Islamic Banking Bulletin

December 2018

Islamic Banking Department
State Bank of Pakistan

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Islamic Banking Industry - Progress & Market Share

Overview

Assets of Islamic banking industry increased by 8.1 percent (Rs. 200 billion) during the quarter October to December, 2018 and were recorded at Rs. 2,658 billion. Similarly, deposits of Islamic banking industry witnessed a quarterly growth of 9.9 percent (Rs. 198 billion) and stood at Rs. 2,203 billion by end December, 2018. During CY18, assets and deposits of Islamic banking industry witnessed year-on-year growth of 17 percent and 16.9 percent, respectively. Market share of Islamic banking assets and deposits in the overall banking industry was recorded at 13.5 percent and 15.5 percent, respectively by end December, 2018 **(see Table 1)**. Profit before tax of Islamic banking industry was registered at Rs. 34 billion by end December, 2018 compared to Rs. 23 billion in the same quarter last year.

Table 1: Industry Progress and Market Share

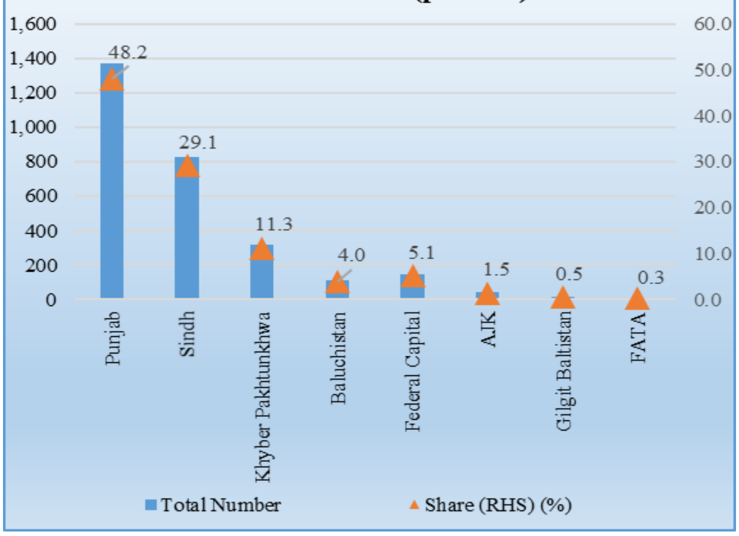
Particulars	Industry Progress			YoY Growth (%)	Share in Overall Banking Industry (%)		
	Dec-17	Sep-18	Dec-18	Dec-18	Dec-17	Sep-18	Dec-18
Assets (net) (Rupees in billion)	2,272	2,458	2,658	17.0	12.4	13.6	13.5
Deposits (Rupees in billion)	1,885	2,005	2,203	16.9	14.5	14.7	15.5
Number of Islamic banking institutions	21	21	22	-	-	-	-
Number of Islamic banking branches*	2,581	2,709	2,851	10.5	-	-	-

Source: Data submitted by banks under quarterly Reporting Chart of Accounts (RCOA)
*Including sub-branches

Branch Network of Islamic Banking Industry

The network of Islamic banking industry consisted of 22 Islamic banking institutions; 5 full-fledged Islamic banks (IBs) and 17 conventional banks having standalone Islamic banking branches (IBBs) by end December, 2018. During the period under review, Zarai Taraqiati Bank Limited started its Islamic banking operations. Branch network of Islamic banking industry was recorded at 2,851 (spread across 113 districts) by end December, 2018. During CY18, 270 branches were added to branch network of Islamic banking industry. The number of Islamic banking windows operated by conventional banks having standalone Islamic banking branches stood at 1,288 (see **Annexure I** for details).

Figure 1: Region Wise Branches (number) & Relative Shares (percent)



Asset and Liability Structure

Assets: Assets of Islamic banking industry registered a quarterly growth of 8.1 percent during the quarter October to December, 2018 and were recorded at Rs. 2,658 billion, compared to Rs. 2,458 billion in the previous quarter. This growth in assets was mainly contributed by financing (net) that recorded quarterly growth of 10.7 percent (Rs. 146 billion). On the other hand, investments (net) of Islamic banking industry declined by 3.7 percent (Rs. 20 billion) during the period under review. Market share of Islamic banking industry's assets in overall banking industry's assets was recorded at 13.5 percent by end December 2018, compared to 13.6 percent in the previous quarter. The share of net financing and investments in total assets (net) of Islamic banking industry stood at 56.8 percent and 19.4 percent, respectively by end December, 2018 (see section below on **Investments** and **Financing and Related Assets** for details).

Bifurcation of assets among full-fledged Islamic banks and Islamic banking branches of conventional banks reveals that assets of full-fledged Islamic banks increased by 7.5 percent (Rs. 111 billion) and were recorded at Rs. 1,592 billion by end December, 2018. Similarly, assets of Islamic banking branches of conventional banks increased by 9.1 percent (Rs. 89 billion) and were recorded at Rs. 1,066 billion by end December, 2018. Full-fledged Islamic banks and Islamic banking branches of conventional banks accounted for 59.9 percent and 40.1 percent share, respectively in overall assets of Islamic banking industry.

Investments

Investments (net) of Islamic banking industry reflected a decline of 3.7 percent (Rs. 20 billion) and were recorded at Rs. 515 billion by end December, 2018 compared to Rs. 535 billion in the previous quarter. During the period under review, investments (net) of full-fledged Islamic banks and Islamic banking branches of conventional banks declined by around Rs. 7 billion and Rs. 13 billion, respectively.

Financing and Related Assets

Financing and related assets (net) of Islamic banking industry continued their growing trend and reflected a quarterly growth of 10.7 percent (Rs. 146 billion) to reach Rs. 1,511 billion by end December, 2018 compared to Rs. 1,365 billion in the previous quarter. Breakup of financing and related assets (net) among full-fledged Islamic banks and Islamic banking branches of conventional banks shows that financing and related assets (net) of full-fledged Islamic banks increased by 11.3 percent (Rs. 94 billion) during the period under review and stood at Rs. 923 billion. Similarly, financing and related assets (net) of Islamic banking branches of conventional banks witnessed a quarterly growth of 9.7 percent (Rs. 52 billion) and were registered at Rs. 588 billion by end December, 2018. In terms of mode wise financing, the share of Diminishing Musharaka remained highest in overall financing of Islamic banking industry followed by Musharaka and Murabaha (see **Table 2**).

Table 2: Financing Mix (% Share)

Mode	Dec-17	Sep-18	Dec-18
Murabaha	13.2	12.8	13.6
Ijarah	6.4	6.6	6.2
Musharaka	22.0	21.5	19.9
Diminishing Musharaka	30.7	33.4	33.3
Salam	2.8	2.3	2.4
Istisna	8.2	7.6	9.1
Others	16.7	15.8	15.5
Total	**100.0**	**100.0**	**100.0**

Table 3: Financing Concentration (% Share)				
	Dec-17	**Sep-18**	**Dec-18**	**Industry**
Chemical and Pharmaceuticals	4.2	3.9	3.6	3.4
Agribusiness	9.3	7.1	7.6	8.1
Textile	13.0	11.3	13.0	13.6
Cement	1.9	3.1	3.6	2.0
Sugar	4.4	3.2	2.8	2.8
Shoes and leather garments	0.4	0.5	0.5	0.4
Automobile and transportation equipment	0.8	1.0	1.2	1.5
Financial	0.8	0.9	0.5	2.7
Electronics and electrical appliances	1.3	1.3	1.2	1.4
Production and transmission of energy	16.4	18.0	17.7	16.8
Individuals	11.0	11.8	11.4	8.7
Others	36.5	37.9	36.8	38.7
Total	**100.0**	**100.0**	**100.0**	**100.0**

In terms of sector wise financing, production & transmission of energy and textile sectors remained two leading sectors and their share in overall financing of Islamic banking industry was recorded at 17.7 percent and 13 percent, respectively by end December, 2018 (see **Table 3**).

Review of client wise financing reveals that corporate sector accounted for 74.3 percent share in overall financing of Islamic banking industry, followed by commodity financing with a share of 10.5 percent. The share of small and medium enterprises (SMEs) financing and agriculture financing in overall financing of Islamic banking industry was recorded at 3.7 percent and 0.3 percent respectively (see **Table 4**).

Table 4: Sector Wise Financing Portfolio (% Share)				
Sector	**Dec-17**	**Sep-18**	**Dec-18**	**Industry**
Corporate	70.6	72.7	74.3	70.8
SMEs	3.3	3.0	3.7	6.2
Agriculture	0.5	0.3	0.3	4.0
Consumer Financing	9.9	10.5	10.1	6.5
Commodity Financing	13.9	11.6	10.5	10.8
Others	1.8	1.9	1.1	1.7
Total	**100.0**	**100.0**	**100.0**	**100.0**

Asset Quality

Asset quality indicators of Islamic banking industry including non-performing finances (NPFs) to financing (gross) and net NPFs to net financing were registered at 2.4 percent and 0.4 percent, respectively by end December, 2018. Both these ratios showed further improvement compared to previous quarter, mainly due to significant rise in financing portfolio of Islamic banking industry during the period under review (see **Table 5**).

Table 5: Asset Quality Ratios (%)				
Ratio	**Dec-17**	**Sep-18**	**Dec-18**	**Industry**
NPFs to Financing (gross)	3.0	2.7	2.4	8.0
Net NPFs to Net Financing	0.5	0.5	0.4	1.4
Provision to NPFs	82.5	82.8	83.2	83.8

Liabilities

Deposits of Islamic banking industry depicted a quarterly growth of 9.9 percent (Rs.198 billion) during the period under review to reach at Rs. 2,203 billion, compared to Rs. 2,005 billion in the previous quarter. As a result of this growth**,** market share of Islamic banking industry's deposits in overall banking industry's deposits increased to 15.5 percent by end December, 2018, compared to 14.7 percent in the previous quarter. The category wise breakup of deposits shows that all three categories of deposits reflected growth during the period under review. Current (non-remunerative) and fixed deposits witnessed rise of 12.3 percent (Rs. 81 billion) and 8.9 percent (Rs. 38 billion) respectively; while saving deposits increased by 3.1 percent (Rs. 25 billion) during the period under review (see **Table 6**).

Table 6: Break up of Deposits

	Rupees in billion			Growth (%)	
	Dec-17	**Sep-18**	**Dec-18**	**YoY**	**QoQ**
Customers					
Fixed Deposits	373	425	463	24.1	8.9
Saving Deposits	733	803	828	13.0	3.1
Current accounts – Remunerative	9	9	9	-	-
Current accounts - Non-remunerative	632	656	737	16.6	12.3
Others	16	14	18	12.5	28.6
Sub-total	**1,763**	**1,907**	**2,055**	**16.6**	**7.8**
Financial Institutions					
Remunerative Deposits	121	95	144	19.0	51.6
Non-remunerative Deposits	1	3	4	300.0	33.3
Sub-total	**122**	**98**	**148**	**21.3**	**51.0**
Total	**1,885**	**2,005**	**2,203**	**16.9**	**9.9**

Breakup of deposits among full-fledged Islamic banks and Islamic banking branches of conventional banks transpires that deposits of full-fledged Islamic banks grew by 7.9 percent (Rs. 98 billion) and were registered at Rs. 1,340 billion by end December, 2018. Similarly, deposits of Islamic banking branches of conventional banks increased by 13.1 percent (Rs. 100 billion) and stood at Rs. 863 billion by end December, 2018. The share of full-fledged Islamic banks and Islamic banking branches of conventional banks in overall deposits of Islamic banking industry stood at 61 percent and 39 percent, respectively by end December, 2018.

Liquidity

Liquid assets to total assets and liquid assets to total deposits ratios of Islamic banking industry stood at 22.4 percent and 27 percent, respectively by end December, 2018. Financing to deposits ratio (net) of Islamic banking industry was recorded at 68.6 percent by end December, 2018 (see **Table 7**).

Table 7: Liquidity Ratios (%)

Ratio	Dec-17	Sep-18	Dec-18	Industry
Liquid Asset to Total Assets	27.0	22.8	22.4	48.7
Liquid Assets to Total Deposits	32.6	27.9	27.0	67.2
Financing to Deposits (net)	64.0	68.1	68.6	55.8

Capital

Capital to total assets and capital minus net non-performing assets to total assets ratios of Islamic banking industry were recorded at 6.4 percent and 6 percent, respectively by end December, 2018 (see **Table 8**).

Table 8: Capital Ratios (%)

Ratio	Dec-17	Sep-18	Dec-18	Industry
Capital to Total Assets	6.2	6.4	6.4	7.1
(Capital-Net NPAs) to Total Assets	5.8	6.1	6.0	6.5

Profitability

Profit before tax of Islamic banking industry was recorded at Rs. 34 billion by end December, 2018 compared to Rs. 23 billion in the same quarter last year. Profitability ratios like return on assets and return on equity (before tax) were recorded at 1.4 percent and 22.3 percent, respectively by end December, 2018. During the period under review, operating expense to gross income ratio witnessed further improvement and was recorded at 62.9 percent, compared to 65.1 percent in the previous quarter (see **Table 9**).

Table 9: Profitability & Earning Ratios (%)

	Dec-17	Sep-18	Dec-18	Industry
Profit Before Tax (Rupees in billion)	23	23	34	243
Return on Assets (before tax)	1.1	1.3	1.4	1.3
Return on Equity (before tax)	17.1	20.2	22.3	17.4
Operating Expense to Gross Income	69.8	65.1	62.9	60.1

Country Model: Bangladesh

Bangladesh is one of the largest Muslim countries in the world where masses are committed to live their economic lives in accordance with the principles of Islam. With this in perspective, in August 1974, Bangladesh signed the charter of Islamic Development Bank and committed itself to reorganize its economy and financial system according to Islamic Shariah.

Bangladesh's economy has grown around 6% per year since 2005. Although more than half of the GDP is generated through the services sector, almost half of Bangladeshis are employed in the agriculture sector, with rice as the single most important product. Garments, the backbone of Bangladesh's industrial sector, accounts for a significant share of total exports.

Islamic Banking & Finance

Islamic banking was first introduced in Bangladesh in 1983 by foreign investors from Saudi Arabia and Kuwait. With a workforce of more than 32,000 people, Islamic banking covers a significant market share of the entire banking sector in terms of deposits and investments. After the 1990s, the Islamic banking sector gained further momentum and now it accounts for more than a one-fifth share of the entire banking system.

As of June 30, 2018, eight full-fledged Islamic banks are operating with 1,178 branches: Islami Bank Bangladesh (IBBL), Al-Arafah Islami Bank, Social Islami Bank, Export Import Bank of Bangladesh, Shahjalal Islami Bank, First Security Islami Bank, ICB Islamic Bank and Union Bank. In addition to this, 19 Islamic banking branches of 9 commercial banks and 25 Islamic banking windows of 7 conventional commercial banks are also providing Islamic financial services in Bangladesh. Total deposits in the Islamic banking industry reached BDT 2.25 trillion (US$ 26.44 billion). The share of total deposits of Islamic banks in overall banking accounted for 23.21% during the period. Total investments in the Islamic banking sector stood at BDT 2.17 trillion (US$ 25.5 billion), representing 23.93% of the total banking industry in Bangladesh.

Regulatory Environment

Bangladesh does not have a dedicated Islamic finance and banking regulation but the nation has an impressive growth story. Driven mainly by the private sector, domestic players have adapted to the conventional regime (Banking Companies Act and Companies Act), which has marginal Shariah adjustments. The central bank, Bangladesh Bank (BB), has in recent years taken measures to consolidate and develop the sector by creating a more conducive environment for banks: it issued Islamic banking guidelines in 2009, which covers licensing and conversion requirements as well as financial reporting and investment. Despite a relatively developed market, industry players are still calling for a comprehensive Islamic banking legislation, especially in the areas of debt capital markets, which analysts opine could be a big opportunity for Bangladesh if tapped. Capital market activities and insurance, Islamic and conventional, are governed by the Securities and Exchange Commission and Insurance Development & Regulatory Authority Bangladesh, respectively.

Takaful

There are 11 takaful operators (eight life and three non-life) in the country, out of 77 insurance firms. Over a dozen conventional insurers offer takaful products on a window basis. As of 2017, the volume of takaful assets stand at approximately more than US$1 billion which is nearly 20% of the insurance industry, according to IFN Annual Guide 2018.

Microfinance

Bangladesh may have a booming Islamic banking industry and an Islamic capital market fast gaining ground, but as many experts have noted, the country's Islamic finance potential lies in the microfinance segment. Bangladesh's microfinance sector comprises of four Islamic banks, 20 small Islamic microfinance institutions and an Islamic microfinance program of a conventional microfinance institution.

Islamic microfinance is another segment of high potential for Bangladesh, which was one of the earliest adopters of Shariah microfinance (considering it is the home of Grameen Bank, which introduced the concept of microcredit in 1976). Approximately 12.9% of Bangladesh's population lived below the national poverty line in 2016, according to the World Bank, a dramatic drop from 31.5% in 2010. The alleviation of poverty has largely been credited to the growth of micro and SME financing which falls under the purview of the Microcredit Regulatory Authority (MRA). The two-year project to expand financial inclusion in the South Asian nation through Islamic microfinance, launched in September 2014 by Islamic Relief Bangladesh (IRB), is still ongoing. The IRB intends to create a favorable environment for Shariah microfinance as well as register an Islamic microfinance institution with the MRA to directly serve 10,800 low-income entrepreneurs by the end of 2019.

Conclusion

Bangladesh has experienced extraordinary growth in Islamic banking following strong public demand for the system. Since its inception, the Islamic banking industry has recorded a strong performance and the industry now accounts for more than a 20% market share of the entire banking industry in Bangladesh. The Islamic banking industry in Bangladesh has contributed greatly in spurring economic growth and generating employment in the country to fulfill the vision of the government for the country to reach the middle income level by 2021. Thereby, the Islamic banking industry has been playing a very dominant role in mobilizing deposits and financings in different productive and service sectors and collecting about one-third portion of total foreign remittances in Bangladesh.

Sources of Information

- Central Bank of Bangladesh website https://www.bb.org.bd/
- www.islamicfinancenews.com
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Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) - Shariah Standards No. 03 and 04

A. Shariah Standard No. 03: Procrastinating Debtor

Preface

The purpose of this standard is to explain the Shariah rulings applicable to the transactions of Islamic financial institutions relating to solvent debtors and/or guarantors procrastinating in settling their obligations and contractors delaying in fulfilment of their obligations, which invokes penalty stipulated in the contract.

1. Scope of the Standard

This standard covers cases of default on the part of a solvent debtor or a solvent guarantor, and the case of a contractor or concessionaire who is late in completing work and thus becomes a debtor by virtue of a penalty clause. The standard does not cover debtors who are insolvent or bankrupt, or debtors who delay payment for an established Shariah reason.

2. Shariah Ruling

2/1- Default in payment by a debtor

2/1/1- Default in payment by a debtor who is capable of paying the debt is Haram (prohibited).

2/1/2- It is not permitted to stipulate any financial compensation, either in cash or in other consideration, as a penalty clause in respect of a delay by a debtor in settling his debt, whether or not the amount of such compensation is pre-determined; this applies both to compensation in respect of loss of income (opportunity loss) and in respect of a loss due to a change in the value of the currency of the debt.

2/1/3- It is not permitted to make a judicial demand on a debtor in default to pay financial compensation, in the form either of cash or of other consideration, for a delay in settling his debt.

2/1/4- The procrastinating debtor is liable for legal and other expenses incurred by the creditor in order to recover his debt.

2/1/5- The creditor is entitled to apply for the sale of any asset mortgaged as collateral for the debt, for the liquidation of the debt. He is equally entitled to stipulate that the debtor must give a mandate to the creditor to sell the mortgaged asset without recourse to the courts.

2/1/6- Unless failure to pay was caused by force majeure, it is permissible to stipulate that all outstanding instalments become due once the procrastinating debtor fails to pay an instalment. It is preferable that this clause is implemented only after notifying the debtor and after the lapse of a reasonable period of time.

2/1/7- In the case of a Murabahah sale, if the asset that was sold is still available in the condition in which it was sold, and the buyer has defaulted in the settlement of the price and has later become bankrupt, then the seller (the institution) is entitled to repossess the asset instead of initiating procedures to obtain a bankruptcy order.

2/1/8- It is permissible in contracts involving indebtedness (such as Murabahah) to stipulate an undertaking by the debtor, that in case of procrastinating in payment, the latter will donate an amount or a percentage of the debt to be spent for charitable causes through the institution.

2/2- Guarantor

a) It is permissible for a creditor to demand that a debt be settled by the debtor or the guarantor of the debtor, unless the guarantor stipulated that the settlement must first be sought from the debtor.

b) All rulings applicable to debtors in default are equally applicable to guarantors in default.

2/3- Contractor

It is permissible to include penalty clauses in contracts for construction, Istisna and supply contracts. In case of a refusal to pay the amount due under a penalty clause, the rulings relating to default by a debtor would be applicable. It is permitted to deduct the amount from outstanding amounts due to the contractor.

2/4- Non-material punishments for default in payment

The institution is entitled to include the name of a debtor in default in a list of undesirable customers (black list) and to send a warning admonition to other companies about the defaulting debtor, either when there is an inquiry from other companies about the debtor or when such 'black lists' are exchanged between companies directly.

2/5- General rulings

2/5/1- The institution is entitled to (monitor and) investigate (the financial status and activities) of a defaulting debtor through all permissible and legitimate means.

2/5/2- The institution may accept a payment from a debtor who is in default that is in excess of the amount of the debt, provided there is no contractual condition whether written or verbal, or custom or mutual agreement relating to this additional amount.

2/5/3- It is permissible for the institution to stipulate in a contract dealing with indebtedness that, if the debtor is late in making payment, the institution is entitled to recoup the amount due from any of the accounts of the customer with the institution, whether current accounts or investment accounts. This may be done without getting any further consent of the debtor provided the balance in the account is of the same currency as that of the debt. If, however, the currency is different, then the rate of exchange to be used must be the then prevailing rate of exchange.

2/6- Establishment of default in payment

Default in payment is established when, following a normal demand for payment, a debtor who has not proved that he is insolvent fails to settle the debt on its due date.

3. Definitions

Default in payment

Delay in the settlement of an obligation or in paying an amount due for payment, without any legitimate reason.

Procrastinating debtor

A debtor who is solvent but refuses to pay a debt that is due, without any legitimate reason, after receiving the normal demand for payment.

Penalty clause
An agreement between two parties to a contract stipulating a pre-determined amount of compensation that will be due to the obligee, should the obligor delayed carrying it out.

B. Shariah Standard No. 04: Settlement of Debts by Set-Off

Preface
The aim of this standard is to outline the rules governing the use of set-off in settling debts, the Shariah requirements and conditions applicable to set-off, what is permissible or not permissible in this procedure and the most significant practices of Islamic financial institutions in this regard.

1. Scope of the Standard
This standard covers the settlement of debt by way of set-off. The standard shall not apply to discharge of liability by way of transfer, waiving of obligation, composition, acquisition of a right payable or bilateral cancellation of a contract, as they are covered by their respective standards.

2. Definition of Set-Off and its Various Forms
A set-off is to extinguish a debt receivable by a debt payable. It is divided into two main forms: mandatory set-off and contractual set-off.

2/1- Mandatory set-off
A mandatory set-off is a set-off that occurs without the need for bilateral agreement or consent of both indebted parties and, in some cases of mandatory set-off, it is one party that is forced to comply with the request of the other party for set-off. It is divided into compulsory set-off (on both parties) and set-off on demand (of the person with the superior debt whereby the other party is obliged to comply with the demand).
2/1/1- A compulsory set-off is the spontaneous discharge of two debts that is not contingent on the request or consent of both or either party.
2/1/2- The conditions of the permissibility of compulsory set-off are the following:

a) Each party should be a creditor and debtor simultaneously.
b) Both debts should be equal in kind, type, description and maturity. However, if the two debts are not equal in amount, a set-off will take place of an equivalent amount on both sides, and the party that is owed the larger debt will remain a creditor for the remaining balance.
C) Neither of the two debts should be encumbered by an obligation to a third party, such as the right of a mortgagee to one of the debts. The intention of this is to protect rights associated with the amount of the debt and belonging to third parties.
d) The set-off should not be arranged in a manner that results in violation of a rule of Shariah, such as Riba (usury) or Shubhat-al-Riba (a transaction potentially involving Riba).
2/1/3- A set-off on demand is the discharge of two debts at the request of the creditor for the superior debt and his consent to forgo the excess of the amount or privilege he is owed over what he owes. This set-off will take place whether or not the creditor for the smaller debt consents.
2/1/4- The conditions of permissibility of a set-off on demand are the following:

a) Each party should be a creditor and debtor simultaneously.

b) The creditor for the superior debt, in terms of quality and duration, should consent to relinquish his additional right or privilege. An example of superiority in terms of quality is when the debt is secured by a mortgage, or when a third party has given a guarantee to pay the debt, and the owner of the secured debt consents to relinquish this guarantee. Superiority in terms of duration exists if the duration of one of the debts is shorter, or one debt is now due and the other is not yet due. In these cases, the debt which has the shorter duration or which is now due is superior.
c) Both debts should be similar in kind and type, but not necessarily in quality and date of maturity. However, if the two debts are not equal in amount, a set-off will take place of an equivalent amount on both sides, and the party that is owed the larger debt will remain a creditor for the remaining balance.
d) The set-off should not be arranged in a manner that results in violation of a rule of Shariah, such as Riba (usury) or a transaction potentially involving Riba.

2/2- Contractual set-off
2/2/1- A contractual set-off is the discharge of two debts by the consent of the two parties to extinguish their obligations towards each other.
2/2/2- The conditions of the permissibility of a contractual set-off are the following:

a) Each party should be a creditor and debtor simultaneously.
b) The two parties should mutually consent to the set-off.
c) The set-off should not be arranged in a manner that results in violation of a rule of Shariah, such as Riba or a transaction potentially involving Riba.
2/2/3- A contractual set-off is permissible even without the need for two debts to be similar in kind, type, description or maturity. This is because the agreement on contractual set-off means that each party has agreed to relinquish any extra privilege associated with his debt. A contractual set-off is also permissible if the two debts are not equal in terms of amount, in which case a set-off will take place of an equivalent amount on both sides, and the party that is owed the larger debt is entitled to request payment of the remaining balance.

3. Bilateral Exchange of Promises to conclude a Set-Off in the Future
It is permissible for the institution and its customers or other institutions to exchange bilateral promises that debts that may be created between them in the future will be settled by way of set-off, in which case all the conditions mentioned in the items 2/1 and 2/2 will be applicable at the time of actual set-off. However, if the currencies of the two debts differ, a bilateral exchange of promise of set-off should be concluded on the basis that a set-off will take place based on the current currency exchange rate at the time of actual set-off; this ruling is to prevent the practices of Riba by roundabout methods or by implied agreement for practicing Riba.

4. Application of the Rules of Set-Off to some Modern Transactions
The followings are some rules of set-off to modern transactions:

4/1- Stipulating set-off between the customer and the institution in respect of debts to the institution arising out of sales on deferred payment. The agreement on contractual set-off of future debts, commonly known as set-off and consolidation, is a practice employed by a large number of financial institutions. This form of set-off may take place either compulsorily or contractually depending on whether the situation that gives rise to this set-off meets the conditions of compulsory set-off or the conditions of contractual set-off. Moreover, by pre-stipulating this type of set-off in the agreement, a fresh agreement may be avoided at the time of set-off when the two currencies are different or when one of the debts is superior to the other.

4/2- A set-off may take place between a financial institution accepting a cheque and the drawer of the cheque, through the clearing-house. This form of set-off may also take place either compulsorily or contractually depending on whether the state that gives rise to this set-off meets the conditions of compulsory set-off or the conditions of contractual set-off.

4/3- Set-off that is concluded among financial institutions through international or national networking systems, such as credit card or debit card organisations. This form of set-off may be either compulsory or contractual depending on whether the state that gives rise to this set-off meets the conditions of compulsory set-off or the conditions of contractual set-off.

5. Currency Swaps

The currency swaps that are concluded on the basis of Riba are not permissible. This is because in this process it is the interest-based securities that are set-off against interest-based securities.

Source:

AAOIFI website: http://aaoifi.com/

Events and Developments at Islamic Banking Department (IBD)-SBP

- **Training Program on "Fundamentals of Islamic Banking Operations" (FIBO)**

Islamic Banking Department (IBD), in collaboration with National Institute of Banking and Finance (NIBAF), organized three FIBO programs at Mardan, Abbottabad and Mirpur-Azad Jammu & Kashmir. These training programs are aimed at enhancing skills and knowledge base of field staff of Islamic banking institutions, particularly, Branch Managers (BMs), Operation Managers (OMs), Relationship Managers (RMs), and academia, students and Shariah scholars.

- **Islamic Banking Certification Course (IBCC)**

IBD, in collaboration with NIBAF, arranged the Islamic Banking Certification Course (IBCC) at Karachi during November 29 to December 21, 2018. IBCC is an intensive course in the Islamic banking industry in terms of its coverage, training delivery as well as participation/attendance and evaluation. The training program is aimed at enhancing the capacity levels of human resource of Islamic banking industry.

- **Capacity Building Program for Government Officials**

IBD, in collaboration with NIBAF, arranged a 2-days training program for focal persons of government ministries/departments at Islamabad during October 29-30, 2018. The program was organized for training and capacity building of designated focal persons of government ministries/departments. The program was attended by officials of Federal Board of Revenue (FBR), Securities and Exchange Commission of Pakistan (SECP), Board of Investment (BOI) and Ministry of Religious Affairs (MORA).

- **Islamic Finance: Concepts & Products for Shariah Scholars**

IBD, in collaboration with Islamic Banking industry and IBA-CEIFE, arranged a training program titled "Islamic Finance: Concepts & Products for Shariah Scholars" at IBA Karachi. The program was held on December 13, 2018. This full-day introductory level course was designed to impart a comprehensive understanding of Islamic finance, economics & banking concepts, especially the application of Shariah principles on contemporary practices of Islamic banking. Target audience of this program was Shariah scholars, primarily the prayer leaders at mosques. The program was organized to increase awareness level of Shariah Scholars about Islamic banking as they are usually the first point of contact in the society for seeking opinion on any matter related to Shariah.

- **Launch Ceremony for Urdu Translation of AAOIFI Shariah Standards**

State Bank of Pakistan, in collaboration with Islamic Banking Industry, and Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), facilitated the project of translating AAOIFI Shariah Standards into Urdu language. SBP provided a platform for the smooth execution of this project. The Urdu version of AAOIFI Shariah Standards, developed through a rigorous process, was subsequently launched on December 12, 2018 through a launch ceremony organized by Islamic banking industry at Marriott Hotel, Karachi. The Governor SBP, Mr. Tariq Bajwa was the chief guest of the ceremony. Urdu version of the Shariah Standards will serve a long way in improving awareness about Islamic finance especially amongst Shariah scholars, academia and practitioners of Islamic finance. The project will promote research work on Islamic finance in the Urdu language.

Islamic Banking News and Views

A. Local Industry News

SECP allows re-takaful window

The Securities and Exchange Commission of Pakistan (SECP) has given its approval for Pakistan Reinsurance Company to establish the country's first re-takaful window. According to a statement, the move would enable local takaful companies to obtain re-takaful cover within Pakistan, avoiding the outflow of premiums to reinsurance markets overseas.
www.islamicfinancenews.com

Finance Minister discusses Islamic banking with players

A delegation of CEOs of Pakistan's Islamic banking institutions called on Asad Umar, the federal minister for finance, revenue and economic affairs, according to The Nation. The meeting touched on the growth and obstacles faced by Pakistan's Islamic banking industry. Asad was quoted as saying that a level-playing field would be given to Islamic banking.
www.islamicfinancenews.com

Meezan Bank to develop Islamic fintech solutions

Meezan Bank's Shariah board has approved the Islamic bank's proposal for fintech-based products as well as the development of a digital platform and app for Islamic fintech. According to a statement, the board also provided guidelines to ensure proper delivery and possession of goods in the case of executing a sale through a digital platform.
www.islamicfinancenews.com

SECP publishes Shariah Governance Regulations 2018

The SECP has published the Shariah Governance Regulations 2018. According to Dawn citing a spokesperson of the SECP, under the new regulations, no Shariah compliant business can be launched without the SECP's approval. The regulation includes certification for Shariah compliant companies and securities, a comprehensive screening methodology for listed as well as unlisted companies, internal and external audit, advisory, compliance, income purification and charity distribution mechanism.
www.islamicfinancenews.com

Pakistan has better regulatory framework for Islamic banking

The Islamic Banking Industry of Pakistan in collaboration with Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and contribution of Mufti Muhammad Taqi Usmani, launched Urdu version of the Book 'Sharaie Mayaarat'. Renowned leaders from Pakistan's financial sector spoke on the occasion. Governor, State Bank of Pakistan, Mr. Tariq Bajwa was the Chief Guest, while Mufti Muhammad Taqi Usmani, Chairman of AAOIFI Shariah Board, Shaikh Ebrahim Bin Khalifa AlKhalifa, Chairman of AAOIFI Board of Trustees, were among the keynote speakers on the occasion. The ceremony was widely attended by heads of national and multinational banks operating in Pakistan, senior bankers, government officials and media.
https://dailytimes.com.pk/332931/pakistan-has-better-regulatory-framework-for-islamic-banking/

SECP inks MoU with LUMS, IBA and IMS

The SECP has signed an MoU with three centers of excellence in Islamic finance, namely LUMS, IBA and IMSciences, in an aim to promote and enhance the nation's Islamic capital markets. According to a statement by the SECP, the areas of collaboration include developing programs for training and education in Islamic finance, facilitating exchange of resources, relevant academic information, events calendar, materials and technical expertise necessary for the development of training and education in Islamic finance, as well as organizing conferences, workshops, symposiums, training programs, seminars or other events.
www.islamicfinancenews.com

B. International Industry News

IFSB to build global Islamic finance database tracking takaful, banking and capital market

The IFSB will be developing a global database of sector-level Islamic banking data as well as statistics on Islamic insurance and Shariah capital market activities, an effort that could provide useful information to the industry, where Islamic finance data remains largely fragmented, to facilitate more effective monitoring and analysis. Parked under its Prudential and Structural Islamic Financial Indicators (PSIFIs) initiative, which tracks key banking indicators, the standard-setting body, confirms that it is diving deeper into its existing matrix of banking data and widening its scope to include other sectors of the Islamic finance industry.
www.islamicfinancenews.com

Sri Lanka looks at sukuk

Sri Lanka is looking to raise LKR310 billion (US$1.79 billion) for its liability management, according to Economy Next citing the Governor of the Central Bank of Sri Lanka, Indrajit Coomaraswamy. The nation is looking to explore many options, including sukuk as well as Samurai and Panda bonds, to raise the amount.
www.islamicfinancenews.com

IFSB signs MoU with AAOIFI

The IFSB has inked an agreement with AAOIFI, according to a statement. The new deal will see both entities working together to develop, revise and promote prudential, Shariah, accounting and governance standards in areas of mutual interest, as well as enhance awareness through knowledge sharing and organization of executive programs, workshops, conferences and seminars, among others.
www.islamicfinancenews.com

Uzbek lenders turn to Islamic instruments to finance SMEs amid government push for Shariah finance

With the government of Uzbek President Shavkat Mirziyoyev working on new regulations to accommodate and spur the Islamic finance industry, conventional lenders in the former Soviet Union republic are positioning themselves in the space by trying their hands at Shariah compliant modes of financing to capture the SME market. Six Uzbek banks: Asia Alliance Bank, Bank ASAKA, Hamkorbank, Kapitalbank, Turonbank and Uzbek Industrial and Construction Bank, have engaged the Islamic Corporation for the Development of the Private Sector (ICD) to study the potentiality of extending Islamic credit lines to private sector enterprises in Uzbekistan.
www.islamicfinancenews.com

Morocco issues maiden sovereign sukuk adding a new brick into its Islamic finance wall

In a major breakthrough for Islamic finance in North Africa, Morocco has issued a maiden sukuk facility, taking a new step toward achieving the construction of a comprehensive and holistic Islamic finance ecosystem, which is now only missing takaful. The five-year MAD1 billion (US$105.28 million) Ijarah certificates carrying a 2.66% annual coupon rate were exclusively offered to domestic investors and received overwhelming demand amounting to MAD3.6 billion (US$379 million).

www.islamicfinancenews.com

Malaysia to use blockchain for Islamic finance

Malaysia is looking to leverage blockchain technology to enhance the nation's three largest industries, namely Islamic finance, renewable energy and the palm oil industry. According to the Asian Correspondent, the initiative will be led by the Malaysian Industry-Government Group for High Technology.

www.islamicfinancenews.com

New liquidity facility for the UK's Islamic finance sector

The Bank of England (BoE)'s Deputy Governor Dave Ramsden has announced plans for the launch of a Shariah compliant facility to support the UK's Islamic finance sector under a new BoE subsidiary named the 'Alternative Liquidity Facility' established specifically for this purpose. The facility will offer a non-interest based source of liquidity and will be the first such facility offered by a major western central bank.

www.islamicfinancenews.com

Singapore takes another shot at growing Islamic finance industry

Singapore is taking another shot at the growing global Islamic banking and finance industry, with the launch of a new Shariah compliant index that will serve as a benchmark for Shariah compliant funds looking to invest in the city-state. It could carve a path for more Shariah compliant products to be created, with the first foray into Islamic financing not having quite taken off years ago.

https://www.businesstimes.com.sg/companies-markets/singapore-takes-another-shot-at-growing-islamic-finance-industry

Africa emerges as new frontier for Islamic finance

Islamic finance is expanding rapidly in Africa, spreading across 18 African markets with great prospects for growth, according to rating agency Moody's. While Islamic bond (sukuk) issuance in Africa accounts for only 0.5 per cent of global issuance, the rating agency notes that since 2014 there has been $2.3 billion (Dh8.44 billion) worth of African sukuk issuance, providing new funding sources for both sovereigns and financial institutions. In the banking sector too, there has been significant growth in the number of Islamic banks and banking assets on the continent in recent years.

https://gulfnews.com/business/banking/africa-emerges-as-new-frontier-for-islamic-finance-1.2281503

Bank of Algeria to introduce Islamic banking framework

Bank of Algeria will release its long awaited Islamic banking regulatory framework shortly, laying the first stone of a friendly environment for the industry to thrive after almost 30 years of development in a grey area. Although the exact content of the framework has yet to be unveiled by Mohamed Loukal,

the governor of the central bank, the introduction of a dedicated set of rules, repeatedly announced since 2016, aims to boost the growth of financial players offering Shariah compliant solutions.
www.islamicfinancenews.com

London Islamic digital banking start-up secures investment; expects to launch in first quarter of 2019

A London-based Islamic digital banking start-up has undergone a rebranding exercise after securing strategic investment from an investor, allowing the firm to build its technology infrastructure to commence operations by March 2019. MoneeMint, which debuted as Ummah Finance last year, has on boarded a strategic investor, Ground One Ventures, which has committed technology assets to fast-track the start-up's roadmap delivery.
www.islamicfinancenews.com

Turkey and UK announce Islamic fintech partnership

Fintech leaders from the UK and Turkey have met in Istanbul to discuss a joint partnership which will capitalise on the rapid development of Islamic fintech. In a forum hosted by the British Consulate-General in Istanbul, TheCityUK and Borsa Istanbul have pledged to work together to find new opportunities in fintech co-operation between the two countries.
http://www.p2pfinancenews.co.uk/2018/11/16/turkey-uk-islamic-fintech-partnership/

IFSB approves new initiatives

In its 33rd meeting, the IFSB has approved its Strategic Performance Plan (SPP) 2019-21, approved three new standards and admitted four new members, confirmed separate statements. The three standards approved are: IFSB 20- Key Elements in the Supervisory Review Process of Takaful/ReTakaful Undertakings; IFSB 21- Core Principles for Islamic Finance Regulation; and IFSB 22- Revised Standard on Disclosures to Promote Transparency and Market Discipline for Institutions Offering Islamic Financial Services.
www.islamicfinancenews.com

IIFM to establish new standards

In a statement at the 39th meeting of the board of directors of the International Islamic Financial Market (IIFM), the organization said that it will publish two standards relating to trade finance soon, and two more on Sukuk Ijarah and Sukuk Mudarabah are under development and expected to be issued next year. The IIFM is looking to develop standardized gold related documentation, also expected in 2019. The IIFM also agreed to translate its standards to other languages starting with the French, Bahasa Indonesia and Turkish, and is planning to collaborate with consultants and training institutes to provide training materials on IIFM standards.
www.islamicfinancenews.com

CBB looks to include Islamic windows

The Central Bank of Bahrain (CBB) is considering extending its governance rules, which currently only concern full-fledged Islamic banks, to include Islamic windows. According to a report citing Khalid Hamad, the central bank's executive director of banking supervision, the bank is also studying the practices of Islamic retail banks regarding pool management and profit distribution to their

depositors, known as investment account holders. Separately, it is also looking to create a specific benchmark rate for use by Islamic banks.
www.islamicfinancenews.com

IDB and World Bank hold symposium

The IDB and the World Bank recently held a symposium on Islamic infrastructure finance in Bali, Indonesia as part of the 2018 IMF annual meetings. According to a statement, high-level attendees from the world over explored how the use of Islamic finance for infrastructure development is becoming increasingly important to enhance the impact of finance for development in countries where financial transactions that follow principles of Islamic law are assuming a larger market share. The event focused on how to attract private and institutional investors to existing delivery frameworks of Islamic infrastructure finance and explored solutions to relevant policy, legal, regulatory and institutional challenges.
www.islamicfinancenews.com

Abu Dhabi to expand blockchain e-KYC utility project to ease SME access to bank funding

Abu Dhabi's Financial Services Regulatory Authority (FSRA) is building on its successful electronic-Know-Your-Customer (e-KYC) utility proof-of-concept (PoC), a public and private sector initiative with a consortium of Islamic and conventional banks, to close the SME financing gap, estimated by the Institute of International Finance at around US$138 billion in the MENA region, and identified by industry participants as a crucial sector for Shariah compliant financing.
www.islamicfinancenews.com

The Philippines's House of Representatives adopts landmark Islamic banking law

An overwhelming majority of the members of the House of Representatives of the Philippines have voted into law an Islamic banking bill regulating for the first time the establishment and operations of Islamic banks in the country, where such a dedicated legal framework has been lacking ever since the launch of Al Amanah Islamic Investment Bank of the Philippines back in 1973. The new law will allow the offering of Islamic financing products on a window basis, enable foreign players to tap the Philippines's Islamic banking market, mandate Islamic banks to set up a Shariah board and pave the way for the government to achieve neutral tax treatment between Islamic and conventional banking.
www.islamicfinancenews.com

QIB the first Islamic bank in the world to introduce instant finance through the App

Qatar Islamic Bank (QIB) has officially announced the launch of 'Instant Financing' the fastest and simplest way to obtain personal financing in Qatar. This innovative and fully-digital new feature allows pre-approved customers to get additional personal financing in a few clicks through QIB's award-winning Mobile App. The service enables existing customers of the bank to get top up financing instantly, in a completely paperless and digital manner without the need to visit the branch.
https://www.qib.com.qa/en/media-centre/news-updates/qib-the-first-islamic-bank-in-the-world-to-introduce-instant-finance-through-the-app.aspx

C. Articles & Views

Jumping ship: Pakistan faces a dire need for Islamic banking and finance education

With a robust regulatory landscape and a huge Muslim population, Pakistan is no stranger to the Islamic finance industry. In recent years, conventional companies and financial institutions are increasingly jumping ship to Islamic. However, challenges persist in accommodating these changes, especially on the human capital and educational front. The demand to convert into Islamic is an effect of the government's focus on developing the nation's Islamic finance and banking industry. However, there are hurdles that are delaying the efforts. There is a huge and tedious challenge of educating market players and fresh graduates on the workings of the Islamic finance and banking industry to keep up with the demand.

www.islamicfinancenews.com

Central Asia: growing interest in Islamic banking

The years 2017 and 2018 have been instrumental in the growth of the Shariah compliant banking and finance industry in the Central Asian region. A development spurt is anticipated in the banking sector, sukuk papers are expected to debut and cross-border collaborations are attracting foreign investors into the industry. Three: Kazakhstan, Tajikistan and Kyrgyzstan, out of five members of the Central Asian regions have in place Islamic finance legislation.

www.islamicfinancenews.com

Crypto or cryptic?

The debate as to whether or not cryptocurrency is Shariah compliant remains largely unresolved, with the arguments for or against touching upon a number of quite complex issues. While cryptocurrencies may depart from the traditional concept of money (whether fiat, representative or commodity-based), it is a logical suggestion that the basic premise of a cryptocurrency as an electronic means of exchange means that it should have a place within any digital transformation of the Islamic finance industry. However, the current volatility of bitcoin and other cryptocurrencies has invited levels of gambling and speculation (Maysir) which are inevitably at odds with strict Islamic principles.

www.islamicfinancenews.com

Islamic finance and Sustainable Development Goals (SDGs): let us make an impact together

The United Nations Development Program (UNDP), in partnership with the government of Malaysia and the IDB, recently organized a panel titled 'Achieving the SDGs: Unleashing the Potential of Islamic Finance through Innovative Investors and Instruments' on the sidelines of the UN General Assembly. Officials and renowned international experts discussed the potential of Islamic finance to bring in new sources and instruments to finance the ambitious UN SDGs agenda.

www.islamicfinancenews.com

A more balanced approach needed to enable fintegration in Islamic banks

In an era where Islamic financial institutions can no longer rely on Shariah compliance to reach out to new customers and have to compete with conventional players by building a digital component into their business proposition, an Islamic fintech investor in the midst of operationalizing new platforms observes that Shariah banks are, however, not yet ready to ride the digital revolution and fintech wave.

www.islamicfinancenews.com

Africa is fertile ground for Islamic banking to grow

With a US$130-180 billion infrastructure financing gap per year, a US$331 billion SME finance gap and a large Muslim population which remains largely unbanked, Africa is a tremendous pocket of growth for Islamic players. Hence, Islamic banking assets in Africa, estimated to be around 5% by Moody's Investors Service, are expected to reach 10% within five years on the back of countries such as Nigeria, Morocco and Kenya, among others, that have recently introduced legal and regulatory frameworks for banking to spur growth in the Islamic banking sector.
www.islamicfinancenews.com

How Islamic microfinance can reach scale

Today, conventional microfinance is providing access to formal financial services to some 300 million poor people worldwide, managing a combined loan and savings portfolio of an estimated US$90 billion. This has not always been the case but since the 1990s, development donors have systematically supported the financial inclusion agenda, resulting not just in the improvement in the wellbeing of the poor but also more people with bank accounts a win-win situation for both the 'unbanked' and the banks.
www.islamicfinancenews.com

A common standard for Islamic funds

Standardization remains a buzzword in Islamic finance. It appears logical that a common legal framework and common standards will make the industry flourish and grow. If we look at the Islamic fund industry, in particular, the total size of the industry remains relatively small with total global Islamic assets under management (AuM) at US$70.8 billion and the number of Islamic funds at 1,535. Malaysia, Saudi Arabia and Luxembourg remain as the key domiciles contributing to the largest market share of the global Islamic fund industry. Overall, the global Islamic fund industry has good opportunities for growth in the next years.
www.islamicfinancenews.com

Fintech, a global boost for Islamic Finance?

Fintech can enable Islamic finance to attract more customers, increase efficiency, reduce costs and offer a wider range of products, helping the sector become more competitive against conventional finance without compromising on profit margins. Islamic finance has taken great strides this century, with Shariah compliant financial assets forecast to total $3.8 trillion by 2022, according to a Thomson Reuters report. Yet financial inclusion in Organisation of Islamic Cooperation (OIC) member states lags global norms. Less than 30 percent of households in OIC countries have an account at a financial institution. That compares with more than 50 percent in non-OIC nations, a 2015 IMF report reveals.
https://www.reuters.com/article/idUSWAOAPHREBLWW18A3

Banking on Basel for inclusion and stability in Islamic finance?

Sitting in the northwest of Switzerland, the city of Basel has played an important role in the development of the global financial services industry. By contrast, its role in the development of the Islamic banking industry has been less pronounced with regulators and Islamic banks often struggling to adapt and draw suitable parallels within Islamic finance using each of the frameworks laid out by the Basel Committee on Banking Supervision.
www.islamicfinancenews.com

Winter is coming: how will Islamic banks handle another recession?

Oil has crashed, equities are down and emerging markets are in turmoil. It has not been a good few months for global finance, and there are early warning signs that another recession could be on the way. A decade ago, the Islamic finance industry weathered the crisis with notable resilience, but will it be the same this time round? As the Basel III deadline approaches and an economic downturn looms, the question is whether Islamic banks are ready for the oncoming storm? Red lights are already flashing. The IMF thinks growth will slow this year in almost every big advanced economy apart from the US, which is itself under economic strain as its deficit reaches 4% of GDP. There are concerns that aggressive growth has left Islamic institutions overexposed to vulnerable sectors, and that Islamic banks have been slower than their conventional counterparts to align with Basel III requirements designed to protect them from another downturn.

www.islamicfinancenews.com

Global trends in the sukuk market: standardization across markets will help

First introduced in 1960s, the concept of Islamic finance largely emerged in the late 1970s coinciding with the oil crises of that decade. Since then, Islamic finance has been growing rapidly and according to a research report of Deloitte, today, Islamic finance represents a small percentage (1-2%) but is the fastest-growing segment of the global finance industry.

www.islamicfinancenews.com

Secondary markets: not enough momentum

The secondary market for sukuk, both sovereign and corporate, is deemed as illiquid and lifeless. This is mainly because sukuk holders tend to hold the Islamic papers they have invested in until maturity. A number of factors can explain why the Islamic secondary market remains underdeveloped, including lower supply than demand for rated sukuk, the restriction for certain Islamic certificates to be traded at values other than par and the lack of benchmark sukuk price yield curves to establish appropriate pricing for secondary market trading.

www.islamicfinancenews.com

Islamic finance talents in industry

Islamic finance is one of the fastest-growing segments of global emerging markets. However, the market is far below its potential. Over the last two decades, the total volume of Islamic financial assets has grown by 15-20% a year. Islamic finance assets are projected to grow to US$3.2 trillion by 2020, with Islamic banking reaching US$2.6 trillion (Thomson Reuters's projections). The growing popularity of Islamic banking and finance and its increasing global outreach has led to a considerable undersupply of talent in the sector.

www.islamicfinancenews.com

Green sukuk will be vital to achieving COP21 goals

In light of the mammoth environmental challenges we face, Islamic banking is attempting to change the world for the better with green sukuk. The Paris Agreement, commonly referred to as COP21, set out to limit the rise in global temperature to two degrees Celsius above pre-industrial levels. In October, the Intergovernmental Panel on Climate Change (IPCC) recommended reducing this cap to 1.5 degrees Celsius, stating that "rapid, far-reaching and unprecedented changes" must be taken to curb the harmful effects of global warming. Islamic banking is a natural fit when trying to meet the

goals set out by COP21. Shariah law has long laid out basic provisions for protecting the environment; unfortunately, these have not always been recognised.
https://www.worldfinance.com/banking/green-sukuk-will-be-vital-to-achieving-cop21-goals

Annexure: I

Islamic Banking Branch Network

(As of December 31, 2018)

Type	Name of Bank	No. of Branches	Windows
Islamic Banks	AlBaraka Bank (Pakistan) Limited	183	-
	BankIslami Pakistan Limited	218	-
	Dubai Islamic Bank Pakistan Limited	200	-
	Meezan Bank Limited	660	-
	MCB Islamic Bank Limited	176	-
	Sub-Total	**1,437**	
Standalone Islamic Banking Branches of Conventional Banks	Allied Bank Limited	117	10
	Askari Bank Limited	91	-
	Bank Al Habib Limited	71	132
	Bank Alfalah Limited	152	121
	Faysal Bank Limited	249	-
	Habib Bank Limited	45	495
	Habib Metropolitan Bank Limited	31	216
	National Bank of Pakistan	192	-
	Silk Bank Limited	30	-
	Sindh Bank Limited	14	13
	Soneri Bank Limited	20	-
	Standard Chartered Bank (Pakistan) Limited	8	69
	Summit Bank Limited	14	35
	The Bank of Khyber	84	39
	The Bank of Punjab	72	-
	United Bank Limited	93	158
	Zarai Taraqiati Bank Limited	3	
	Sub-Total	**1,286**	**1,288**
	Total Full-Fledged Branches	**2,723**	**-**
Sub Branches	AlBaraka Bank (Pakistan) Limited	8	-
	Askari Bank Limited	3	-
	BankIslami Pakistan Limited	112	-
	The Bank of Punjab	2	-
	Habib Bank Limited	2	-
	United Bank Limited	1	-
	Total Sub-Branches	**128**	**-**
	Grand Total Branches/Sub-Branches	**2,851**	**1,288**

Source: Information/Data obtained from different banks

Annexure: II

Province/Region wise Break-up of Islamic Banking Branch Network

(As of December 31, 2018)

Type	Bank Name	Azad Kashmir	Balochistan	FATA	Federal Capital	Gilgit-Baltistan	Khyber Pakhtunkhwa	Punjab	Sindh	Grand Total
Islamic Banks	AlBaraka Bank (Pakistan) Limited	3	7	-	6	1	16	102	48	183
	BankIslami Pakistan Limited	3	12	-	9	2	19	95	78	218
	Dubai Islamic Bank Pakistan Limited	7	5	-	11	-	8	85	84	200
	Meezan Bank Limited	6	23	1	34	3	40	344	209	660
	MCB Islamic Bank Limited	2	11	1	9	1	11	74	67	176
	Islamic Banks	**21**	**58**	**2**	**69**	**7**	**94**	**700**	**486**	**1,437**
Standalone Islamic Banking Branches of Conventional Banks	Allied Bank Limited	2	4	-	6	1	12	69	23	117
	Askari Bank Limited	-	3	-	8	1	13	46	20	91
	Bank Al Habib Limited	-	4	-	2	-	8	24	33	71
	Bank Alfalah Limited	1	5	-	11	-	8	89	38	152
	Faysal Bank Limited	2	12	1	11	1	27	141	54	249
	Habib Bank Limited	2	1	1	4	-	4	23	10	45
	Habib Metropolitan Bank Limited	-	-	-	1	-	7	9	14	31
	National Bank of Pakistan	9	6	3	5	1	35	96	37	192
	Silk Bank Limited	1	1	-	3	-	5	11	9	30
	Sindh Bank Limited	1	1	-		-	2	7	3	14
	Soneri Bank Limited	-	1	-	2	1	3	8	5	20
	Standard Chartered Bank (Pakistan) Limited	-	-	-	1	-	1	1	5	8
	Summit Bank Limited	-	1	-	2	2	1	2	6	14
	The Bank of Khyber	-	4	4	2	-	61	10	3	84
	The Bank of Punjab	1	2	-	5	-	11	53	-	72
	United Bank Limited	1	4		4	-	19	39	26	93
	Zarai Taraqiati Bank Limited		-	-	1	-	1	1	-	-
	Islamic Banking Branches Total	**20**	**49**	**9**	**68**	**7**	**218**	**629**	**286**	**1,286**
Sub Branches	AlBaraka Bank (Pakistan) Limited	-	-	-	1	-	-	1	6	8
	Askari Bank Limited	-	1	-		-	1	1	-	3
	BankIslami Pakistan Limited	1	6	-	8	-	5	41	51	112
	Faysal Bank Limited	-	-	-	-	-	-	-	-	-
	Habib Bank Limited	-	-	-	-	-	-	-	2	2
	The Bank of Punjab	-	-	-	-	-	-	2	-	2
	United Bank Limited	-	-	-	-	-	1	-	-	1
	Sub Branches Total	**1**	**7**	**0**	**9**	**0**	**7**	**45**	**59**	**128**
	Grand Total	**42**	**114**	**11**	**146**	**14**	**319**	**1,374**	**831**	**2,851**

District wise Break-up of Islamic Banking Branch Network

(As of December 31, 2018)

S. No	Province	District	No of Branches*
1	Sindh	Badin	3
2		Dadu	6
3		Ghotki	3
4		Hyderabad	55
5		Jacobabad	5
6		Jamshoro	3
7		Karachi City	670
8		Khairpur	3
9		Larkana	6
10		Matiari	2
11		Mirpurkhas	10
12		Naushahro Feroze	3
13		Shaheed Benazir Abad	16
14		Sanghar	14
15		Shikarpur	1
16		Sukkur	18
17		Shahdadkot	2
18		Tando Allahyar	4
19		Tando Mohammad Khan	1
20		Thatta	2
21		Umer Kot	4
Sindh Total			**831**
22	Punjab	Attock	17
23		Bahawalnagar	12
24		Bahawalpur	23
25		Bhakkar	3
26		Chakwal	17
27		Chiniot	5
28		Dera Ghazi Khan	16
29		Faisalabad	108
30		Gujranwala	68
31		Gujrat	53
32		Hafizabad	5
33		Jhang	14
34		Jhelum	16
35		Kasur	17
36		Khanewal	22
37		Khushab	5
38		Lahore City	462
39		Layyah	6
40		Lodhran	5
41		Mandi Bahauddin	13
42		Mianwali	8
43		Multan	81
44		Muzaffargarh	8
45		Nankana Sahib	7
46		Narowal	7
47		Okara	19
48		Pakpattan	9
49		Rahim Yar Khan	36
50		Rajanpur	4
51		Rawalpindi	140
52		Sahiwal	30
53		Sargodha	32
54		Sheikhupura	24
55		Sialkot	45
56		Toba Tek Singh	19
57		Vehari	18
Punjab Total			**1,374**

S. No	Province	District	No of Branches*
58	Khyber Pakhtunkhwa	Abbottabad	22
59		Bannu	8
60		Batagram	3
61		Buner	4
62		Charsadda	10
63		Chitral	7
64		Dera Ismail Khan	13
65		Hangu	5
66		Haripur	8
67		Karak	1
68		Kohat	11
69		Lakki Marwat	1
70		Lower Dir	13
71		Malakand	14
72		Mansehra	12
73		Mardan	20
74		Nowshera	20
75		Peshawar	97
76		Shangla	4
77		Swabi	7
78		Swat	29
79		Tank	1
80		Torghar	1
81		Upper Dir	7
82		Kohistan	1
Khyber Pakhtunkhwa Total			**319**
83	Gilgit-Baltistan	Skardu	2
84		Diamir	5
85		Gilgit	7
Gilgit-Baltistan Total			**14**
86	FATA	Bajaur Agency	2
87		Khyber Agency	5
88		Mohmand Agnecy	1
89		Orakzai Agency	2
90		Kurram Agency	1
FATA Total			**11**
91	Federal Capital	Islamabad	146
Capital Total			**146**
92	Balochistan	Chaghi	1
93		Gawadar	6
94		Harnai	1
95		Khuzdar	3
96		Lasbela	6
97		Loralai	5
98		Panjgur	2
99		Pishin	8
100		Qilla Abdullah	6
101		Qilla Saifullah	5
102		Quetta	62
103		Turbat	2
104		Zhob	6
105		Ziarat	1
Balochistan Total			**114**
106	Azad Kashmir	Bagh	1
107		Bhimber	1
108		Dadyal	4
109		Hattian Bala	1
110		Kotli	5
111		Mirpur	17
112		Muzaffarabad	11
113		Poonch	2
Azad Kashmir Total			**42**
Grand Total			**2,851**

*including sub-branches