

1. Introduction

Many countries across the world are providing banking services based on the principles of Islamic Law (Sharia). Some 500 financial institutions in more than 80 countries in Europe, Asia, Africa and the US have been rendering interest free banking services.

Sharia-compliant finance or interest Free Banking Service is an alternative banking system that operates based on the principles of Sharia which prohibits at the core the receipt and payment of interest as well as working in areas forbidden by the religion of Islam.

Nowadays Commercial Bank of Ethiopia is pleased to notify its customers that the introduction of the new brand name “CBE NOOR” for its Interest free banking service! And will continue using the brand hereafter.

As the commercial Bank of Ethiopia (CBE) is licensed by the National Bank of Ethiopia to give these services, it would provide the services all CBE branches of specified windows and CBENOOR dedicated branches of the bank. CBENOOR is available to all customers who want to make use of the alternative banking service. CBE has implemented a separate and dedicated software that segregate the transactions of accounts in those windows with that of the conventional ones.

2. Impermissible Trading Activities

Consistent with Shariah principles, there are some individuals/trading activities are not allowed to operate Interest Free Banking Services:

- Running pig farm and pork trading;
- Alcoholic beverages production and alcohol trading;
- Gambling and related activities such as running casinos as well as other activities classified as harmful to the society in general and so on.

Activities categorized under the above and others are barred from using Interest Free Banking Services.

3. The following are CBE NOOR Products and Services Offered to those who meet the requirements:

- 3.1 Deposit and investment accounts;
- 3.2 Financing products;
- 3.3 Letter of Guarantee;
- 3.4 Trade Service;
- 3.5 Money transfer/Hawallah/;
- 3.6 Foreign Exchange.
- 3.7 Wadia Diaspora Business and Financing
- 3.8 International organization and NGOs employees Financing
- 3.9 Digital Banking Channels and Services

3.1. Deposit and Investment accounts

Under this category, there are four kinds of accounts. Those are Savings Account (Wadia Based), Current/Checking/Demand Deposit Accounts /Amana Based/, Mudharabah saving Deposit Accounts/Unrestricted/, and Mudharabah Term Deposits/Unrestricted/.

3.1.1. Saving Accounts (Wadia Based)

This type of account is opened by customers for unspecified period of time for the purpose of safekeeping. Depositors give their consent to the Bank to deal with the whole or any part of their money in the manner that it deems fit, so long as it is not against Sharia. The Bank will guarantee payment of the principal as demanded by the customer.

The Bank shall open any of the under listed savings accounts under Wadia agreement

- A. Ordinary savings
- B. Women savings
- C. Youth savings
- D. Teen Youth savings
- E. Education savings
- F. Accounts for Minors
- G. Joint Accounts

- H. Earmarked Accounts
- I. Accounts for Interdicted Person
- J. Staff Accounts
- K. FCY Accounts
- L. Diaspora Saving accounts
- M. Labbaik saving accounts
- N. Special support needs organization accounts.

3.1.2. Current/Checking/Demand Deposit Accounts /Amana Based/

This account is opened for unspecified period and operated by checks like the conventional current account. The bank shall guarantee payment of the principal amount if the customer demanded so.

The Bank shall open any of the following types of demand deposit accounts under Amana agreement.

- A. Amana Deposit accounts/Demand Deposit Account/
- B. ECX related accounts and
- C. Amana FCY (Current/Checking/Demand) Accounts.

3.1.3. Mudharabah Saving Deposit Accounts/Unrestricted/

This is an investment account where customer deposits money for unspecified period of time and s/he will share the profit based on the pre agreed ratio after deploying the fund in any permissible activities chosen by the bank. On the other hand, If there is loss in Mudarabah, share for distribute equity contribution in this investment account.

3.1.4. Mudharabah Term Deposits/Unrestricted

This is an investment term deposit where customers place money for a fixed period of time and s/he will share profit based on the pre agreed ratio after deploying the fund in any permissible activities chosen by the bank. The Bank shall impose restrictions on withdrawal during specified period based on prior agreement.

The Bank shall open any of the under listed term deposit Accounts under Mudaraba Term Deposit:

- A. Term deposits 3-6 Months period
- B. Term deposit 6-12 Months Period
- C. Term Deposit 12-24 Months period
- D. Term deposit 24 months & above

3.2. Financing Services

This service consists of Murabahah, Salam, interest Free pre-shipment export financing, Istisna' and Ijara. By making use of these a customer can obtain finance for:

- Working capital;
- Purchase of goods/assets;
- Export and import trade;
- Project finance;
- Leasing; and
- Working capital for agricultural activities.

3.2.1. Murabahah (Cost plus profit) mode of financing

Murabahah is a contract of sale between a customer and a bank in which a bank purchases the goods needed by a customer and sells the goods to the customer on a cost-plus basis. Both the profit (mark-up) and the time of payment (usually in installments) are specified in an initial contract. The bank is the owner of the goods before it sells it to the customer. The bank may require collateral from the customers to secure the finance.

Among the services included in Murabahah are the following:

- Murabahah Term Financing – For purchase vehicle, business premises, warehouse, machinery and project financing;
- Murabahah Revolving Financing Facility – For purchase of inputs;
- Murabahah LC Financing - For purchase of inputs, vehicle and machinery from abroad.
- Murabahah Merchandise- for purchase and sale of merchandise.
- Murabahah Pre-shipment - For the purchase of goods to be exported.

3.2.2. Interest Free Pre-shipment Export Financing Facility

It is an interest free benevolent short-term export loan facility availed for financing the purchase of domestic inputs to facilitate the production of goods by the customer or financing of purchase of domestic intermediate final products for export;

3.2.3. Selam (Advance Payment) mode of financing

This is a financing service that would be made available in cash for working capital purposes for customers engaged in agricultural sector as per the contract between the Bank and the Customer. It is a sales arrangement whereby the customer shall deliver the type of product she/he produces in accordance with the type, quality, quantity, and given period to the bank / agent/third party. The bank may require collateral from the customers to secure the finance.

3.2.4. Istisna' (Work-in-progress) mode of Financing

Istisna' financing is a mode of sale, at an agreed price, whereby the bank places an order to a manufacturer or a contractor to manufacture, assemble or construct a specific commodity for a purchaser/customer of the bank to be delivered at a future date. Istisna contract shall be entered between the Bank and the customer, on the other hand the Bank enters into a Parallel Istisna' contract with the third party manufacturer/Contractor. The bank may ask for collateral/guarantee from the customer/contractor, as the case may be.

3.2.5. Ijarah (Leasing) mode of Financing

In Ijarah, the bank purchases a real asset (the bank may even purchase the asset as per the specifications provided by the prospective client) and leases it to the customer. In the period of lease, the asset remains in the ownership of the bank but the physical possession of the asset and its right of use is transferred to the lessee. Depending on the promise of the bank given initially to the customer, the bank can sell or transfer freely the leased asset to the customer. The bank may require collateral from the customers to secure the finance.

3.3. Letter of Guarantee

The Bank shall avail guarantees such as Advance payment guarantee, Bid bond guarantee and Performance bond guarantee, etc for its customers and it may request collateral to secure the guarantee.

3.4. International Trade Service

The service is provided for customers who engaged in export and import trade, and it is an arrangement where customers delegate the Bank or participate in partnership with it. This service is similar to international Trade Service given at the conventional bank.

3.5. Money Transfer (Hawallah) services

Local beneficiaries of money transfer can receive money sent to them throughout the country from the dedicated branches of CBE NOOR or from branch that has CBE NOOR Window and could similarly send money using this service. Besides, customers can utilize the service to receive money sent from any corner of the world.

3.6. Forex Services

Customers of who have foreign currency can trade/exchange their foreign currencies in to Birr at spot rate.

3.7. Diaspora Business and Mortgage Financing

These CBE NOOR products are eligible to non-residence Ethiopians and foreign national of Ethiopian origin for Business purpose and Murabaha mortgage financing. For Mortgage financing, customers should first make equity contribution of 20% in FCY. However, the periodic repayment can be effected in Birr or foreign currency based on prior agreement. The maximum Murabaha settlement period for Diaspora mortgage shall not exceed 20 years.

3.8. International organization and NGOs employees financing

This financing shall be availed to the employees of those organizations for the purpose of mortgage and automobile financing. . For Mortgage financing, consumers should first make equity contribution of 5%. The maximum Murabaha settlement period shall not exceed 20 years.

3.9. Digital Banking Channels and Services

- ✚ Selam payment card;
- ✚ Mobile and Internet Banking, and
- ✚ CBE Birr.