



EDBS/KH/0355/2011
27th September 2011

The Chief Executive Officer

All locally incorporated Retail Islamic Banks and
Financing Companies
Manama
Kingdom of Bahrain

Dear Sir,

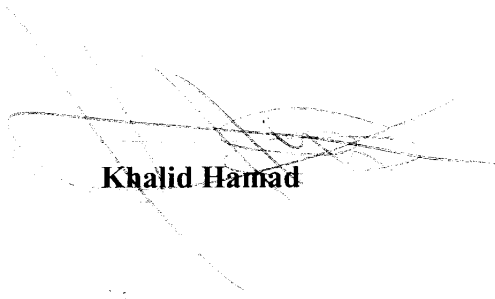
**Sub: Module CM-7.6: Early Repayment Fees and Charges for
Consumer and Mortgage Credit Facilities**

It has come to the attention of the CBB that certain Islamic banks and financing companies (licensees) are imposing fees in excess of the early repayment charges permitted by the CBB in Rule CM-7.6.2 (Volume 2) in relation to consumer finance and residential mortgages. This practice is a violation of CBB Rules and must cease immediately.

This letter is intended to clarify the guidance given in the CBB's circular of 15th October 2008 where a distinction was made between the rule based charges and the profit on the transaction, but unfortunately that distinction was misinterpreted. Licensees must bear in mind that they can require profit on the transaction at the time of early repayment but such profit must be restricted to a one month only; i.e. the month of the actual early repayment. The circular does not permit a licensee to 'roll-forward' charges or profit for periods beyond the month of early repayment.

The maximum early repayment charges allowed have been in place since April 2008 and the rule covers all existing consumer credit and residential mortgage credit facilities.

Yours faithfully,



Khalid Hamad

