

March 16, 2007

**State Bank invites feedback on Draft Instructions and Guidelines for
Shariah Compliance in Islamic Banking Institutions**

The State Bank of Pakistan has formulated Draft Instructions and Guidelines for Shariah Compliance in Islamic Banking Institutions (IBIs) with a view to further strengthen the Shariah compliance framework in IBIs.

The Draft Instructions for Shariah Compliance in IBIs cover areas related to appointment, duties & responsibilities and report of Shariah Advisor; conflict resolution in Shariah rulings; permissible modes of financing and investment; essentials of Islamic modes of financing; use of charity fund; introduction of new products & services and schedule of service charges.

The Draft Guidelines for Shariah Compliance in IBIs cover areas like Shariah compliance; internal Shariah audit; investment in shares; policy for profit distribution with PLS account holders and financial reporting & general disclosure.

The draft instructions and guidelines have been sent to the key stakeholders including the Pakistan Banks' Association and Islamic Banking Institutions for comments and feedback within 15 days. A copy of the draft has also been placed on SBP website: www.sbp.org.pk for comments and feedback from the general public and all concerned. The comments/views on these draft instructions and guidelines may be sent through mail, fax or email within 15 days to **Director, Islamic Banking Department, State Bank of Pakistan, I. I. Chundrigar Road, Karachi, Fax: (021)9212472, Email: mahmood.shafqat@sbp.org.pk or zahid.rehman@sbp.org.pk**

It may be recalled that the State Bank is in the process of developing Islamic Banking as a parallel system alongwith the conventional banking. In order to ensure effective Shariah Compliance in the Islamic Banking Industry and to maintain trust of the depositors and other stakeholders in the system, a Shariah Compliance mechanism has been put in place by the State Bank. The above instructions/guidelines have been formulated in order to further strengthen the Shariah Compliance Framework.
