

**Report of Shari'ah Board**  
(For the year ended 2020)

**Dubai Islamic Bank Pakistan Limited**



الحمد لله رب العالمين، والصلوة والسلام على خاتم الانبياء 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 despite the widespread of COVID 19 all over the country.

During the year 2020, 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 and on the relevant transactional documentation. All the products along with their variants, transactions' structure and their documentation were duly reviewed and approved by the SB. The Board also provided Shari'ah advice and fatawa on structuring and documentation on various syndicated transactions.

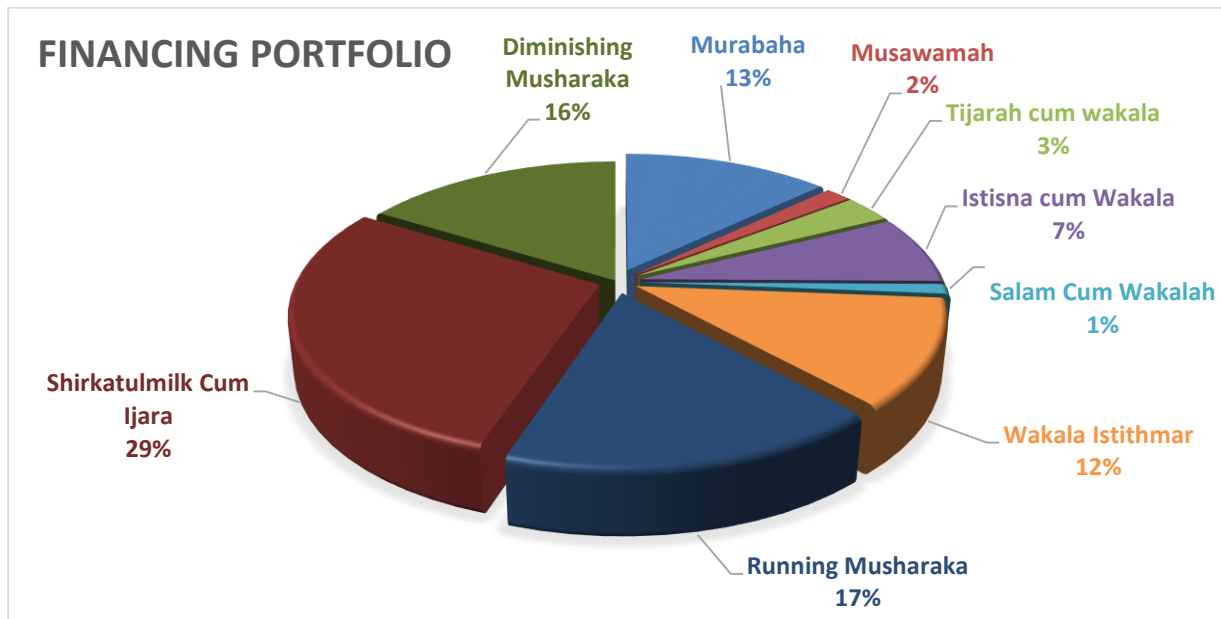
SB guided the business functions of the Bank on developing a number of new variants of different products. It also approved the new initiatives launched during the year that enabled the Bank to offer Shari'ah compliant products and services in line with the customers' needs in the market.

Policies and manuals submitted for Shari'ah approval were reviewed 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-melk cum Ijara, Wakala Istithmar, Salam cum Wakala and Tijarah cum Wakala etc.

Following is the mode wise breakup of the Bank's Financing portfolio as of 31-december-2020.



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

### 3. Training & Development:

SCD under the supervision of SB of the bank continues to facilitate Learning & Development function of HR department in providing learning opportunities to the employees of the bank on Islamic banking and finance despite the COVID - 19 outbreak in 2020.

Considering the pandemic situation in the country last year, DIBPL increased the focus towards online trainings instead of face to face trainings. Furthermore, In order to streamline the trainings of new joiners, L&D with the help of SCD has developed different E-modules which played reasonable role in overall coverage ratio of audience during pandemic. SB recommends that bank should utilize digital means of training to cover the countrywide training needs. However, Face-to Face trainings should also be conducted wherever required. SB recommends that the Bank should arrange a focused training sessions for the key executives in all relevant segments on an ongoing basis in order to adequately equip and empower them with the required Islamic banking knowledge and skills. Furthermore, Bank should also organize enhanced trainings for front line staff enabling them in strengthening the Shari'ah compliance environment in their respective areas.

Nevertheless, 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.

#### **4. Shari'ah Audit and Review:**

SB confirms to have examined, through the Shari'ah Review and Internal Shari'ah Audit activity, each class of transaction on sample basis. The SB has reviewed Shari'ah audit & Shari'ah Review reports pertaining to the Bank's operations during the year, issued its directives and proposed corrective measures. In some instances, impermissible profits were also transferred to charity payable account during the year.

Shari'ah Review function of Shari'ah Compliance Department conducted review of different branches/ Products and monthly profit distribution exercise. Shari'ah Compliance Department conducted Shari'ah reviews of few branches due to the pandemic and identified some observations which were later resolved as part of enforcement exercise. Considering the nature of observations SB recommends to continue and enhance the frequency of this exercise.

As per the previous SB emphasis regarding the significant percentage of assets of the bank are covered through Conventional Insurance, in this regard improvements were observed, however there is still some portion of asset required to be covered through Takaful, therefore it is strongly recommended that the bank should cover all its assets from Takaful companies.

#### **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 disbursed to various charitable organization covering different sectors such as Health, Education, welfare etc. During the year an amount of PKR 20.591 Million was transferred to the Charity Payable Account. This includes non-compliant income portion identified during Shari'ah audit and Shari'ah Review, charity amount on non-timely payments by customers in various financial transactions, amount transfer to charity account at the time of account closing, etc. An amount of PKR 21.150 Million was disbursed from the Charity Account after approval of the Charity Committee. 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:



- a. The Bank has complied with Shari'ah rules and principles in the light of fatawa, rulings and guidelines issued by its Shari'ah Board.
- b. 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.
- c. The bank has a comprehensive mechanism in place to ensure Shari'ah compliance in their overall operations.
- d. The Bank has generally complied with the SBP instructions on profit and loss distribution and pool management. Since the Bank is now maintaining multiple pools, it is required to enhance the current system to make it more comprehensive automated solution for profit distribution and asset/ deposit tagging.
- e. Shari'ah Board has been provided adequate resources enabling it to discharge its duties effectively. However, SB suggests that the Shari'ah Compliance environment within the Bank should be further strengthened through placing of qualified and experienced additional resources in Shari'ah Compliance Review and Shari'ah Audit Unit.
- f. Most of the observations highlighted by internal/ external Shari'ah auditors during the year were resolved and no significant outstanding issue is considered to be included in this report. However, there must be robust system to ensure that the observations highlighted by auditors/ reviewers are not repeated in succeeding year(s).
- g. SB recommends that the Bank should staff the key business and operation departments with adequately experienced Islamic banking personnel so to ensure effective Shari'ah compliance across all segments.

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.

**Mufti 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**  
Chairman Shari'ah Board  
Dubai Islamic Bank Pakistan

**Date of report: 14-Jan-2021**