

**Adoption of AAOIFI Shariah Standards Nos. 3, 8, 9 & 13**

In order to standardize and harmonize Shariah compliance mechanism in IBIs, it has been decided that above AAOIFI Shariah Standards are adopted in Pakistan. These Shariah Standards are applicable with the following clarification and amendments as mentioned against each clause(s) of respective Standard:

**AAOIFI SHARIAH STANDARD NO.3 (DEFAULT IN PAYMENT BY A DEBTOR)**

Sub- Clause (e) of Clause 2/1- Amendment

*The words "on giving the debtor reasonable notice of sale" shall be added after the word "debt" in 2<sup>nd</sup> line of above sub-clause.*

**AAOIFI SHARIAH STANDARD NO.8 (MURABAHA TO THE PURCHASE ORDERER)**

Clause 2/2/2- Clarification

*The phrase, "prior contractual relationship" shall refer to "prior sale contract".*

Clause 2/2/5- Clarification

*This clause is not applicable to Shirkat ul Milk.*

Clause 2/3/1- Amendment

*Currently, in the context of Murabaha in Pakistan, a bilateral promise / agreement is permissible.*

Clause 2/5/6- Amendment

*The institution shall return to the customer the amount of Urbon (earnest money) after deducting the actual damages incurred.*

Clause 3/1/3- Clarification

*The agent shall not consume or sell, goods purchased on behalf of the institution until such goods are sold by the institution to the customer.*

Clause 3/1/4- Amendment

*The payment mechanism presently adopted by Islamic Banking Institutions, whereby the supplier is paid by the bank through the transaction account opened in the name of agent and the customer may also acts as an agent, achieves the rationale behind this clause. However, in exceptional cases where the agent has to be given cash for onward payment to supplier, the matter can be decided by the Shariah Adviser and his specific approval would be required for this purpose.*

Appendix A & Appendix B- Amendment

*Instead of Appendix A (Notice for Purchase of goods / assets by the agent) and Appendix-B (Notice of the acceptance by the institution), the Model Murabaha Facility Agreement, shall be followed which is available on SBP website: <http://www.sbp.org.pk/press/Essentials/Murabaha%20Facility%20Agreement-1.htm>.*

**AAOIFI SHARIAH STANDARD NO.9 (IJARAH & IJARAH MUNTAHIA BITTAMLEEK)**

Clause 3/2- Amendment

*"Prior approval from Shariah Advisor of the IBI shall be sought whenever an IBI is going to use it as a mode of Islamic finance".*

Clause 3/4- Amendment

*"In special cases prior approval from Shariah Advisor shall be sought"*

Clause 7/2/5- Amendment

*The above clause will now read as, "The two parties may terminate the Ijarah contract with mutual consent before it begins to run."*

Clause 8/1 - Amendment

*At the end of above clause the words, "it is also permissible to ask the customer to give an Undertaking to Purchase Ijarah Asset from the bank in case of early purchase or default" shall be added.*

**AAOIFI SHARIAH STANDARD NO.13 (MUDARABA)**

*It shall be adopted in its present form without any amendment / clarification for Mudaraba financing.*