

# Islamic Banking Bulletin

Oct – Dec 2007



**Islamic Banking Department**  
**State Bank of Pakistan**

# ***ISLAMIC BANKING DEPARTMENT***

## **MISSION**

**Promote and regulate Islamic Banking Industry in line with best international practices, ensuring Shariah Compliance and transparency**

## **VISION**

**Make Islamic banking the banking of first choice for the providers and users of financial services**

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<http://www.sbp.org.pk/ibd/Bulletin/Bulletin.asp>*

State Bank of Pakistan

# Islamic Banking Bulletin

Vol II No 4

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Islamic Banking Bulletin gives an overview of the Islamic Banking Industry of Pakistan and provides information regarding the developments taking place in the industry locally and internationally.

## SBP Governor's View

“Despite transitory challenges – typical of a new and emerging industry, my view is that prospects for growth of Islamic finance are promising but rests on building an effective system for Islamic finance. Growing interest has led to rising investments in Islamic finance and resulted in phenomenal growth in Islamic finance businesses. Interest in this discipline has already extended beyond Muslim and Islamic countries to non-Muslim population and jurisdictions and non-Islamic financial institutions. The avoidance of forbidden investments (“haram” products) and interest rates and speculative structures prohibited in Islamic jurisprudence and Islamic finance’s emphasis on just and equitable financial system offers distinct appeal for Muslims to be attracted to this option. Appeal of Shariah compliant financing mechanism is also likely to be a powerful tool for enhancing access to development finance and empowering the poor and vulnerable groups, particularly if Islamic banks extend their reach in rural areas which are currently not effectively served by conventional system.”

“Irrespective of religious appeal and affiliations, consumers would be eventually attracted to Islamic finance if it positions itself to offer an efficient and competitive alternate avenue of financial intermediation which caters to all segments of population and economy and services retail and personal banking and project finance. This can happen only if key messages and principles of Islamic finance are flexibly, constructively and innovatively interpreted, its conceptual framework further developed, nurtured and translated effectively into practical applications, and work is launched to better develop interface and linkages between Islamic and conventional finance and unleash the synergies to advantage of global financial development.”

**Excerpts from:** Speech delivered by the Governor SBP, Dr. Shamshad Akhtar at 14th World Islamic Banking Conference Bahrain, 9-10 December 2007. The full text of the speech can be accessed at: <http://www.sbp.org.pk/about/speech/governors/dr.shamshad/2007/Growth-Sustainability-9-10-Dec-07.pdf>

For viewing the speeches of the Governor SBP on subject of Islamic Banking & Finance a new link has been created at SBP website under the title :

**SBP Governor's Speeches on Islamic Finance ( link:<http://www.sbp.org.pk/ibd/speeches.htm>**

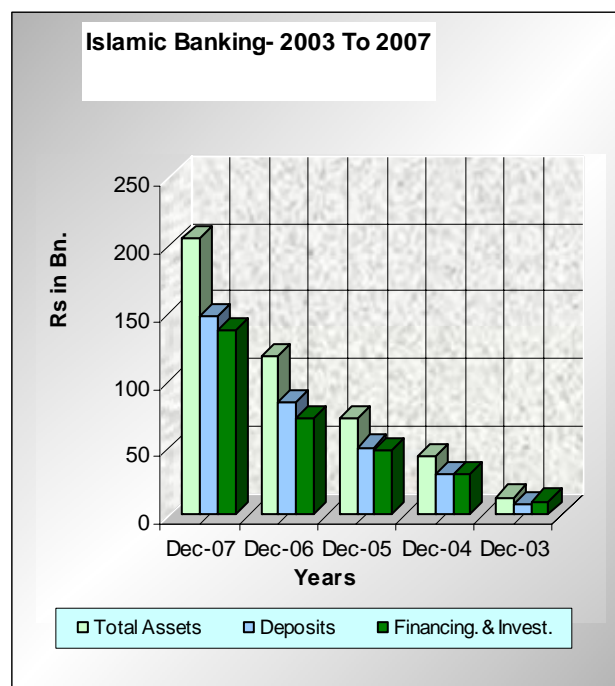
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## Industry Progress and Market Share

The market share of Islamic banking assets in the overall banking system rose to 4.3% as of December 31, 2007 compared with 3.0% in preceding year. Islamic banking deposits, financing and investment stood at 4.1%, 4.3% and 2.6% respectively as compared to 2.79%, 2.88% & 0.94% a year earlier. YoY growth for total assets, deposits and financing & investment was 75%, 78%, 91% respectively. Branch network during the same period reached 289 from 150 branches, showing 93% increase in year 2007.

It is hoped that by the end of this financial year the share of assets of Islamic banking to overall industry will cross 5.0%. We may safely say that Islamic banking industry is growing with healthy signs of financial inclusion. Meezan Bank is leading Islamic bank while the Bank Alfalah is on the top among IBDs of conventional banks.



(Rs in Million)			
Selected Variables	IBIs (A) As on Dec. 31, 07	Industry (B) As on Dec 29, 07	Share (B)
Deposits	147,361	3,565,537	4.1%
Financing - net	106,848	2,505,900	4.3%
Investment	30,961	1,210,920	2.6%
Total Assets	205,946	4,828,576	4.3%

(Rs. in billion)

Descriptions	Dec-07	Dec-06	Dec-05	Dec-04	Dec-03
Total Assets	206	118	72	44	13
% of Banking Industry	4.3%	2.9%	2.1%	1.4%	0.5%
Deposits	147	83	50	30	8
% of Banking Industry	4.1%	2.8%	1.9%	1.2%	0.4%
Financing. & Invest.	138	72	48	30	10
% of Banking Industry	3.6%	2.4%	1.8%	1.3%	0.5%
Full Fledge Islamic Banks	6	4	2	2	1
Conventional Banks with Islamic Banking Branches	12	12	9	7	3
No. of Branches	289	150	70	48	17

## Islamic Banking Sector

### Comparative Consolidated Balance Sheets of Islamic Banking Institutions

Descriptions	Rs. in Million		
	Dec-06	Dec-07	% Change
<b>ASSETS</b>			
Cash and balances with treasury banks	14,846	20,463	38%
Balances with other banks	16,511	18,533	12%
Due from financial institutions	5,662	11,850	109%
Investments	7,328	30,961	323%
Financings	65,613	106,848	63%
Operating fixed assets	3,125	6,967	123%
Deferred tax assets	250	3,454	1283%
Other assets	5,960	6,871	15%
<b>Total Assets</b>	<b>119,294</b>	<b>205,946</b>	<b>73%</b>
<b>LIABILITIES</b>			
Bills payable	1,255	2,597	107%
Due to financial institutions	6,547	4,557	-30%
Borrowings from Head office*	4,296	10,485	144%
Deposits and other accounts	83,740	147,361	76%
Liabilities against assets subject to finance lease	-	53	
Deferred tax liabilities	693	833	20%
Other liabilities	6,415	10,535	64%
<b>Total Liabilities</b>	<b>102,946</b>	<b>176,420</b>	<b>71%</b>
<b>NET ASSETS</b>	<b>16,348</b>	<b>29,526</b>	<b>81%</b>
<b>REPRESENTED BY</b>			
Paid-up capital/Head office capital account	14,465	25,658	77%
Reserves	530	1,423	168%
Un-appropriated/Un-remitted profit	843	1,953	132%
<b>Sub Total</b>	<b>15,838</b>	<b>29,033</b>	<b>83%</b>
Surplus /(Deficit) on revaluation of assets	510	493	-3%
<b>Equity</b>	<b>16,348</b>	<b>29,526</b>	<b>81%</b>

\* For Standalone Islamic Banking Branches.

## Analysis of the Consolidated Balance Sheet of Islamic Banking Institutions

The analysis of different components of consolidated balance sheet shows that the size of balance sheet of all Islamic Banking Institution is increasing at a rapid rate

The share of Saving, Fixed and Current Accounts of customers' deposits were 32%, 36% and 20% respectively of overall Deposits. Whereas, deposits of customers and of financial institutions represent 90% and 10% respectively. Not surprisingly, Meezan Bank and Bank Alfalah are leading among Islamic Banks and Islamic Banking Divisions respectively .

### Break-up of Islamic Banking Institutions' Deposits

Deposits and Other Accounts ('000' Rs.) of IBIs		As on December 31, 2007	
		147,361,124	100.00%
<b>A) Customers</b>		132,218,830	89.72%
Fixed deposits		53,328,431	36.19%
Savings deposits		47,656,938	32.34%
Current accounts -Remunerative			
Current accounts -Non Remunerative		29,882,882	20.28%
Others		1,350,579	0.92%
<b>B) Financial Institutions</b>		15,142,294	10.28%
Remunerative deposits		15,076,714	10.23%
Non Remunerative deposits		65,580	0.04%

### Deposits and other accounts (Rs. in Thousand )

Banks	Dec. 31, 07 (A)	Dec. 31, 06 (B)	(A) over (B)	
			Change	% change
IBIs	147,361,124	83,740,409	63,620,715	75.97%
IBs	105,037,333	54,371,511	50,665,822	93.18%
IBDs	42,323,791	29,368,898	12,954,893	44.11%

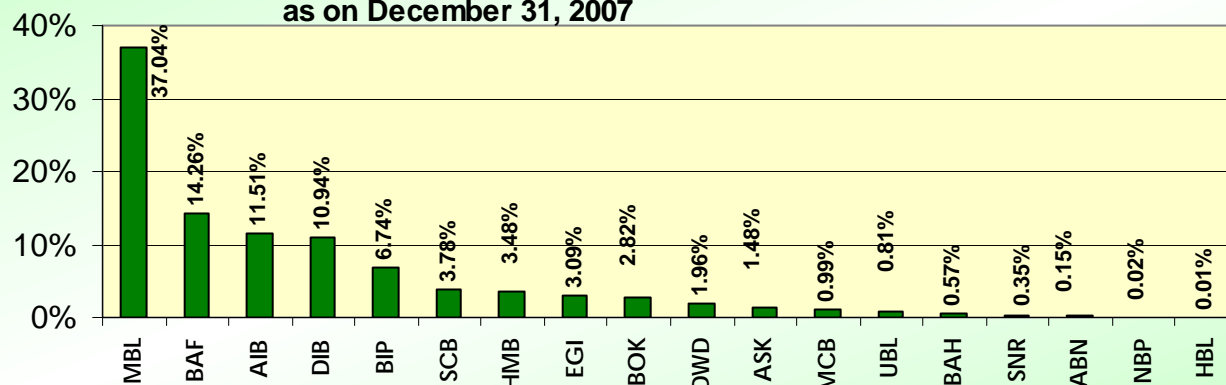
### Deposits:

The increasing trend in deposits over the years is still intact. Overall Deposits of IBIs as on December 31, 2007 stood at Rs 147,361 million reflecting year on year (YoY) increase of 76%. Both IBs and IBDs contributed towards overall increase. However, Islamic Banks deposit growth was much higher than Islamic Banking Divisions of conventional banks. Specifically, Islamic Banks' deposit grew at 93% compared to a growth of 44% in deposits of IBDs.

### Deposit Mobilized by Islamic Banking Divisions through Islamic Banking Windows

Islamic Banking Windows	70
Deposits mobilized through IBWs	Rs. 835 Million
% of total Deposits of Islamic Banking Divisions	2 %

### Bank Wise Share of Deposits in Islamic Banking Industry as on December 31, 2007





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### Financing – net of provision:

Islamic Banking Industry in Pakistan depicts financing of Rs.108.2 billion at end December 2007, which is 62.85% higher than the previous year (previous increase was 43.30%). IBs are equally active in financing activity this year. IBs and IBDs share to the overall net financing by 64 % and 36 %

Financing - net (Rs. in Thousand)				
Banks	Dec. 31, 07 (A)	Dec. 31, 06 (B)	(A) over (B)	
			Change	% change
IBIs	106,847,995	65,612,918	41,235,077	62.85%
IBs	68,818,011	40,957,288	27,860,723	68.02%
IBDs	38,029,984	24,655,630	13,374,354	54.24%

### Break up of Financing of IBIs

As on December 31, 2007

Rs. in "000" % to Gross

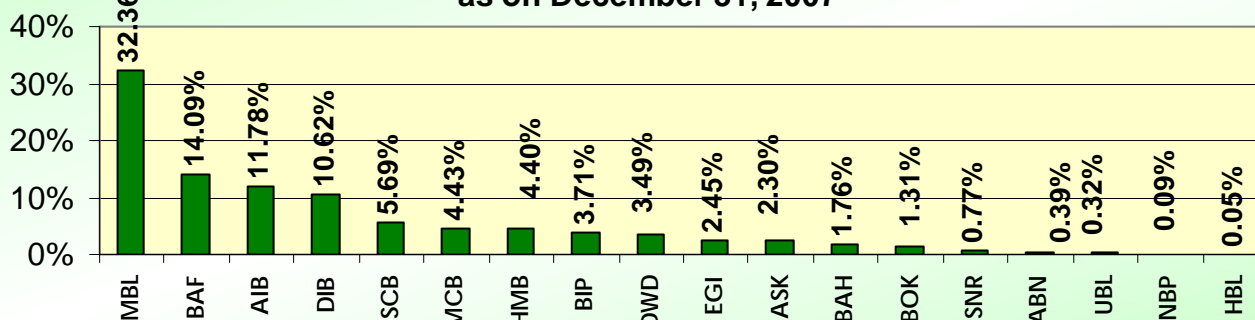
<b>Murabaha</b>	48,195,134	44.51%
<b>Ijarah</b>	26,010,365	24.02%
<b>Diminishing Musharaka</b>	27,732,688	25.61%
<b>Musharaka</b>	1,681,955	1.55%
<b>Others</b>	1,752,168	1.62%
<b>Salam</b>	1,494,027	1.38%
<b>Istisna</b>	1,119,585	1.03%
<b>Mudaraba</b>	276,029	0.25%
<b>Qarz/Qarz-e-Hasna</b>	7,581	0.01%
<b>Gross Financing</b>	<b>108,269,532</b>	<b>100.00%</b>

respectively. Around 94% share in financing represents the three modes of financing i.e. Murabaha 44%, Ijarah 24% and Diminishing Musharaka 26% respectively. This shows the reluctance of banks to other modes of financing either due to conservative mindset or lack of products innovation. As expected Meezan Bank has the lion's share in financing and among IBIs Bank Alfalah is capturing maximum financing business.

### Investments (Rs. in Thousand)

Banks	Dec. 31, 07 (A)	Dec. 31, 06 (B)	(A) over (B)	
			Change	% change
IBIs	30,960,978	7,327,720	23,633,258	322.52%
IBs	22,120,905	5,386,224	16,734,681	310.69%
IBDs	8,840,073	1,941,496	6,898,577	355.32%

### Bank Wise Share of Financing in Islamic Banking Industry as on December 31, 2007



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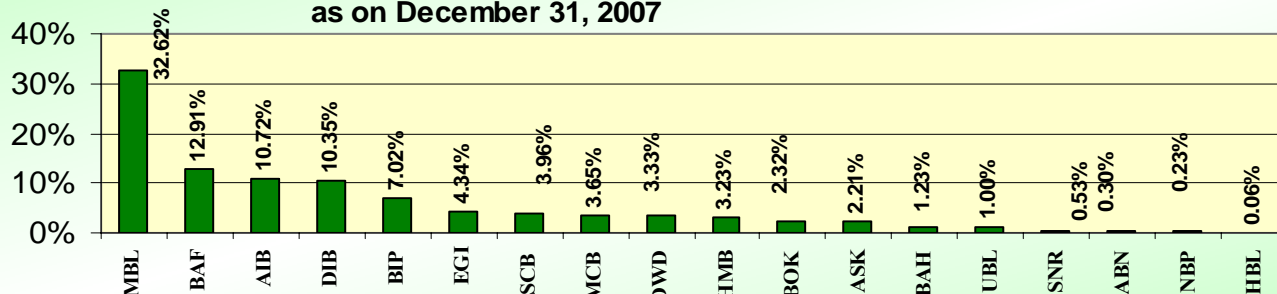
### Investments:

Investment position of IBIs as on December 31, 2007 is Rs 30,961 million which shows an increase of 322.52% over the previous year (previous period increase was 295.20%). The increase in investments reflect the new investment in Sukuk. The increasing phenomena relates to both IBs and IBDs with their respective share of 71% & 29% respectively. Meezan

### Total Assets (Rs. in Thousand)

Banks	Dec. 31, 07 (A)	Dec. 31, 06 (B)	(A) over (B)	
			Change	% change
IBIs	205,946,311	119,294,411	86,651,900	72.64%
IBs	140,803,400	77,765,839	63,037,561	81.06%
IBDs	65,142,911	41,528,572	23,614,339	56.86%

### Bank Wise Share of Assets in Islamic Banking Industry as on December 31, 2007



bank is leading with investment share of 34.03%.

### Total Assets:

Total Assets of IBIs as on December 31, 2007 are Rs 205,946 million and show an increase of 73% over the previous year (previous year increase was 66.86%). Though Islamic Banks have major share of 68% as compare to Islamic Banking Divisions' share of 32 % of total assets. Yet, in absolute terms the increase of Rs. 23.6 billion in IBDs assets, depicting the increasing interest of conventional banks in the Islamic banking. The variance of increase in total assets of IBs is high as compared to IBDs as Meezan bank is an outlier among IBs.

Description	2007	2006	%Growth YoY
Total Assets	206	118	73%
Deposits	147	83	76%
Financing. & Invest.	138	72	91.1%
No. of Branches	289	150	92.7%

### Year on Year growth

#### Key:

IBIs: Full fledged Islamic Banks and Islamic Banking Divisions of conventional banks

IBs: Full-fledged Islamic Banks

No.	Abbr	Bank
1	ABN	ABN Amro Bank N.V.
2	AIB	Albaraka Islamic Bank B.S.C. (E.C.)
3	ASK	Askari Commercial Bank Limited
4	BAF	Bank Alfalah Limited
5	BAH	Bank AL Habib Limited
6	BIP	BankIslami Pakistan Limited
7	BOK	The Bank of Khyber
8	DIB	Dubai Islamic Bank Pakistan Ltd
9	DWD	Dawood Islamic Bank Limited
10	EGI	Emirates Global Islamic Bank Ltd
11	HBL	Habib Bank Limited
12	HMB	Habib Metropolitan Bank Limited
13	MBL	Meezan Bank Limited
14	MCB	MCB Bank Limited
15	NBP	National Bank of Pakistan
16	SCB	Standard Chartered Bank (Pakistan)
17	SNR	Soneri Bank Limited
18	UBL	United Bank Limited- Ameen



## Book Review

### “Financial Risk Management for Islamic Banking & Finance”

**Publisher** : Palgrave Macmillan  
**Pages** : 300  
**Authors** : Ioannis Akkizidis and Sunil Kumar Khandelwal  
**Pub Date** : Mar 2008  
**Price** : \$210.00 - Hardcover  
 Available in SBP Library

#### Brief Description of the Book

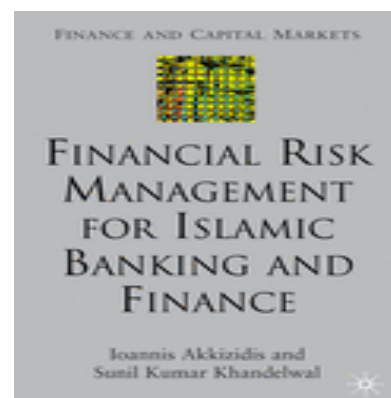
Nowadays in European, American and most westernized markets, financial institutions such as Credit Swiss, Deutsche Bank, HSBC, the Islamic Bank of Britain etc, are offering more products and services of Islamic finance. Moreover, a great number of financial institutions in GCC (Gulf Cooperation Council) countries and Asia are managing funds of over US\$300 billion. As a result of this growth of the market of Islamic finance, risk management for Islamic financial products and services is becoming a very important issue.

The book presents a common framework on how to efficiently manage the risks faced, by identifying where products and services are exposed to risks and how to effectively

minimize the overall degree of risks in Islamic Finance. Case studies and examples provide better understanding of the various issues, beside providing steps of risk management framework for the Islamic financial institutions.

#### Contents

- Introduction
- Principles of Islamic Finance
- Risk Management Issues in Islamic Finance
- Basel II & IFSB for Islamic Financial Risk
- Market Risk in Islamic Finance
- Credit Risk in Islamic Finance
- Operational Risk in Islamic Finance
- Concluding Remarks
- Notes
- Index



**Source:** <http://www.palgrave.com/products/title.aspx?PID=280638>

#### FRIENDS OF SBP LIBRARY MEMBERSHIP PROGRAM

In this era of information and economic crunch when there is exponential rise in literature especially in the disciplines of economics, banking, finance, management, information technology, etc., costs of books and research journals are soaring and paucity of funds prevails, it has become virtually impossible for the libraries individually to cater to growing needs of readers. The management of SBP has launched “Friends of SBP Library Membership Program” since 2001 under which outsiders including universities’ students, faculty members, bankers, business professionals, media persons, etc. have been allowed to use SBP library facilities. They have been permitted to utilize the existing poten-

tial resources of the bank library and avail borrowing facility thereby promoting readership. This program seeks to help those who are endeavoring in research and development process and find it difficult to get adequate information pertinent to their pursuits. This program has received an enthusiastic response from the students, bankers, academicians, lawyers, businessmen, journalists, etc. and so far we have 1500 registered members under this category.

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## Bank in Focus

### AlBaraka Islamic Bank B.S.C. (E.C.) Company Information

AlBaraka Islamic Bank Pakistan (AIB) has been operating in the country through branches of AlBaraka Islamic Bank, Bahrain since 1991. AlBaraka Islamic Bank operates under the auspices of the Bahrain-based AlBaraka Banking Group (ABG), which is a leading contributor of Islamic banking, investment and treasury services. The bank is second oldest Islamic bank in Pakistan, it has 18 branches as of December 31, 2007 with deposit base of around Rs. 17 billion. Along-with total assets of Rs. 22 billion, out of which financing represent almost 55% (Rs. 13 billion). AlBaraka Bank enjoys almost 12% share of Islamic Banking market in terms of deposit, financing and total assets in Pakistan.

#### Branch Network and Range of Product Offerings

In order to expand its outreach, AIB-Pakistan has embarked on needed expansion plan, which saw the addition of 6 new branches in 2007, leading to a total of 18 branches operating in 10 major cities of the country. In keeping with this trend, AIB plans to have a network of 30 branches by the end of 2008. Through this increased presence in the country, the Bank is able to cater to a diverse cross-section of the Corporate and SME sector by providing facilities for short-term working capital finance, leasing, and trade finance etc. through various Shariah compliant products such as Murabaha, Ijara, Musharaka and Islamic Export Refinance. Moreover, the Bank has also developed a strong consumer finance portfolio through the provision of consumer car Ijara and housing Musharaka facilities. AIB-Pakistan also offers various Shariah compliant deposit schemes that are available for customers to invest their funds, along with a variety of other ancillary services such as online banking, ATM/debit card, safe deposit lockers and utility bill payments etc.

#### Performance During 2007

The total asset base of the bank grew by almost 17% during 2007 to stand at Rs. 22 billion as at 31-Dec-07. The profitability of the Bank also experienced substantial improvement and registered a growth of 90% during the year. The aggregate financing portfolio of the Bank has

also grown by a healthy 30%, on account of increased financing activities especially in the consumer sector. In line with this, the deposit base also went up to Rs. 16.97 billion to support the increased business activities, posting a growth of around 23%.

	AlBaraka Islamic Bank (PKR in Bn)	% of Islamic Banking Industry
Deposits	17	12%
Financing	13	12%
Total Assets	22	11%
Branch Network	18	6%
As of December 2007		

#### Brief Profile of AIB's Shariah Advisor: Mufti Muhammad Hassan Kaleem

Member Dar-ul-Ifta, Jamia Darul-ul-Uloom Karachi. Member of the committee for revising the Takaful rules 2005, formed by SECP. Trainer of Shariah Standards at AAOIFI, Bahrain. Permanent faculty member of CIE Karachi. Shariah Consultant for Deloitte UK. Member of Shariah Advisory panel of Institute of Islamic Banking and Insurance UK. Visiting faculty member of National Institute of Banking and Finance (SBP). Further he is currently working on Doctorate thesis titled; "Islamic Alternative of Contemporary Insurance" towards the award of Ph.D. from the University of Karachi.

**Source:** AlBaraka Islamic Bank Pakistan  
(<http://www.albaraka.com.pk>)

*"Those who devour riba shall rise up before Allah like men whom Shaitan has demented by his touch; for they claim that trading is like usury. But Allah has permitted trading and forbidden usury. He that receives an admonition from his Rabb and mends his ways may keep what he has already earned; his faith is in the hand of Allah. But he that pays no heed shall be among the people of fire and shall remain in it forever."* (Surah Al Baqarah 275- Al Quran)

## Mode of Islamic Financing in Focus: Mudarabah (مضاربه)

### Definition :

Mudarabah" (مضاربه) is a special kind of partnership where one partner gives money to another for investing it in a commercial enterprise. The investment comes from the first partner who is called "rabb-ul-mal", while the management and work is an exclusive responsibility of the other, who is called "mudarib".

### Restricted and Un-restricted Mudarabah

The rabb-ul-mal may specify a particular business for the mudarib, in which case he shall invest the money in that particular business only. This is called al-mudarabah al-muqayyadah (restricted mudarabah). But if he has left it open for the mudarib to undertake whatever business he wishes, the mudarib shall be authorized to invest the money in any business he deems fit. This type of mudarabah is called 'al-mudarabah al-mutlaqah" (unrestricted mudarabah).

### Distribution of Profit

It is necessary for the validity of mudarabah that the parties agree, right at the beginning, on a definite proportion of the actual profit to which each one of them is entitled. No particular proportion has been prescribed by the Shariah; rather, it has been left to their mutual consent. However, they cannot allocate a lump sum amount of profit for any party, nor can they determine the share of any party at a specific rate tied up with the capital. Apart from the agreed proportion of the profit, the mudarib cannot claim any periodical salary or a fee or remuneration for the work done by him for the mudarabah. All the schools of Islamic Fiqh are unanimous on this point. However, Imam Ahmad has allowed for the mudarib to draw his daily expenses of food only from the mudarabah account. The Hanafi jurists restrict this right of the mudarib only to a situation when he is on a business trip outside his own city. In this case he can claim his personal expenses, accommodation, food, etc. If the business has incurred loss in some

transactions and has gained profit in some others, the profit shall be used to offset the loss at the first instance, then the remainder, if any, shall be distributed between the parties according to the agreed ratio.

### Termination of Mudarabah Contract

The contract of mudarabah can be terminated at any time by either of the two parties. The only condition is to give a notice to the other party. If all the assets of the mudarabah are in cash form at the time of termination, and some profit has been earned on the principal amount, it shall be distributed between the parties according to the agreed ratio. However, if the assets of the mudarabah are not in the cash form, the mudarib shall be given an opportunity to sell and liquidate them, so that the actual profit may be determined.

### Use of Mudarabah Mode by Islamic Banks

This mode is being used by Islamic banks mostly on the sources of funds side. They usually offer savings accounts, term deposits & certificates of investment on basis of this contract. Some banks are also using the mode on asset side but on a very marginal basis.

**Source :** "An Introduction to Islamic Finance" by Mufti Muhammad Taqi Usmani



*Believers! Be conscious of Allah and give up what remains of riba if you are indeed believers. If you do not do so then beware there is a declaration of war against you by Allah and His Prophet*

(Surah Al-Baqarah 278-79)

## About Shariah Board of SBP

In view of having a central body to guide State Bank of Pakistan (SBP) and the Islamic banking industry in persuasion of the SBP Central Board's decision in its meeting held on 24th October, 2003, a Shariah Board was formed in the State Bank. The Shariah board advises SBP on the procedures, laws and regulations pertaining to Islamic Banking in the light of Shariah principles.

### Composition

SBP Shariah Board is an ideal Shariah supervisory body with its unique composition., The Shariah Board consists of members drawn from among Islamic scholars, bankers, accountants, lawyers and other relevant fields. It can have a minimum of five members. At least two members will be Shariah scholars, one member to be a Chartered accountant, one a lawyer and one representing the bankers and the State Bank to be represented by the Director of Islamic Banking Department of SBP, who will also serve as the secretary of the Shariah Board.

While reviewing the Shariah compliance mechanisms in other countries we find that

structures of national Shariah Boards comprises only of Shariah scholars. Complexity of issues faced by Islamic Financial Institutions requires that while giving a Shariah ruling the technical aspects pertaining to legal, accounting and banking etc. also be accounted for the banker will give their opinion in the relevant areas of their expertise to the Shariah scholars, who will consider their views while on issues under consideration.

The composition of our Shariah Board helps us to cover and understand almost all aspects of any issues discussed in the meetings and it gives comprehensiveness to its decisions.

### Existing Members

- Dr. Mahmood Ahmed Ghazi ex -Federal Minister for Religious Affairs and a Shariah Scholar of world repute.
- Dr. M. Imran Usmani (Shariah Scholar)
- Mr. Ebrahim Sidat (Chartered Accountant),
- Syed Riaz-ul-Hasan Gillani (Lawyer), and
- Mr. Pervez Said (Banker)

### **Call for papers: Third International Conference on Islamic Banking and Finance - Risk Management, Regulation and Supervision**

(November 2-3, 2008, Karachi Pakistan)

*Note: This conference has been rescheduled to November 2-3, 2008 from March 2008. The Conference Academic Committee has already finalized 23 papers for presentation. However, as time is available, 4-5 good papers on IFSB and AAOIFI standards can still be accommodated if received latest by July 25, 2008.*

For more information please visit:

<http://www.ibisonline.net/Resources/EBF3.pdf>

### **Call for papers: The International Conference on Islamic Economics and Economies of the OIC Countries 2009**

(28-29 April 2009 - Kuala Lumpur, Malaysia)

Organized by :

Department of Economics

Kulliyah of Economics and Management Sciences

International Islamic University Malaysia (IIUM)

For More information please visit:

<http://enm.iiu.edu.my/conference2009.html>

<http://www.iiu.edu.my/enmjournals/icieeoic.html>

## Developments at Islamic Banking Department, State Bank of Pakistan

### IBD Circular No. 01 of 2008—Risk Management Guidelines for Islamic Banking Institutions

The State Bank of Pakistan has formulated Risk Management (RM) Guidelines for Islamic Banking Institutions (IBIs) with a view to further strengthening the regulatory framework in the area of risk management for IBIs. These RM Guidelines are based on a 'Guiding Principles of Risk Management for Institutions offering Islamic Financial Services' issued by Islamic Financial Services Board (IFSB), which is an international-standard setting body of regulatory and supervisory agencies and the same have been tailored keeping in view the regulatory regime of State Bank of Pakistan. However, these guidelines will be in addition to the various Risk Management Guidelines issued by SBP from time to time and IBIs will be required to comply with both set of guidelines. These guidelines provide a set of principles of best practice for establishing and implementing effective risk management in IBIs. These guidelines set out fifteen principles of risk management and provide guidance for each category of risk, drawn from discussion on Islamic Financial Industry practices. Further, these set of principles are applicable to the six categories of risks viz: Credit risk, Market risk, Liquidity risk, Operational risk, Equity investment risk and Rate of return risk. For each type of risk, Risk management practices have been discussed giving examples of specific Islamic banking modes of financing and according to various roles that an Islamic Banking Institution may perform. These guidelines will further complement and enhance the current Risk Management regime of SBP by identifying and suggesting technique to manage various types of risks unique to Islamic Banking Institutions. Since most of the IBIs in Pakistan are new entrants in the market, they are encouraged to put in place an effective risk management strategy right from the start based on the said guidelines as well as other guidelines issued by SBP. These guidelines are flexible in the sense that IBIs can adapt them in line with the size and complexity of their business.

### IBD Circular No. 02 of 2008 - Instructions and Guidelines for Shariah Compliance in Islamic Banking Institutions

In pursuance of its goal to further strengthen the Shariah compliance framework in the Islamic banking industry, 'Instructions and Guidelines for Shariah Compliance' have been finalized by Islamic Banking Department (IBD) in consultation with various stakeholders and the same have also been reviewed and approved by the SBP Shariah Board. These Instructions and Guidelines for Islamic Banking Institutions (IBIs) are in addition to current Prudential Regulations, guidelines and other circulars and directives issued by different departments of SBP and are not replacing them by any means, unless specifically mentioned otherwise.

The '**Instructions for Shariah compliance in IBIs**', cover various areas related to appointment, removal and working of Shariah Advisors; conflict resolution in Shariah rulings; Shariah compliant modes; use of charity fund, introduction of new products and services and schedule of service charges etc. It is to mention that essentials of Islamic modes of financing, earlier issued by SBP through a press release on April 15, 2005, have now been augmented and made part of these instructions.

Furthermore, in exercise of the powers conferred by clause (o), subsection (1) of section 7 of Banking Companies Ordinance, 1962, State Bank of Pakistan through these Instructions has specified Shariah-compliant modes of banking and finance for IBIs. Annexure-I of BCD Circular No.13 dated 20th June, 1984 shall stand replaced by section 'E' of these instructions insofar as it relates to IBIs. Further, as the requirements of IBD Circular No. 1 dated March 05, 2007 have been made a part of these Instructions, therefore the said circular shall stand withdrawn.

The '**Guidelines for Shariah compliance in IBIs**' are meant for providing guidance in areas like Shariah compliance, internal Shariah audit, investment in shares, policy for profit distribution with PLS account holders and financial reporting and general



## Developments at Islamic Banking Department, State Bank of Pakistan

disclosure etc. Necessary flexibility has been provided in these guidelines and IBIs can set up the suggested systems and procedures keeping in view the size and scope of their operations. These guidelines are being issued on “comply or explain basis” and IBIs shall record reasons in writing for non-compliance with any of these guidelines.

### IBD Circular Letter No. 01 of 2008— Islamic Banking Institutions asked to Submit information on Sukuk

All Islamic banking institutions (IBIs) i.e. Islamic banks and conventional banks having Islamic banking branches have been advised to provide information regarding the issuance of those Sukuk where the IBI concerned is involved as an issuer or a lead arranger. The said information is to be sent, as a footnote to the Quarterly Report of Condition, to Islamic Banking Department as per prescribed format attached as Annexure to the captioned circular from the quarter ending March 2008.

### Workshop on IFSB " Capital Adequacy Standard" and " Transparency and Market Discipline"

Islamic Banking Department (IBD) SBP and IFSB jointly organized the Workshop on IFSB " Capital Adequacy Standard" and " Transparency and Market Discipline" on 30th January and 1st February 2008 respectively. The workshop was attended by 34 participants from the local industry. The workshop provided facilitation on the implementation of the said Standards in our local market.

### Impact Study on IFSB Capital Adequacy Standard

The IBD, State Bank of Pakistan on 15th February & March 28, 2008 organized at its Learning Resource Centre workshops on “Impact Study on Islamic Financial Services Board (IFSB) Capital Adequacy Standard” to brief the representatives of the Islamic banking institutions (IBIs) on implementation of this standard. SBP is in the process of implementing capital adequacy standard issued by IFSB in Pakistan

and for the purpose it is carrying out an ‘impact study’. The aim of the study is to identify issues in the implementation of IFSB capital adequacy standard and to finalize a reporting format for collection of data from IBIs. The implementation of IFSB capital adequacy standard in Pakistan will be another milestone in ensuring proper risk management in IBIs in line with international standards recognizing the peculiar risk profile of Islamic banking products and services. State Bank of Pakistan is the full member of Islamic Financial Services Board (IFSB) since its inception. Being a full member, it is its responsibility to support & adopt /adapt standards issued by IFSB in the Islamic banking industry. IFSB has issued a Capital Adequacy Standard for Institutions (other than Insurance Institutions) Offering only Islamic Financial Services.

### Introduction of Shariah Compliance Questionnaires in Institutional Risk Assessment Framework (IRAF).

Islamic Banking Department has developed Shariah Compliance Questionnaires for incorporation in the Self Assessment Institutional Risk Assessment Framework which **is being monitored** by the Off Site supervision and Enforcement Department of SBP.

### Seminar on Islamic Financial Accounting Standards on Murabaha and Ijarah

A seminar on Islamic Financial Accounting Standards on Murabaha and Ijarah was conducted by IBD on March 24, 2008 at the Learning Resource Centre of SBP, Karachi. It was attended by senior executives/representatives from SECP, Islamic banking industry and SBP. Professional bankers and accountants delivered lectures on transaction flow and accounting treatment of Murabaha and Ijara modes of Islamic Finance. The forum provided an excellent opportunity to the participants to discuss the practical problems faced by them in the implementation of these standards. Mr. Ebrahim Sidat, Country Manager, Ford Rhodes Sidat Hyder & Co, who chaired the seminar, said that with the ‘will and de-



## Developments at Islamic Banking Department, State Bank of Pakistan

termination' of all stake-holders, Islamic banking would grow further in Pakistan.

### Islamic Financial Service Board (IFSB) Annual Meeting, rescheduled for November 2008

IFSB Annual meeting and associated events to be held in Karachi on 24th and 25th March, 2008, have been rescheduled to 3-7 November 2008.

### Comments on IFSB exposure drafts: 1) Capital Adequacy requirements for Sukuk Securitizations and Real Estate Investment; and 2) Guiding Principles on Governance for Islamic Collective Investment Schemes (ICIS).

SBP has forwarded the captioned exposure drafts to all the relevant stakeholders for their comments. The timeline for submitting the feedback to IFSB is 10th May 2008.

### SBP Shariah Board Meeting

20th meeting of SBP Shariah Board was held on 11th March, 2008. The Board discussed and finalized definitions of some modes of Islamic finance, which are not included in Essentials of Islamic Modes issued by the SBP. The Board also discussed comments of Islamic Banking Institutions on adoption/adaptation of Accounting and Auditing Organization for Islamic Financial Institutions' (AAOIFI) Shariah Standard on Murabaha.

### Shariah Advisors Forum

A meeting of Shariah Advisors Forum was held on March 4, 2008. Islamic Banking Institutions' (IBIs) comments on Murabaha were finalized and it was decided that the IBIs will send their comments on Mudaraba, keeping in view its implications on liability side of the banking institutions.

### Joint Forum of SBP and Securities & Exchange Commission of Pakistan on Islamic Financial Industry

The third meeting of the Joint Forum of SBP & SECP on Islamic Financial Services was held on February 22, 2008 at the Islamic Banking Department, State Bank of Pakistan, Karachi. Following was the agenda:

- Exploring possibility of adoption/ adaptation of the AAOIFI Shariah Standards (currently being worked upon by SBP) by non bank Islamic finance institutions.
- While being members of IFSB both sides to share their experiences.
- Other various areas of cooperation

### 3rd Meeting of Working Group on Development of Shariah Compliant lender of Last Resort Facility

In line with avowed policy of SBP to provide a level playing field to the Islamic Banking Industry of Pakistan the Islamic Banking Department has undertaken 'preparation of a working paper on Shariah compliant lender of last resort facility'. In this regard a working group comprising officials from relevant departments of SBP and the Islamic banks, including a Shariah advisor has been formed which held its third meeting on 14th March 2008 at IBD, SBP.

### Meeting of the Sub Committee of the Agricultural Task Force

The meeting of the sub committee of the Agricultural Task force was held on 25th March, 2008 in which the initial draft of the guidelines for Islamic modes of financing for Agriculture was discussed. It was attended by the officials from Islamic Banking Department, Agricultural Credit Department and the Shariah Advisor of an Islamic Bank.

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## Local News

### [Shamshad Akhtar chairs IFSB meeting in Jeddah](http://www.thenews.com.pk/updates.asp?id=41727)

<http://www.thenews.com.pk/updates.asp?id=41727>

Dr Shamshad Akhtar, Governor State Bank of Pakistan chaired 12th meeting of Islamic Financial Services Board (IFSB) Council and its Annual General Assembly meeting in Jeddah. She was earlier appointed Chairperson of IFSB Council for one-year term that began January 1, 2008 after serving its Deputy Chairperson last year. She is fifth Chairperson of the Council. IFSB presented to General Assembly Council's Report, Financial Statements of IFSB for financial year ended 31st December, 2007. Council approved a work plan for 2008 including issuance of additional guidance on determination of capital adequacy ratio of institutions offering Islamic financial services, etc. Council adopted technical note on issues in strengthening liquidity management of Islamic Financial Institutions, development of Islamic money, foreign exchange markets, gave approval to hold 27 workshops in 14 venues in course of year.

### [SBP approves KSEW's Sukuk certificates for SLR](http://www.dailytimes.com.pk)

<http://www.dailytimes.com.pk>

The State Bank of Pakistan (SBP) on Saturday approved the Karachi Shipyard and Engineering Works Limited (KSEW) Sukuk certificates (2nd issue) as approved security for Islamic Banks/Islamic Banking Branches (IBBs) for the purpose of Statutory Liquidity Requirement (SLR). The SBP said, "in terms of government of Pakistan notification No 5 (1) GS/2005-150 dated 22nd January, 2008, Karachi Shipyard & Engineering Works Limited (KSEW) Sukuk Certificates (2nd issue) have been notified as an Approved Security for Islamic Banks (IBs)/Islamic Banking Branches (IBBs), for the purpose of SLR under sub-section (1) of section 29 and sub-section (2) of section 13 of the Banking Companies Ordinance, 1962."

It further said, however, overall Sukuk holdings for SLR shall not exceed 5% of the Time and Demand Liabilities of the IBs/IBBs, as the case may be.

### [Meezan considers new products](http://www.thenews.com.pk/print1.asp?id=84935)

<http://www.thenews.com.pk/print1.asp?id=84935>

Meezan Bank Ltd would introduce Meezan Islamic Card and Islamic Micro Financing in the country.

The new products were reviewed in 12th Shariah Supervisory Board meeting of Meezan Bank Ltd held at Jamia Dar-ul-Uloom Karachi. The meeting was chaired by Mufti Taqi Usmani and attended by Irfan Siddiqui, Meezan Bank's President and CEO with the senior management and other prominent International Shariah scholars including Sheikh Essam Ishaq from Bahrain, Sheikh Abdul Sattar Abu Gud-dah (Saudi Arabia) and Dr Imran Ashraf Usmani. The board after reviewing the concept of proposed Islamic Micro financing banking approved the idea of introducing the Islamic Micro Financing developed by Meezan Bank's Product Development team and opined that through Islamic Micro finance banking the true benefits of Islamic banking can reach to the grass root level and it would help alleviating poverty and bring economic prosperity in the society. Shariah board also discussed various features of proposed Meezan Islamic Card and recommended various tools to further improve the idea so that Islamic Shariah is truly followed in Islamic card as well. The bank has a variety of Shariah-compliant products and services under one roof.

### [Islamic banks told to raise presence in rural areas](http://www.dawn.com/2008/02/22/abr4.htm)

<http://www.dawn.com/2008/02/22/abr4.htm>

The Governor, State Bank of Pakistan, Dr Shamshad Akhtar, has asked the Islamic banks to increase their presence in rural areas and diversify their network for the benefit of the under-served. Speaking at the inaugural ceremony of 100th branch of Meezan Bank. The SBP governor said that Islamic banks needed to focus on enhancing farm and non-farm lending by opening up branches in rural areas. She also spoke about new branch licensing policy and said that the central bank had allowed substantial growth in branch network. She said the licensing policy was 'very liberal' under which each bank was

required to set up at least 20 per cent of the total branches in rural areas for the purpose of enhancing the outreach of banking services. Dr Akhtar said microfinance banks had been allowed to open as many branches they wanted in rural areas. "Along the same lines, I think Islamic banks may also be allowed to set up as many branches in rural areas as they want," she remarked and added that there was also a unique opportunity for Islamic banks to do infrastructure financing and long-term lending. She said Islamic banks could play a pivotal role in the development of rural areas. "Rural prosperity has increased over the years and capacity to buy and saving is higher in rural areas," the SBP governor said.

#### **Dubai Islamic Bank Pakistan's assets reach Rs 21bn**

[http://www.dailytimes.com.pk/default.asp?page=2008%5C01%5C24%5Cstory\\_24-1-2008\\_pg5\\_9](http://www.dailytimes.com.pk/default.asp?page=2008%5C01%5C24%5Cstory_24-1-2008_pg5_9)

Dubai Islamic Bank Pakistan (DIBP) recorded an incremental growth of 152 percent in its total asset base, which stood at Rs 21 billion by the end of December 2007. Elaborating the bank's achievements at a press conference, M A Mannan, CEO Dubai Islamic Bank, Pakistan said that in a short span of two years since the bank commenced operations in Pakistan, its customer base has grown by 228 percent to about 21,000 customers in 2007. Its deposit base has grown by 273 percent to Rs 16.1 billion in 2007. The share capital of Dubai Islamic Bank stands at Rs 5 billion. Mannan said, "of the products introduced

last year, DIB Auto Finance registered a volume of Rs 2.9 billion within 9 months of its launch. In a market where cutthroat competition persists, this reflects a great success for the bank." During the year 2006-07, Dubai Islamic Bank arranged Sukuk bonds worth Rs 24 billion, which is 41 percent of the total domestic Sukuk issuances.

#### **SECP approves 12 Islamic financing agreements**

[http://www.thenews.com.pk/daily\\_detail.asp?id=102382](http://www.thenews.com.pk/daily_detail.asp?id=102382)

The Securities and Exchange Commission of Pakistan's Religious Board for Modarabas approved 12 Shariah-compliant model Islamic financing agreements and also sanctioned the issuance of 'Modaraba Sukuk' (short-term investment certificates) aimed at developing the Islamic financial sector.

The approved Shariah-compliant model Islamic financing agreements for the Modaraba Sector included Diminishing Musharika, Ijara, Istisna, Modaraba, Musawamah, Musharika, Murabaha, Salam, Syndicate Modaraba, Syndicated Musharika, Islamic CFS Murabaha and Sukuk (Islamic bonds) and would be issued under the Modaraba Ordinance 1980.

These agreements have been designed to provide the modaraba sector a level-playing field with the financial institutions, and to provide new products for the Islamic financial market. These are flexible and can be modified or amended to the extent that they do not affect the substance of the agreement and are in no way in conflict with Shariah.

...Continued from page 13

#### **Other Developments**

- The Central Board of SBP in its meeting held on 5th January, 2008 has extended the term of existing SBP Shariah Board members for two years.
- The Director IBD has been nominated as member IFSB Technical Committee in place of Mr. Azher Kureshi D.G.(FIU).

- Mr. Zahid ur Rehman Khokhar, Junior Joint Director, Islamic Banking Department left on January 01, 2008 for Islamic Financial Services Board, Malaysia on Secondment basis for three years.
- Mr. Sarfraz Ahmad of IBD secured the highest marks in Stage 3 Institute of Bankers Pakistan Paper on "Islamic Banking and Finance".
- A link has been created at Islamic Banking Department's page on SBP website for Governor's speeches on Islamic Banking & Finance (<http://www.sbp.org.pk/ibd/speeches.htm>)

## International News

### Islamic banks performing well, says Moody's

<http://www.bankingtimes.co.uk/11032008-islamic-banks-performing-well-says-moodys/>

Moody's has released a report which reveals that the last decade has seen Islamic banks operating within the Gulf Cooperation Council record strong growth. In addition, the Islamic banking sector accounts for 15% of banking assets in the region. The findings are based on 23 Islamic banks, which held a combined asset total of \$125bn at the end of 2006. The banks have begun to diversify as competition increases, which has led to enhanced services. The ratings agency believes that Islamic banks are being assisted by the increase in Shariah-compliant features, such as Shariah mortgages. Over the course of the last decade Islamic banking has become a part of the mainstream banking within the GCC, according to the report.

### Japan banks focusing on Islamic funds

<http://www.thepeninsulaqatar.com>

Japan's Energy and Natural Resources Finance Department Director General, Tadashi Maeda said that Japan can play the role of a gateway internationally in a regional market from Asia which would help strengthen inter-regional linkages between Asia and the Gulf. In this regard Japanese banks have been focusing on the importance of Islamic funds because "we recognize the importance of Islamic finance with total assets reaching some one trillion dollars," he said. Therefore, Japan along with Muslim countries in Asia, in particular Malaysia, has signed a memorandum of understanding (MoU) with the Central Bank of Malaysia to create an integrated Islamic Financial Market in Asia. The Financial Market would attract more investments from the Gulf including the sovereign wealth funds in the region and strengthen ties between the Gulf and Asia which is very important in terms of the energy security, Maeda, who is also Japan Bank for International Cooperation Director General, said.

### Capita announces first UK insurance firm to operate on Muslim principles

<http://business.timesonline.co.uk>

Britain's first Shariah-compliant insurance company is to be launched in April by a former GE Capital insurance executive. British Islamic Insurance Holdings (BIIH) will open for business under a consumer brand name when it has received final approval from the Financial Services Authority. News of the initiative was revealed by Capita, the outsourcing giant best known for running London's congestion charge, which will provide front and back-office functions for the new business. BIIH will offer car and home insurance initially, but life insurance, investments, savings and ethical financial products will be launched later in the year.

### AAOIFI welcomes BMB Islamic as an Associate member

[www.ameinfo.com/150098.html](http://www.ameinfo.com/150098.html)

BMB Islamic, one of the world's leading Shariah structuring and Islamic finance advisory firms, directed by a team of award-winning Shariah advisors announced the recent appointment of membership to the Bahrain-based Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).

### Kenya gets First Islamic Bank

[http://www.africanews.com/site/list\\_messages/16558](http://www.africanews.com/site/list_messages/16558)

Two branches of the first fully Shariah compliant bank in Kenya, The Gulf African Bank (GAB) have opened in Nairobi. The GAB will initially operate a branch in city centre and another at the city suburb dominated by Refugees from Somalia, an area that does booming business dealings with imports from Dubai and far east. The bank according to its managers will open another branch in Mombasa a town with huge Muslim population before moving to other places in the coast and northeastern province where Muslim population is big. With an estimated population of nearly 5 million Muslims in Kenya GAB hopes to do booming business in the country.

### Singapore increases efforts to position itself as Islamic banking hub

<http://lushhomemedia.com/2008/>

In Singapore in the recent Budget, a 5 percent concessionary tax rate was announced for income derived from qualifying Shariah-compliant products. Industry watchers said this would help to draw in key global players. Industry players said : "The government now has set the right regulatory environment; what's now needed is for the private sector to come in and to activate this, and to take advantage of all these tax concessions that are being offered. "And it is hoped that these changes will now lead to... the growth of the Islamic finance industry from here. What we need is more Islamic banks here - Islamic finance houses to create the depth in the market, and to complement the wealth management industry that is already here in Singapore".

### HSBC establishes new Islamic banking subsidiary

<http://www.banking-business-review.com/>

HSBC Bank Malaysia Berhad has incorporated its new Islamic banking subsidiary, HSBC Amanah Malaysia Berhad, in Malaysia. HSBC Amanah Malaysia will have universal banking scope, allowing it to expand its access to Malaysia's Islamic finance industry, which currently accounts for 13% of the country's total banking assets. According to HSBC, this new entity will complement its comprehensive banking and financing solutions, available to all its customers, by providing a suite of Islamic products and services to retail and corporate customers when HSBC Amanah Malaysia opens its first branch. Irene Dorner, deputy chairman and CEO of HSBC Bank Malaysia, said: "HSBC Amanah Malaysia represents a milestone for the HSBC Group, as the first Islamic bank to be established by HSBC."

### China sets sights on Islamic finance

[www.malaysianbar.org.my/business\\_news/china\\_sets\\_sights\\_on\\_islamic\\_finance.html](http://www.malaysianbar.org.my/business_news/china_sets_sights_on_islamic_finance.html)

Shenyang, the largest city in northeast China, has started the ball rolling by seeking Malaysia's expertise in Islamic banking and finance to help establish

an Islamic finance centre in the region. Under an agreement, Islamic Banking and Finance Institute (IBFIM) will work with Kuala Lumpur Chinese Assembly Hall (KLCAH) to provide the Shenyang authority with Shariah advisory and consultancy services and training in Islamic banking & finance. They will also provide education to Shenyang's people and the authority on the awareness of Islamic finance as well as the significance of Islamic finance to the society and business. IBFIM will also conduct various domestic and international training and development programmes on Islamic banking, takaful and Islamic capital markets.

### Commercial Bank of Kuwait to go Islamic

<http://www.arabtimesonline.com/kuwaitnews/pagesdetails.asp?nid=13281&ccid=12>

The Commercial Bank of Kuwait was awaiting approval from the central bank to transform into an Islamic lender, the bank's chief executive said. 'There is at least 25 percent of the market who prefer to deal with Islamic banks,' Jamal al-Mutawa told Reuters. 'Why would we lose this sector?' Existing banking laws allow commercial banks to establish a unit to operate according to Islamic law with a capital of 15 million dinars (\$55.11 million), Mutawa said. CBK, which at first had only submitted a request to set up an Islamic unit, decided later to transform entirely to tap demand for Islamic banking products in the Gulf Arab state.

### UAE's proposal for global Islamic financial policies forum approved

<http://www.bi-me.com/main.php?c=3&cg=3&t=1&id=17902>

A joint consultative meeting between the UAE Ministry of Finance (MoF) and Jeddah-based Islamic Development Bank (IDB) gave the green light for a UAE proposal for instituting an international forum for Islamic financial policies. The proposal will be submitted for the IDB board of governors for final approval. The experts gave their consent at the end of a



two-day meeting of experts attended by IDB Chairman Dr Ahmed Ali, leaders of Islamic financial institutions, representatives of ten Islamic countries, central banks, World Bank and International Monetary Fund. Khaled Al Bustani, Under Secretary for Resources and Budget, MoF, presented a paper during the meeting in which he outlined the UAE proposal.

The UAE also called for reinvigorating the Awqaf (endowment) and Zakat (alms) as key instruments for Islamic financing sector and for infusing these mechanisms into development policies. "Challenges facing the Islamic financial services are depressing efforts towards achieving harmony, competition and transparency and developing accounting and auditing standards. We need a higher authority or council for Islamic financial services to reconcile between different schools of Islamic Shariah," he added. He explained that the forum will be made up of ministers of finance, central bankers, IDB, Islamic agencies for accounting and auditing, the Islamic Financial Services Council, World Bank and IMF. "The forum's main mandate is to work out strategies for upgrading Islamic financial industry to serve the socio-economic development in the Islamic World," he added.

### [The UK Budget 2008 and Islamic finance](http://www.nortonrose.com/news/latest/news14348.aspx?lang=en-gb)

<http://www.nortonrose.com/news/latest/news14348.aspx?lang=en-gb>

In order to further promote the City of London as a centre for global Islamic finance and level the playing field between conventional and Islamic products (referred to by the legislation as alternative financing instruments), the UK Government announced in the UK Budget 2008 statement it's intention to:

- legislate, following consultation, in the Finance Bill 2009 to provide relief from stamp duty land tax (SDLT) for Sukuk (referred to as alternative finance investment bonds);
- amend the law to classify Sukuk as tax-exempt loan capital for stamp duty and stamp duty reserve tax (SDRT);
- adjust legislation to allow existing corporation tax and income tax rules on Islamic finance arrangements (referred to as alternative finance arrangements) to be amended by regulation and work with the UK banking regulator (the Financial Services Authority) and stakeholders to clarify the regulatory treatment of Sukuk.

**Disclaimer:** The news section of Islamic Banking Bulletin is based on information obtained from local and international print and electronic media.

### **Dr. Shamshad receives Best Central Bank Governor Award**

Senior Editor, The Banker Magazine, Ms Karina Robinson presented the Central Bank Governor of the Year in Asia 2008 Award to State Bank of Pakistan Governor Dr Shamshad Akhtar at a ceremony held at a local hotel in Karachi.

Speaking on the occasion, Ms Robinson paid glowing tributes to the SBP Governor. She said Dr Akhtar has been able to restructure many aspects of the economy and implement many new policies in the banking sector, including an important financial inclusion strategy. She said another important central bank strategy shift has been the decision to gradually reduce commercial banks' reliance on refinancing facilities and encourage banks to fully accommodate private sector and export credit requirements, thereby helping the private sector.

Speaking on the occasion, Dr Akhtar said that it was not only an honour for her but for the country also, which now has an efficient financial system. She said the banking sector reforms have brought in competition within the system, improved internal efficiency and broadened access to the middle class



## Islamic Banking Branch Network

As of May 07, 2008

Number of Licensed Islamic Banking Branches		
Sr. No.	Name of Bank	Branches
<b>Full Fledge Islamic Banks</b>		
1	Meezan Bank Ltd	106
2	AlBaraka Islamic Bank BSC (EC)	18
3	Dubai Islamic Bank Pakistan Limited	18
4	BankIslami Pakistan Limited	36
5	Emirates Global Islamic Bank Limited	24
6	Dawood Islamic Bank Limited	7
	<b>Sub Total</b>	<b>209</b>
<b>Standalone Islamic Banking Branches</b>		
7	Bank Alfalah Ltd	32
8	MCB Bank Ltd	8
9	Bank of Khyber	17
10	Habib Metropolitan Bank	4
11	Habib Bank Ltd	1
12	Standard Chartered Bank	8
13	Bank Al Habib	4
14	Soneri Bank Ltd	4
15	Askari Bank Limited	14
16	National Bank of Pakistan	3
17	United Bank Ltd	5
18	ABN Amro Bank N.V.	3
	<b>Sub Total</b>	<b>103</b>
	<b>Grand Total</b>	<b>312</b>

## Cities-wise breakup of Islamic Banking Branches As of May 07, 2008

S.No	City	No of Branches
1	Abottabad	3
2	Bahawalpur	1
3	Banu	1
4	Batkhela	1
5	Chaman	1
6	Charsadda	1
7	Dera Ghazi Khan	1
8	Dera Ismail Khan	2
9	Faisalabad	16
10	Gujar Khan	1
11	Gujranwala	8
12	Gujrat	2
13	Hangu	1
14	Hyderabad	7
15	Islamabad	16
16	Karachi	97
17	Kasur	1
18	Kohat	1
19	Lahore	64
20	Larkana	1
21	Mandi Bahauddin	1
22	Mansehra	2
23	Mardan	1
24	Mingora	1

S.No	City	No of Branches
25	Mirpur AJK	2
26	Mirpur Khas	1
27	Multan	11
28	Muslim Bagh	1
29	Nawabshah	2
30	Nowshera	1
31	Okara	1
32	Peshawar	17
33	Pishin	1
34	Qilla Saifullah	1
35	Quetta	8
36	Rahim Yar Khan	3
37	Rawalpindi	14
38	Sadiqabad	1
39	Sahiwal	1
40	Sargodha	2
41	Sheikhupuar	1
42	Sialkot	6
43	Sukkur	2
44	Tando Allahyar	2
45	Tank	1
46	Timergara	1
47	Wah Cantt	1
	<b>Grand Total</b>	<b>312</b>

## Contacts Details of Islamic Banking Department Officials

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