

April 4, 2014

State Bank issues Shariah Governance Framework for Islamic Banking Institutions

State Bank of Pakistan has issued a comprehensive Shariah Governance Framework (SGF) to further strengthen the overall Shariah compliance environment in Islamic banking institutions (IBIs).

The framework aims at institutionalizing the Shariah compliance function in IBIs. It explicitly defines the roles and responsibilities of all organs of IBIs including Board of Directors, executive management, Shariah Board, Shariah Compliance Department and Internal and External Auditors towards Shariah Compliance. The framework requires IBIs to constitute Shariah Boards comprising at least 3 Shariah scholars meeting SBP fit-and-proper criteria. It also prescribes an effective mechanism for the BOD oversight of Shariah compliance environment and introduces external Shariah audit requirement for IBIs. Details are available at the following link.

<http://www.sbp.org.pk/ibd/2014/C3.htm>

The framework will be applicable from 1st October, 2014.
