuer issuing or offering an Islamic Fund Unit inside or outside the State and a Foreign Issuer issuing or offering an Islamic Fund Unit must appoint a Sharia Supervisory Committee to advise on all Sharia related matters pertaining to such Islamic Investment Fund so as to enable the adherence to the provisions of this Article 3.
- (2) The appointment of the Sharia Supervisory Committee (including any replacements made during the tenure of the Islamic Investment Fund) should be evidenced through a written engagement letter or agreement executed with each member of the Sharia Supervisory Committee.
- (3) The Issuer shall ensure that the members of the Sharia Supervisory Committee satisfy the following fit and proper criteria:
 - (c) Academic Criteria

A member of the Sharia Supervisory Committee should have the following academic qualifications:

 - (i) At least hold a bachelor's degree/ijazah in Sharia from a recognized university (including Islamic transaction/commercial law (Fiqh al-Muamalat)) and should be able to demonstrate an adequate understanding of finance in general and Islamic finance in particular.
 - (ii) Proven skills in the philosophy of Islamic law (Usul al-Fiqh) and must be capable of applying appropriate Fiqh methodologies for deriving juristic opinions.
 - (iii) High proficiency in written and spoken Arabic.
 - (iv) Working knowledge of English and must be able to comprehend and interpret legal documentation drafted in English.
 - (d) Experience and Exposure

A member of the Sharia Supervisory Committee should have understanding of:

 - (i) Sharia rules and principles that apply to the Islamic capital markets;
 - (ii) Legal and regulatory framework that may apply to Islamic capital markets.
 - (iii) Impact of Islamic capital market instruments on the market and the public based on the principles of Maqasid al-Sharia.

- (iv) The functioning of the Islamic financial services industry in general and Islamic capital markets in particular.
 - (e) Personal conduct and morality
A member of the Sharia Supervisory Committee must have a respectable character and be of good conduct, particularly in terms of honesty, integrity and reputation in their professional business and financial dealings.
 - (f) Additional Criteria
Such other additional criteria determined and communicated by the SCA or **SCA Sharia Advisory Board** (as the case may apply) from time to time.
- (4) Issuer shall ensure that the Sharia Supervisory Committee carry out the following roles and responsibilities:
- (a) Conduct Sharia review of the structure and documentation of the Islamic Investment Fund and provide their Sharia Pronouncement.
 - (b) Provide guidance on all Sharia related matters pertaining to the Islamic Investment Fund, particularly in structuring, documentation and implementation, in order to ensure compliance with the principles of Sharia.
 - (c) Provide on-going Sharia review and Sharia Determination on all Sharia related matters pertaining to the Islamic Investment Fund throughout the tenure of the Islamic Investment Fund.
 - (d) Ensure that the Sharia guidance provided does not contravene the applicable Sharia rulings, principles and concepts endorsed by the **SCA Sharia Advisory Board**.
 - (e) Supervise or conduct the Annual Sharia Review and issue an Annual Sharia Report in relation to the Islamic Investment Fund.

- (5) In the event any member of a Sharia Supervisory Committee does not comply with the requirements set out in this Article then the Issuer or the Foreign Issuer (as the case may apply) shall be obliged to disclose the extent of such non-compliance to SCA in order for SCA to either requiring the due compliance to the subject requirement or providing the requisite remedial measures to be adopted on a case to case basis.

ARTICLE 4
REQUIREMENT PERTAINING TO SHARIA PRONOUNCEMENT

- (1) The Issuer issuing or offering an Islamic Fund Unit inside or outside the State and a Foreign Issuer issuing or offering Islamic Fund Unit shall be obliged to obtain a Sharia Pronouncement from the Sharia Supervisory Committee in writing and submit the same to the Authority.
- (2) The Sharia Pronouncement must be duly executed by all members of the Sharia Supervisory Committee and shall contain the following sections:
 - (a) Summary of the Islamic Investment Fund structure.
 - (b) Overview of the transaction documentation used to implement the Islamic Investment Fund structure.
 - (c) Basis and rationale of the Sharia Pronouncement as to how the Islamic Investment Fund complies with the principles of Sharia as interpreted by the Sharia Supervisory Committee.
 - (d) Description of the management and operations of the Islamic Investment Fund and as to how it complies with the principles of Sharia as interpreted by the Sharia Supervisory Committee.
 - (e) Overview of the Investment policy of the Islamic Investment Fund and as to how it complies with the principles of Sharia as interpreted by the Sharia Supervisory Committee.
 - (f) Overview of the operational arrangements in place to ensure the on-going Sharia compliance of the implementation of the Investment policy of the Islamic Investment Fund.
 - (g) Confirmation on the trading conditions of the Islamic Investment Fund and factors affecting tradability of the Islamic Investment Fund from a Sharia compliance perspective.
 - (h) Confirmation on the redemption and exit mechanism of the Islamic Investment Fund from a Sharia compliance perspective.
 - (i) Overview of the purification of tainted income requirements adopted by the Islamic Investment Fund under the guidance of the Sharia Supervisory Committee (to the extent applicable).
 - (j) Confirmation of any credit enhancements adopted by the Islamic Investment Fund and its compliance with the principles of Sharia as interpreted by the Sharia Supervisory Committee.
 - (k) Description on the Zakat policy of the Islamic Investment Fund to be implemented.

- (l) Confirmation that the Sharia Supervisory Committee has reviewed the structure and were presented the final version of the transaction documentation based on which the Sharia Pronouncement has been duly issued. Disclosure of any exceptions, reservations, and qualifications regarding Sharia compliance, if any, and details thereof.
 - (m) A statement providing whether the Sharia Pronouncement was issued by the consensus of all members or the majority of members of the Sharia Supervisory Committee, while stating the dissenting opinion and reasons thereof in case the Sharia Pronouncement is issued by the majority of members of the Sharia Supervisory Committee.
 - (n) Confirmation on the Sharia review and Sharia audit arrangements to ensure on-going Sharia compliance of the Islamic Investment Fund.
- (3) The provisions of clause 3 of Article (4) of the Islamic Securities Regulation of 2018 shall be superseded and replaced by the provisions of this Article in relation to Islamic Investment Fund.

ARTICLE 5

DISCLOSURE OBLIGATIONS RELATING TO SHARIA GOVERNANCE OF ISLAMIC INVESTMENT FUND

In addition to any other obligations contained in the laws or regulations, the Issuer and/ or the Foreign Issuer (as the case may apply) shall be obliged to comply with the following Sharia governance related disclosures in relation to the Islamic Investment Fund:

(1) Disclosures to be provided in the Prospectus

The following disclosures shall be made in the Prospectus of the Islamic Investment Fund:

- (a) Disclosure in relation to the Sharia Supervisory Committee of the Islamic Investment Fund:
 - (i) Names of the members of the Sharia Supervisory Committee, their qualifications and experience.
 - (ii) Constitution of the Sharia Supervisory Committee and mechanism for the appointment, dismissal or change in the members of the Sharia Supervisory Committee.
 - (iii) Role and responsibilities of the Sharia Supervisory Committee.
 - (iv) Controls to ensure independence and avoidance of conflict of interest positions.
- (b) Description of the summary and form of the Islamic Investment Fund structure from a Sharia compliance perspective.
- (c) Description of the management and operations of the Islamic Investment Fund and the systems and mechanism adopted within the Islamic Investment Fund to ensure Sharia compliance, including but not limited to the following matters:
 - (i) Treatment or investment of cash balances in accordance with Sharia principles.
 - (ii) Sharia compliance of the assets and/or investments (as applicable) of the Islamic Investment Fund.
 - (iii) Ability to use leverage and ensuring the same will comply with Sharia principles.
 - (iv) Ability to use Sharia compliant hedging instruments.
 - (v) Ability to use securities in procuring or providing financing on Sharia compliant basis.
 - (vi) Requirements of tradability.

- (d) Description of the systems and controls as to the ability of the Investment Manager to comply with the Investment policy and the Sharia requirements adopted by the Islamic Investment Fund.
- (e) Description of the Sharia approval process, including details of methodologies, rulings and screening process, including operational arrangements in place to ensure on-going Sharia compliance of the Islamic Investment Fund in relation to:
 - (i) Assets and/or investments (as applicable);
 - (ii) Implementation of the Investment policy;
 - (iii) Requirements of tradability.
- (f) In case of Islamic Investment Fund dealing with gold, silver and/or currencies then specific disclosure is required to specifically provide the Sharia controls and mechanism on the following:
 - (i) Structure, creation and redemption of the Islamic Investment Fund.
 - (ii) Trading of the Islamic Investment Fund.
- (g) Detailed overview of the Investment policy of the Islamic Investment Fund and the controls to ensure its compliance with the principles of Sharia.
- (h) Description on the Sharia compliant arrangements in relation to the Islamic Investment Fund pertaining to:
 - (i) Segregation of the assets.
 - (ii) Revenues.
 - (iii) Liabilities.
- (i) Overview of the Sharia compliance measures adopted in relation to the redemption and exit of the Islamic Investment Fund.
- (j) Mechanisms adopted to comply with Sharia principles in relation to the screening and purification of tainted income under the guidance of the Sharia Supervisory Committee.

- (k) Disclosure shall be made in the Prospectus providing the extent of the Zakah policy adopted in relation to the Islamic Investment Fund and whether or not arrangements are in place for Zakah payments to be made on behalf of the Investors, on any assets subject to Zakah. If such arrangements exist then disclosure shall be made on the methodology and the entities to which Zakah payments are disbursed.

(2) Mandatory on-going disclosures in relation to the Islamic Investment Fund

The Issuer and/ or the Foreign Issuer (as the case may apply) shall be obliged to immediately provide a mandatory disclosure to the Authority, **SCA Sharia Advisory Board** and the Investors of the Islamic Investment Fund in respect of the following matters (as and when arisen):

- (a) Any Sharia Determination issued by the Sharia Supervisory Committee relating to the Islamic Investment Fund.
- (b) Any material or potential material changes in relation to the underlying assets or investments of the Islamic Investment Fund, including any loss affecting the underlying assets or investments.
- (c) Any changes affecting the Sharia position on tradability of the Islamic Investment Fund.
- (d) Any material or potential material changes in relation to the redemption of the Islamic Investment Fund.

(3) Disclosure on the Annual Sharia Review and Annual Sharia Report

- (a) The Issuer and/ or the Foreign Issuer (as the case may apply) shall be obliged to obtain an Annual Sharia Report from the Sharia Supervisory Committee in writing and submit the same to the Authority, **SCA Sharia Advisory Board** and the Investors of the Islamic Investment Fund. The contents to be covered under the Annual Sharia Report shall include the following:
 - (i) Disclosure on the process and mechanism adopted in relation to the Annual Sharia Review leading to the issuance of the Annual Sharia Report.
 - (ii) Confirmation on the compliance of the Islamic Investment Fund activities and operations to the Sharia Pronouncement and the Sharia Determinations (in specific) and the principles of Sharia (in general).

- (iii) Confirmation whether the calculation and distribution of payments to the Islamic Investment Fund holders is in accordance with the principles of Sharia.
 - (iv) Description of any material change in the structure, operations and management of the Islamic Investment Fund.
 - (v) The status of tainted income and to what bodies such amounts were paid.
 - (vi) Statement on the Zakah payments in relation to the Islamic Investment Fund (to the extent applicable).
 - (vii) Disclosure of any adverse findings from a Sharia non-compliance perspective on any of the aspects set out in sub-clauses (i) to (v) above and the remedial measures to be adopted in consultation with Sharia Supervisory Committee with reporting to SCA and the **SCA Sharia Advisory Board**.
- (b) The provisions of clause (4) of Article 4 of the Islamic Securities Regulation of 2018 shall be superseded and replaced by the provisions of this clause (3) in relation to the Islamic Investment Fund.
- (4) The provisions of clauses (2) to (3) of this Article shall have a retrospective effect and shall apply to all the Islamic Investment Funds that had been issued by Issuer and/or the Foreign Issuer (as the case may apply) and are active as at the date of this Regulation coming into effect.

ARTICLE 6

ADDITIONAL REQUIREMENT IN RELATION TO SPECIALIZED ISLAMIC INVESTMENT FUND

In addition to any other obligations contained in the laws or regulations, the Issuer and/ or the Foreign Issuer (as the case may apply) shall be obliged to comply with the following additional requirements:

(1) **Additional Requirement in relation to Islamic Real Estate Investment Fund**

In relation to an Islamic Real Estate Investment Fund, the Issuer and/ or the Foreign Issuer (as the case may apply) shall be obliged to provide for the following specific disclosures in the Prospectus in order to enable an Investor to understand the various considerations from a Sharia perspective:

- (a) Disclosure on the Sharia compliant mechanism to be adopted in case of all acquisitions, development, management, leasing and disposal of real estate assets undertaken by the Islamic Real Estate Investment Fund and systems adopted to ensure their on-going Sharia compliance.
- (b) Disclosure on the Sharia compliant mechanism to be adopted in case of all investments in securities, instruments or units pursuant to investment policy of the Islamic Real Estate Investment Fund and systems adopted to ensure their on-going Sharia compliance.
- (c) Disclosure on the Sharia compliant system and controls to be adopted to ensure that all sources of revenues will comply with the principles of Sharia as provided.
- (d) Disclosure on the Sharia compliant mechanism to be adopted for all leverage, financing or liquidity availed by the Islamic Investment Fund to be in accordance with the principles of Sharia and systems adopted to ensure their on-going Sharia compliance.
- (e) Disclosure on the system to be adopted in terms of procuring insurance in relation to real estate properties owned by the Islamic Real Estate Investment Fund and disclosure whether they would be using Takaful and if there are any exemption to this requirement allowed by the Sharia Supervisory Committee and the basis of such exemption.

- (f) Disclosure on the Sharia compliant mechanism to be adopted in case of joint acquisition made by the Islamic Real Estate Investment Fund with other investors and to what extent such other investor can encumber the assets under a conventional financing.
- (g) Disclosure on the Sharia compliant mechanism to be adopted in case of acquisition of properties with existing conventional debt or encumbrances.
- (h) Disclosure on the Sharia compliant mechanism adopted to ensure that the rental income generated from the properties of the Islamic Real Estate Investment Fund and the system adopted to deal with tainted income in case of investment in a multi-tenanted property.

(2) Additional Requirement in relation to Islamic Venture Capital Fund

In relation to an Islamic Venture Capital Fund, the Issuer and/ or the Foreign Issuer (as the case may apply) shall be obliged to provide for the following specific disclosures in the Prospectus in order to enable an Investor to understand the various considerations from a Sharia perspective:

- (a) Disclosure on the Sharia compliant mechanism to be adopted for the investment of units to be acquired should be in Sharia compliant venture capital funds and systems adopted to ensure their on-going Sharia compliance.
- (b) Disclosure on the Sharia compliant mechanism to be adopted for the equity instruments and other instruments to be issued by the Islamic Venture Capital Fund and systems adopted to ensure their on-going Sharia compliance.

(3) Additional Requirement in relation to Islamic Private Equity Funds

In relation to an Islamic Private Equity Fund, the Issuer and/ or the Foreign Issuer (as the case may apply) shall be obliged to provide for the following specific disclosures in the Prospectus in order to enable an Investor to understand the various considerations from a Sharia perspective:

- (a) Disclosure that the incorporation agreement is in accordance with the guidelines issued / specific approval by the Sharia Supervisory Committee of the Islamic Private Equity Fund.

- (b) Disclosure on the Sharia compliant mechanism to be adopted for the purchase and sale of shares and securities by the Islamic Private Equity Fund and systems adopted to ensure their on-going Sharia compliance.

(4) Additional Requirement in relation to Islamic Money Market Fund

In relation to an Islamic Money Market Fund, the Issuer and/ or the Foreign Issuer (as the case may apply) shall be obliged to provide for the following specific disclosures in the Prospectus in order to enable an Investor to understand the various considerations from a Sharia perspective:

- (a) Disclosure that the various types of instruments to be invested into by the Islamic Money Market Fund should be in accordance with the guidelines issued / specific approval by the Sharia Supervisory Committee of the Islamic Money Market Fund.
- (b) Disclosure on the Sharia mechanism to be adopted in stabilizing unit value under conditions of stress as approved by the Sharia Supervisory Committee of the Islamic Money Market Fund.

(5) Additional Requirement in relation to Islamic Exchange Traded Fund

In relation to an Islamic Exchange Traded Fund, the Issuer and/ or the Foreign Issuer (as the case may apply) shall be obliged to provide for the following specific disclosures in the Prospectus in order to enable an Investor to understand the various considerations from a Sharia perspective:

- (a) Disclosure that the basis of the investment policy and/or the Sharia basis as to how the relevant index (as applicable) will be tracked in accordance with the guidelines issued / specific approval by the Sharia Supervisory Committee of the Islamic Exchange Traded Fund.
- (b) Disclosure on the Sharia compliant mechanism to be adopted for the equity instruments and other hedging instruments to be issued by the Islamic Exchange Traded Fund and systems adopted to ensure their on-going Sharia compliance.

ARTICLE 7
PENALTIES

- (1) If the provisions of this Regulation or the decisions or controls issued hereunder are violated, the Authority may impose any of the following sanctions (in addition to pursuing other remedies available under the law):
 - (a) Issue a written warning to the violator and ordering it to stop the violation within a timeframe set by the Authority.
 - (b) Impose the payment of a fine of no more than the maximum limit provided for in the Law and the regulations issued in this regard.
 - (c) Suspend or cancel the listing of Islamic Investment Fund in accordance with the provisions of this Regulation.
 - (d) Require the adoption of necessary corrective measures that are necessary to safeguard the interest of the Islamic Investment Fund holders.

- (2) The Authority may announce or publish the imposition of administrative sanctions and the details of the corrective measures adopted (as referred to in clause (1) above), as it deems appropriate, at the sole cost and liability of the violator.

ARTICLE 8
PUBLICATION AND COMING INTO FORCE

This Regulation shall be published in the Official Gazette and shall become effective on the day following the date of its publication.