



External Relations Department

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SBP issues guidelines for Development Finance Institutions to undertake Shariah compliant business

To enlarge the scope of Shariah compliant financial services in the country, State Bank of Pakistan (SBP) has taken another important step by issuing guidelines for Development Finance Institutions (DFIs) to undertake Shariah compliant businesses and operations. Further, keeping in view the various developments, such as changes in the licensing and regulatory regime for banks, SBP has also updated the guidelines, introduced in 2004, for establishing Islamic banking Institutions.

The updated guidelines deal with the establishment of a full-fledged Islamic bank, Islamic banking subsidiary and Islamic banking branches of conventional banks. In addition, these guidelines cover different areas including minimum capital adequacy, requirements related to sponsor directors, business plan, Shariah governance, application fees, preconditions for commencement of business. For details: <https://www.sbp.org.pk/ibd/2020/C4.htm>

The guidelines for conventional banks and DFIs to undertake Shariah compliant business and operations also cover the eligibility criteria for in-principle approval, proposal requirements, shariah governance, minimum capital requirement and systems and controls. Further, separation of Islamic banking/finance division and its different components, responsibilities of head of the Islamic banking/ finance division and requirements for commencement of operations are part of these guidelines.

It is expected that these guidelines will facilitate the new entrants in the field of Islamic banking through establishment of full-fledged Islamic banks, Islamic banking subsidiaries by conventional banks and the commencement of Shariah compliant business and operations by conventional banks and DFIs.
