The rules for the issuance of shares

2/1 The issuance of shares is permitted if the objectives for which the corporation was established are lawful according to the Shari'a, thus, the objectives of its formation should not be transactions that are prohibited, like the manufacturing of liquor, trading in swine or transactions in riba. If the objectives of the corporation are unlawful, the formation of the corporation is unlawful too, and consequentially the issuance of shares that constitute such a corporation.

2/2 It is permitted to add a determined percentage to the value of the share at the time of subscription to cover the expenses of issuance as long as this percentage is fixed and determined to be a reasonable amount. See item 4/1/2/2 of Shari'a Standard No. 12 regarding Sharika (Musharaha) and Modern Corporations.

2/3 It is permitted to issue new shares for increasing the capital of a corporation if these are issued at a price that is equivalent to the value of the old shares, which is worked out through expert valuation of the assets of the corporation or on the basis of the market-value whether this is at a premium or at a discount with respect the price of the issue. See item 4/1/2/3 of Shari'a Standard No. 12 with respect to Sharika (Musharaha) and Modern Corporations.

2/4 It is permitted to underwrite the issue when this is done without compensation in lieu of underwriting. This is an agreement, at the time of the formation of the corporation, with someone who undertakes to purchase the entire issue of shares, or a part thereof. It is an undertaking from the person bound to subscribe at the nominal value to all that remains and has not been subscribed to by another. It is permitted to acquire compensation for work, like the preparation of feasibility studies or the marketing of shares, irrespective of the work being undertaken by the underwriter or someone if such compensation is not in lieu of a guarantee. See item 4/1/2/4 of Shari'a Standard No. 12 regarding Sharika (Musharaka) and Modern Corporations.

2/5 It is permitted to split the value of the share into instalments at the time of subscription so that one instalment is paid and the remaining instalments are deferred. The subscriber will be considered a participant to the extent of what he has paid up and will be bound to pay his additional capital in the company, and this on the condition that the instalments apply to all the shares and that the liability of corporation remains restricted to the value of the shares subscribed to. See item 4/1/2/5 of Shari'a Standard No. (12) regarding Sharika (Musharaka) and Modern Corporations.

2/6 It is not permitted to issue preference shares that have special financial features leading to the granting of priority to these shares at the time of liquidation or the distribution of profits. It is permitted to grant certain shares features related to procedural or administration matters, in addition to the rights attached to ordinary shares, like voting rights. See item 4/1/2/14 of Shari'a Standard No. 12 regarding Sharika (Musharaka) and Modern Corporations.

2/7 It is not permitted to issue *tamattu`* shares. These are shares that grant the participant compensation in lieu of his shares, whose value is redeemed during the existence of the company, and he is granted *tamattu`* shares that grant him rights that are available for shares based on capital, except the right to profits and the distribution of assets at the time of winding up, insofar as the *tamattu`* shares are entitled to profit lesser than that given to the owner of shares based on capital, just as the owner of *tamattu`* shares does not have a share in the assets of the company at the time of winding up until the owners of shares based on capital have been granted the value of their shares. See item 4/1/2/15 of Shari'a Standard No. 12 regarding Sharika (Musharaka) and Modern Corporations.

2/8 The share certificate – or what stands in its place – is a document that is deemed evidence of ownership of the shareholder for his undivided share in the assets of the company. It is permitted that this document be in the name of the owner, to his order, or for the bearer.