بسم الله الرحمن الرحيم

MANZIL

FATWA - SHARIAH COMPLIANCE CERTIFICATE

MANZIL MUSHARAKA MORTGAGE PRODUCT – ONTARIO

In the name of Allah, The Most Compassionate, The Most Merciful

To the stakeholders of Manzil (the "**Company**") / to whom it may concern.

In compliance with the Terms of Reference signed between us, the Shariah Supervisory Board, and the Company, we hereby submit the following statement:

We have reviewed the documents pertaining to Manzil Musharaka Mortgage product (the “**Product**”), to be offered by the Company to clients looking for a Shariah-compliant home financing in Ontario, to form an opinion on the Shariah compliance of the Product. The documents provided to us by the Company included the Product’s underlying structure, legal agreements, processes and procedures (the "**Documents**").

Product Structure

This Product is based on the Islamic financial principle of Musharaka. Under this Product, the client applies to finance their desired property. If all conditions are met, the Manzil Mortgage Fund (the “**Fund**”) and client form a partnership that purchases the property from its seller for an agreed price. Each of the Fund and client contribute to the property purchase price according to the agreed ratios. The client promises the Fund to gradually purchase the Fund’s share in the property over the Musharaka term until the client becomes the sole owner of the property. On each of the agreed offer dates, the Fund offers to sell a portion of the Fund’s share in the property and if the client accepts, the client pays the agreed sale price. Once the client purchases all of the Fund’s share in the property, the partnership is dissolved, and the security is discharged by the Fund.

The product can be also used to transfer clients’ existing conventional loans into an Islamic one. Under this model, the client and the Fund form a partnership where the client sells a portion of a property that he/she already owns to the Fund, thus becoming co-owners of the property. The client uses the sale proceeds to pay off the existing mortgage and then gradually purchases the Fund’s share in the property over the partnership term until the client becomes the sole owner of the property.

Product Implementation

It is the Company’s responsibility to ensure that the Product is implemented in accordance with the agreed processes and procedures and using the approved legal templates, while the Shariah Supervisory Board’s responsibility is to issue an independent opinion on the Shariah compliance of the Product. The Company shall appoint an independent external Shariah auditor to verify the correct implementation of the Product.

Opinion

Based on the statement above and the representations received from the Company, we confirm that:

- The overall structure and Documents of the Manzil Musharaka Mortgage product comply with general Shariah principles and relevant Shariah Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI); and
- The ongoing Shariah compliance of the Product is subject to conducting relevant Shariah audits and the issuance of an annual Shariah Compliance Certificate after confirming satisfactory audit findings.

We beg Allah, the Almighty, to grant Manzil all the success.

This Fatwa no. **MZL-MUS-001-2020** is issued on **16.11.2020**

Dr. Shaher Abbas | **Mufti Faraz Adam** | **Dr. M. Anouar Gadhoum**

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