



**Report of Shari'ah Board**  
(For the year 2022)

**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 2022, Shari'ah Board (SB) of DIBPL held four Shari'ah Board meetings where SB discussed different transaction proposals, provided guidance on structures and on relevant transactional documentation. 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, several amendments proposed in the existing policies, product programs and other documentation of the Bank were reviewed and approved by the SB.

During the year, Shari'ah Compliance Department (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.

SCD continued to facilitate the training department in imparting Islamic Banking trainings to the Bank's staff. SB appreciates the bank's commitment to maintain its collaborations with renowned academic institutions like IBA CEIF and CEIF IMSciences for promoting Islamic Finance education especially with respect to AAOIFI Shari'ah Standards which is producing trained Islamic Banking practitioners for the industry.

SB examine, through 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. SB has emphasized the management on the importance of increasing staff strength of Shari'ah Audit unit for better evaluation of Shari'ah and governance related Controls.



Shari'ah Review function of SCD conducted review of monthly profit distribution exercise and visited different branches to check compliance with SB guidelines. SB has recommended to enhance the frequency of this exercise and increase staff strength in Shari'ah Review unit as well for better monitoring of bank wide Shari'ah Compliance environment.

The bank has a system in place for effective Shari'ah Non-Compliance Risk Management, 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 organizations covering different sectors such as Health, Education, welfare etc. During the year an amount of PKR 15.2 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 15 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.

#### 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 SCD 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 SB.
- 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-SAC.
- 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 focus mainly on system based controls in financing transactions and lay more efforts to resolve the issue of high turnover of staff. 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 real time asset/deposit tagging by integrating it with core banking system.





- 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.


SB has emphasized the management on the importance of training needs of staff including executive management. A comprehensive program needs to be implemented which should, on a regular basis, equip all staff with necessary knowledge about basic concepts of Islamic Banking and its products. Efforts should be made to enhance the effectiveness of E-Learning modules and online knowledge testing mechanism.

In addition to that, SB also recommends DIBPL to enhance its collaborations with other educational institutes in order to meet training & development requirements of public at large.

- f. SB 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 for adherence of Shariah guidelines at branch level and general knowledge about Islamic banking etc. Further, there is a need 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.
- i. SB recommends that attention and improvement is needed in record keeping mechanism of transactional documents as Shari'ah controls should be built-in systems to avoid Shari'ah non-compliance instances mainly on account of reliance on manual work/record keeping.

  
**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: 13-Jan-2023