



Report of Shari'ah Board
(For the year ended 2018)

Dubai Islamic Bank Pakistan Limited



الحمد لله رب العالمين، والصلوة والسلام على خاتم الأنبياء والمرسلين، وعلى آله وأصحابه أجمعين، وبعد

By the Grace of Almighty Allah (S.W.T), Dubai Islamic Bank Pakistan Limited (DIBPL) has completed another year of successful operations and played its part well, for the growth of Islamic banking and finance industry.

During the year, DIBPL developed a number of Islamic banking products and executed multiple transactions after due approval from the Shari'ah Board (SB). The SB received queries and issues from different departments of the Bank and in response, issued appropriate pronouncements, instructions and guidelines thereon.

1. New Product Development and Review of Transactions:

The SB reviewed all transaction proposals submitted to it and provided guidance on the structures as well as the relevant transactional documentation. All the products, transactions and their documentation were duly approved by the SB. The Board also provided Shari'ah advice and fatwa on restructuring and documentation of various transactions.

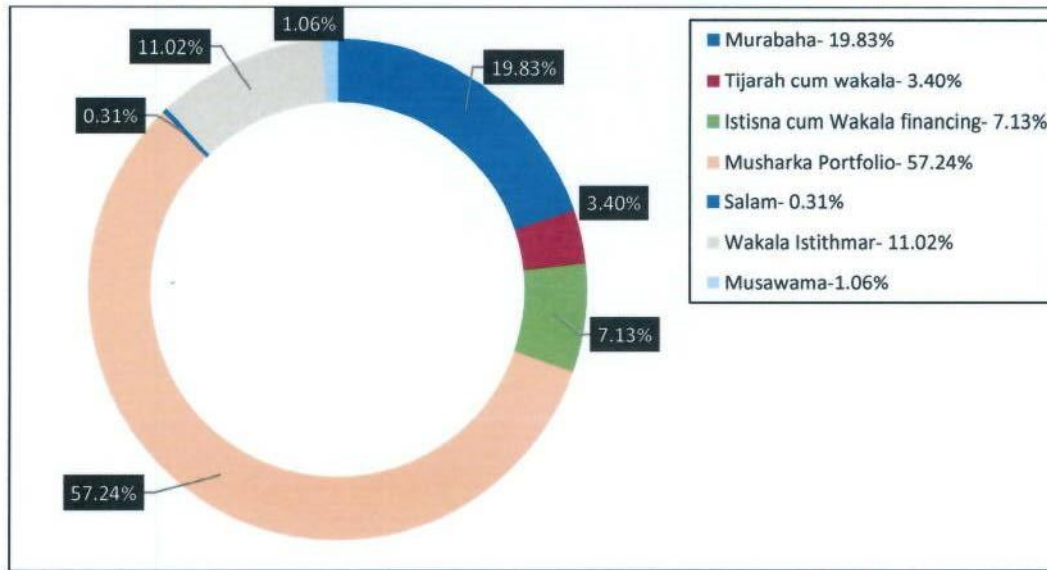
SB through Resident Shari'ah Board Member (RSBM) guided the business functions of the Bank on developing a number of new products. It also approved the new initiatives launched during the year that enabled the Bank to offer Shari'ah compliant products and services in line with the customers' needs in the market.

New policies and manuals submitted for Shari'ah approval were reviewed, amended and approved by the SB. Similarly, amendments proposed in the existing policies, product programs and other documentation of the Bank were reviewed and approved by the Shari'ah Board.

2. Financing Portfolio

DIBPL has a diversified Shari'ah compliant financing products portfolio including but not limited to Diminishing Musharaka, Running Musharka, Murabaha, Istisna cum Wakala, Shirkat-ul-melkcum Ijara, Wakala Istithmar, Salam cum Wakala and Tijarah cum Wakala.

Following is the mode wise breakup of the Bank's Financing portfolio as of 30 November 2018.



*Musharaka portfolio mainly comprises of Shirkat ul Melk cum Ijara, Running Musharaka and Diminishing Musharaka

**Musawammah portfolio mainly comprises of Personal finance and consumer durable finance.

3. Training & Development:

The Shari'ah Compliance Department with the support and partnership of HR, Learning & Development Dept. continues to work hard in providing learning opportunities to the employees of the bank on Islamic banking and finance. As an outcome of these continuous efforts, there have been 70 Shari'ah related training sessions conducted across Pakistan during the year 2018 which shows consistent increase in comparison to previous year. Classroom training sessions were conducted both through internal and external sources keeping in view the specific knowledge requirements of the audience e.g.:

- Shari'ah Orientation Session (Refresher Course)
- Product Specific Trainings for different front and back office units.
- Islamic Financial Contracts.
- Shari'ah Training for sales staff.



Moreover, for the first time in history of DIB Pakistan, L&D has successfully launched “Islamic Banking e-learning” through HR’s employee portal – HRMS. This will substantially increase scale and coverage in years to come.

However, considering the importance of Shari’ah non-compliance risk and regulatory focus on human resource capacity development, improvements are required to enhance the Islamic banking knowledge and awareness of our employees of the bank across network. Additionally, we also recommend that the bank should conduct awareness seminars / sessions for customers, business community and academia regarding Islamic Finance.

4. Shari’ah Audit and Review:

Shari’ah Board confirms to have examined, through the Shari’ah Review and Internal Shari’ah Audit activity, each class of transaction on sampling basis. The board has reviewed Shari’ah audit reports pertaining to the Bank’s operations during the year, issued its directives and took corrective measures. In some instances, impermissible profits were also transferred to charity during the year.

As per the previous Shari’ah Board observations regarding the significant percentage of assets of the bank are covered through Conventional Insurance, in this regard improvements were observed. However, it is strongly recommended that the bank should cover all its assets from Takaful companies or obtain explicit waiver from Shari’ah Department.

5. Charity:

The bank has a well-defined system in place which is sound enough to ensure that any earnings realized from sources or by means prohibited by Shari’ah have been credited to charity account and are being properly utilized. In this regard, during the year, PKR 3.905 million were transferred to the Charity Payable Account. Moreover, PKR 3.900 million were disbursed from the Charity Account. Details of Charity disbursements are available in notes to the financial statements of the Bank.

6. Conclusion & Recommendations:

While the Board of Directors and Executive Management are solely responsible to ensure that the operations of Dubai Islamic Bank Pakistan Limited (DIBPL) are conducted in a manner that comply with Shari’ah principles at all times, we are required to submit a report on the overall Shari’ah compliance environment of the Bank.

To form our opinion as expressed in this report, the Shari’ah Compliance Department of the bank carried out reviews, on test check basis, of each class of transactions, the relevant documentation and process flows. Further, we have also reviewed the reports of the internal Shari’ah audit. Based on above, we are of the view that:



- The Bank has complied with Shari'ah rules and principles in the light of fatawa, rulings and guidelines issued by its Shari'ah Board.
- The Bank has complied with directives, regulations, instructions and guidelines related to Shari'ah compliance issued by SBP in accordance with the rulings of SBP's Shari'ah Board.
- The bank has a comprehensive mechanism in place to ensure Shari'ah compliance in their overall operations.
- The Bank has complied with the SBP instructions on profit and loss distribution and pool management.
- Shari'ah Board has been provided adequate resources enabling it to discharge its duties effectively.

SB recommends that the bank should continue to spread Islamic banking knowledge through conducting awareness seminars to its clientele and general public as well as to enrich the existing Shari'ah knowledge of its employees with special focus on its front-end staff.

Mansoor Rais
Resident Shari'ah Board Member
Dubai Islamic Bank Pakistan

Mufti Muhammad Hassaan Kaleem
Shari'ah Board Member
Dubai Islamic Bank Pakistan

Mian Muhammad Nazir
Shari'ah Board Member
Dubai Islamic Bank Pakistan

Dr. Hussein Hamed Hassan
Chairman Shari'ah Board
Dubai Islamic Bank Pakistan