



## Report of Shari'ah Board

(For the year 2021)

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, 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 2021, SB of DIBPL held four Shari'ah Board meetings where SB discussed different transaction proposals, provided guidance on the structures and on the relevant transactional documentation, also SB reviewed and approved various new product variants and structures along with their documentation and accounting entries. The SB received multiple queries and issues from different departments of the Bank and in response, issued appropriate pronouncements, instructions and guidelines thereon.

New 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.

During the year SCD conducted Shari'ah Review exercise on a regular basis. In case of each renewal of financing facilities, the executed transactions were reviewed on a sample basis in order to check its compliance with the approved process flows.

**1. Training & Development:**

During the year 2021, Shari'ah compliance department continued to facilitate the training department in imparting the Islamic banking trainings to all staff of the bank.

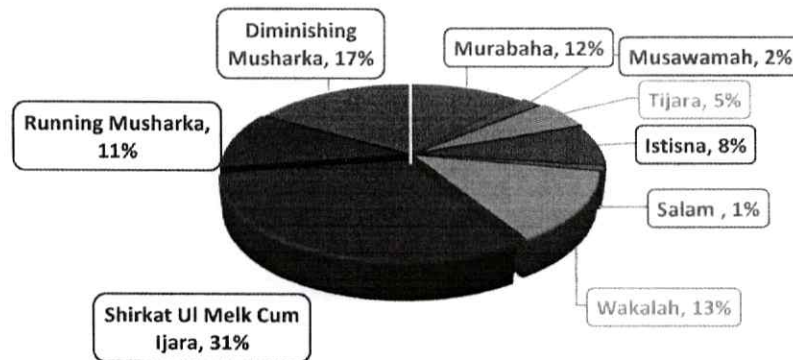
Shari'ah board appreciates the bank's commitment to maintain its collaboration(s) with renowned academic institution(s) for promoting Islamic Finance education especially with respect to AAOIFI Shari'ah Standards which is producing trained Islamic banking practitioners for the industry. In addition to that, SB also recommends that DIBPL to enhance its collaborations with other educational institutes in order to meet their training & development requirements. The SB further suggested L&D to pay honorarium to trainers as per industry practice who conduct trainings as an additional assignment to their primary job roles and even travel on weekends to conduct trainings across the country.

## 2. Financing Portfolio

DIBPL has a diversified 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-2021.

### FINANCING PORTFOLIO



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

## 3. Shari'ah Audit and Review:

SB have examined, through the Shari'ah Review and Internal Shari'ah Audit activity, multiple transactions of each financing product 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 SCD conducted review of monthly profit distribution exercise and visited different branches to check compliance with SB guidelines. Considering the nature of observations SB recommends to continue and enhance the frequency of this exercise.

## 4. Charity:

The bank has a 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 12.46 Million was transferred to the Charity Payable Account. This includes non-compliant income portion identified during Shari'ah audit and Shari'ah Review exercise, charity amount on late payments by customers in various transactions, amount





transferred to charity account at the time of bank account closing, etc. An amount of PKR 14.45 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 DIBPL.

#### 5. Conclusion & Recommendations:

While the Board of Directors and Executive Management are solely responsible to ensure that the operations of 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. DIBPL has complied with Shari'ah rules and principles in the light of fatawa, rulings and guidelines issued by its Shari'ah Board.
- b. DIBPL 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. DIBPL has a comprehensive mechanism in place to ensure Shari'ah compliance in its day to day operations. However in order to up keep and strengthen the Shari'ah compliance environment, SB recommends that the management of DIBPL should lay more efforts to resolve the issue of high turnover. There must be a mechanism in place which shall ensure the continuity of operations through succession planning.
- d. DIBPL has complied with the SBP instructions on profit and loss distribution and pool management. DIBPL is using a system for profit distribution and pool management however the system must be further improved to have automated/ system based Shari'ah Controls for profit distribution and timely asset/deposit tagging.
- e. The Bank has made efforts to meet the minimum level of satisfaction in creating awareness and capacity building of its staff related to the importance of Shari'ah compliance in the products and processes of DIBPL. However, on account of high turnover of the staff in DIBPL, more frequent and effective Shari'ah related trainings is recommended by the SB. It is also recommending that DIB should focus on utilizing the digital means of training for effective learning and better coverage.
- f. 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 additional placements of qualified and Islamic Banking experienced resources, mainly in Shari'ah Audit Unit, Shari'ah Compliance Review Unit, Trade Ops-Disbursement Desk and Learning & Development Unit.
- g. 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, management should make efforts to have a robust system in place to avoid repeated audit observations in succeeding years.



- h. SB recommends that the bank should make more efforts 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: 10-Jan-2022