

**DETAILED CRITERIA FOR SETTING UP OF SCHEDULED ISLAMIC COMMERCIAL BANK  
BASED ON PRINCIPLES OF SHARIA IN THE PRIVATE SECTOR**

The State Bank of Pakistan has issued a detailed criteria for the setting of Scheduled Islamic Commercial Bank for conducting business based on the principles of Sharia in the private sector.

Those interested in establishing the Scheduled Islamic Commercial Bank have been asked to apply to the Director, Islamic Banking Department, State Bank of Pakistan, P.O. Box No. 4456, I.I. Chundrigar Road, Karachi. Applications may be made giving details with supporting documents, forms for which can be obtained from the State Bank. Applications, which are not complete in all respects, shall not be considered.

The following will be the broad criteria for consideration of setting up of the Scheduled Islamic Commercial Bank:-

- i) The proposed bank would be a Public Limited Company and would be listed on the Stock Exchange. A minimum of 50% of shares shall be offered to the general public.
- ii) All financial transactions will be in accordance with the injunctions of "SHARIA".
- iii) The application shall indicate the modes of finance proposed to be used for raising resources and extending financial assistance.
- iv) The applicant will also indicate expertise and other facilities available with them for ensuring compliance of their banking business with Sharia.
- v) To be able to commence business the bank shall have a minimum paid up capital of Rs 1000 million and also shall at all times maintain minimum capital adequacy Ratio of 8% based on risk weighted assets.
- vi) At least 15% of the total paid up capital shall be subscribed personally by the Sponsor Directors. The number of Sponsor Directors shall not be less than seven. The amount proposed to be subscribed by each sponsor Director is required to be indicated.
- vii) Sponsor Directors should have to declare personal Net Worth, which should not be less than the amount to be subscribed by them personally. The Net Worth of each sponsor Director is required to be indicated and supported by a duly authenticated copy of the latest Wealth Statement filed with the taxation Department. In the case of sponsor Directors resident in countries where filing of Wealth statement is not a requirement of law, a certificate of personal Net Worth and general reputation issued by an international bank of repute would be acceptable. This facility would also be available to applicants who have recently returned to Pakistan.
- viii) Sponsor Director(s) subscribing more than 5% of the total paid up capital shall clearly indicate their request separately. However such request should commensurate with his net worth.
- ix) Sponsor Directors shall not dispose of their shares in any manner whatsoever for a minimum period of 3 years and thereafter only with the specific written approval of the State Bank.
- x) Foreign investment by sponsor Directors shall be permissible only on the basis of capital being non-repatriable, but dividends will be remittable abroad.
- xi) Application shall stand disqualified if any of the sponsors and/or Directors their spouses or firms:-
  - a) has been convicted by a Court of law in Pakistan or abroad for a criminal offence.
  - b) has been associated with any illegal activity especially banking business, deposit taking, financial dealings and other business;

- c) has failed to meet his or her obligations to banks and other financial institutions. They shall furnish names of the banks/DFIs alongwith the names of the branches with which they have had dealings. Bank reports are also required to be submitted;
  - d) has defaulted in payment of taxes. They shall indicate their National Tax Numbers;
  - e) is or has been associated as Director/Chief Executive with the Corporate Bodies whose corporate and tax record including customs duties, central excise and sales tax has been unsatisfactory. They shall name the corporate bodies, their bankers and disclose their tax numbers and dividend record. Those not so associated with Corporate Bodies would be required to indicate their occupation/profession/trade and highlight their achievements;
  - f) in the opinion of the sanctioning authority enjoys adverse reputation regarding integrity and performance.
- xii) Neither one person can be a Director in more than one financial institution nor one group should have more than one bank.
  - xiii) Not more than 25% of the sponsor Directors shall be from the same family as defined in Section 5(ff) of the Banking Companies Ordinance.
  - xiv) The Chief Executive would be a professional with no adverse information regarding his integrity and performance and shall require prior clearance of State Bank of Pakistan.
2. The applicant will also submit the following documents along with the request :-
- i) Feasibility Study for setting up of Bank including Organization structure and the name of the proposed Chief Executive.
  - ii) Short Term and Long term Business Plan.
  - iii) Risk management guidelines, Plans for Internal control system and scale of authority
  - iv) Working system and procedures for business operations
  - v) List of companies / firms and their bankers in which sponsor directors and their family members as defined in Section 5(ff) of Banking Companies Ordinance, are interested as Directors, Chief Executive, Partner, Proprietor, or major shareholders holding 5% or more shares
  - vi) Certificate that a Shariah Advisor has been appointed in the light of SBP Shariah Board's "Fit and Proper Criteria" and the approval of SBP. However, Islamic Banks are free to appoint a Shariah Committee at their own discretion and not as part of SBP regulation.
3. The bank which may be permitted to be established, shall be subject to the prevalent banking and other laws, rules and directives issued by SBP from time to time.
4. The Bank must commence operation within six months of the grant of permission. They must open at least five branches within a period of twelve months from the date of permission.
5. The applicant shall deposit Rs 4,000,000/- (Rupees four million) along with the application as processing fee. The fee so deposited shall be non-refundable.
6. Incomplete application shall be returned and processing fee retained. Re-submission would attract fresh fee.

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