

Report of Shari'ah Board  
(For the year 2023)

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 2023, Shari'ah Board (SB) of DIBPL held four Shari'ah Board meetings to review and approve various matters including different transaction proposals, new product variants, new policies and manuals, several amendments proposed in the existing policies, product programs and other documentation. The SB received multiple queries and issues from different departments of the Bank and in response, issued appropriate pronouncements, instructions, and guidelines thereon.

SB examined, 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 accounts during the year. SB has emphasized the management on the importance of increasing staff strength of Shari'ah Audit unit and creation of Transaction Processing Units at Corporate, SMEC and Retail-Trade for better evaluation of Shari'ah and governance related Controls.

Two meetings of Shariah Board were also held with Board of Directors of the bank to discuss the overall shariah compliance environment of the bank.

#### Shariah Compliance

During the year, Shari'ah Compliance Department (SCD) conducted Shari'ah Review exercise on a regular basis. For each renewal of financing facilities, sample executed transactions were reviewed to check their compliance with the approved process flows.

During the year SCD conducted shariah review of 101 branches to assess basic knowledge of branch staff and general shariah environment of the branch. SCD conducted a review of monthly profit distribution exercise to ensure that the Profit is distributed in transparent manner to the depositors. The bank performed a review of 2 different departments and 3 financing products during the year.

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 the amount of PKR 36.683 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. The amount of PKR 40.4 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.



Furthermore, Dubai Islamic Bank has been one of the four banks for advisory on Shariah-compliant instruments of 'Joint Financial Advisors (JFA)' to the Government of Pakistan (GOP) on issuance of GOP Sukuks.

#### **Learning & Development Department Activities:**

SCD continued to facilitate the training department in imparting Islamic Banking trainings to the Bank's staff. During the year 46 training sessions were organized for 1,800 staff across the country. SB appreciates the bank's commitment to maintain its collaborations with renowned academic institutions like IBA CEIF for promoting Islamic Finance education especially with respect to AAOIFI Shari'ah Standards which is producing trained Islamic Banking practitioners for the industry.

#### **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 always comply with Shari'ah principles, 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, to upkeep 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 uses 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 the high turnover of the staff in DIBPL, more frequent and effective Shari'ah related training 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 related to their job roles and responsibilities. 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 to meet training & development requirements of the public at large.

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 public as well as to enrich the existing Shari'ah knowledge of its employees with special focus on its front-end staff.

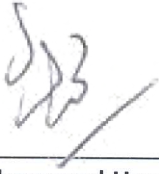
- f. SB has been provided adequate resources enabling it to discharge its duties effectively. However, SB suggests that the Shari'ah Compliance environment within the Bank should be further strengthened through additional placements of qualified and Islamic Banking experienced resources, mainly in Shari'ah 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 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 attention and improvement is needed such as collection and safety of transaction documents as Shari'ah related controls should be in-built in System to avoid Shari'ah non-compliance instances due to excessive reliance on manual work/record keeping.



**Muhammad Abubakar Siraj Ud Din**  
Resident Shari'ah Board Member  
Dubai Islamic Bank Pakistan



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



**Mufti Muhammad Hassaan Kaleem**  
Vice Chairman Shari'ah Board  
Dubai Islamic Bank Pakistan



**Sheikh Dr. MOHAMED ALI ELGARI**  
Chairman Shari'ah Board  
Dubai Islamic Bank Pakistan

Date of Report: January 11, 2023