

**GOVERNMENT OF PAKISTAN**  
**SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN**

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Islamabad, the May 21, 2024

**NOTIFICATION**

**S.R.O. 729 (I)/2024.** — In exercise of the powers conferred by Section 510, read with Sub-section (1) of Section 225 of the Companies Act, 2017 (Act No. XIX of 2017), the Securities and Exchange Commission of Pakistan, in supersession of S.R.O. 45(1)/2016 dated January 25, 2016 and S.R.O. 241(1)/2017 dated February 15, 2018, with a view to further strengthen the Shariah compliance framework and harmonize the Shariah practices, is pleased to adopt the following standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) for the Islamic financial institutions within the regulatory domain of the Securities and Exchange Commission of Pakistan:

**PART I - MANDATORY**

**Compliance with the following AAOIFI's Shariah Standards (SS), already adopted and notified, shall be mandatory with certain amendments and clarifications.**

1. SS No. 3- Default in Payment by a Debtor

Sub- Clause (e) of Clause 2/1- Amendment:

*The words "on giving the debtor reasonable notice of sale" shall be added after the word "debt" in 2nd line of above sub-clause.*

2. SS No. 8-Murabahah to the Purchase Orderer

Clause 2/2/2- Clarification:

*The phrase, "prior contractual relationship" shall refer to "prior sale contract".*

Clause 2/2/5- Clarification:

*This clause is not applicable to Shirkat ul Milk.*

Clause 2/3/1- Clarification:

*Currently, in the context of Murabaha in Pakistan, a bilateral promise / agreement is permissible.*

Clause 2/5/6- Clarification:

*The institution shall return to the customer the amount of Urbon (earnest money) after deducting the actual damages incurred.*

Clause 3/1/3- Clarification:

*The agent shall not consume or sell, goods purchased on behalf of the institution until such goods are sold by the institution to the customer.*

Clause 3/1/4- Clarification:

*The payment mechanism presently adopted by Islamic financial institutions, whereby the supplier is paid by the bank through the transaction account opened in the name of agent and the customer may also acts as an agent, achieves the rationale behind this clause. However, in exceptional cases where the agent has to be given cash for onward payment to supplier, the matter can be decided by the Shariah Adviser and his specific approval would be required for this purpose.*

Appendix A & Appendix B- Amendment:

*Instead of Appendix A (Notice for Purchase of goods / assets by the agent) and Appendix-B (Notice of the acceptance by the institution), the Model Murabaha Facility Agreement, shall be followed which is available on SECP website:*

<https://www.secp.gov.pk/document/model-financing-agreements-for-modarabas-2/?ind=1674449514255&filename=Murabahah.pdf&wpdmdl=46705&refresh=664c24426bcd1716266050>

3. SS No. 9- Ijara and Ijarah Muntahia Bittamleek

Clause 3/2- Amendment:

*"Prior approval from Shariah Advisor of the Islamic financial institution shall be sought whenever an Islamic financial institution is going to use it as a mode of Islamic finance".*

Clause 3/4- Amendment:

*"In special cases prior approval from Shariah Advisor of the Islamic financial institution shall be sought"*

Clause 7/2/5- Amendment:

*The above clause will now read as, "The two parties may terminate the Ijarah contract with mutual consent before it begins to run."*

Clause 8/1 - Amendment:

*At the end of above clause, the words, "it is also permissible to ask the customer to give an Undertaking to Purchase Ijarah Asset from the of the Islamic financial institution in case of early purchase or default" shall be added.*

4. SS No. 13- Mudarabah

Clause 9 / 6 - Clarification

*Waiver of rights with consent of the capital provider is not applicable to the Waaf Fund of Takaful Operators.*

5. SS No. 17 - Investment Sukuk

6. SS No. 18- Possession (Qabd)

7. SS No. 23 - Agency and the Act of an un-commissioned agent (Fodooli)

## **PART II – COMPLY OR EXPLAIN**

**Compliance with the following AAOIFI’s Shariah Standards shall be adhered to on a “comply or explain” basis.**

1. SS No. 21 - Financial papers
2. SS No. 27 - Indices
3. SS No. 30 - Monetization (Tawarruq)
4. SS No. 44 - Obtaining and Deploying Liquidity
5. SS No. 45 - Protection of Capital and Investments
6. SS No. 46 - Al-Wakalah Bi Al-Istithmar (Investment Agency)
7. SS No. 53 - Arboun (Earnest Money)

## **PART III – VOLUNTARY NON-BINDING GUIDELINES**

**Compliance with the following AAOIFI’s standards may be adhered to voluntarily, as these may be considered non-binding guidelines.**

### **Shariah Standards:**

1. SS 1 "Trading in Currencies"
2. SS 4 "Settlement of Debt by Set-Off"
3. SS 5 "Guarantees"
4. SS 7 "Hawalah"
5. SS 10 "Salam and Parallel Salam"
6. SS 11 "Istisna'a and Parallel Istisna'a"
7. SS 12 "Sharikah (Musharakah) and Modern Corporations"
8. SS 14 "Documentary Credit"
9. SS 15 "Jua'lah"
10. SS 16 "Commercial Papers"
11. SS 19 "Loan (Qard)"
12. SS 20 "Commodities in Organised Markets"
13. SS 22 "Concession Contracts"
14. SS 24 "Syndicated Financing"
15. SS 25 "Combination of Contracts"
16. SS 26 "Islamic Insurance"
17. SS 29 "Stipulations and Ethics of Fatwa in the Institutional Framework"
18. SS 31 "Controls on Gharar in Financial Transactions"
19. SS 32 "Arbitration"
20. SS 34 "Hiring of Persons"
21. SS 35 "Zakah"
22. SS 36 "Impact of Contingent Incidents on Commitments"
23. SS 37 "Credit Agreement"
24. SS 38 "Online Financial Dealings"
25. SS 39 "Mortgage and its Contemporary Applications"
26. SS 40 "Distribution of Profit in Mudarabah-based Investments Accounts"
27. SS 41 "Islamic Reinsurance"
28. SS 42 "Financial Rights and How They Are Exercised and Transferred"
29. SS 43 "Insolvency"
30. SS 47 "Rules for Calculating Profit in Financial Transactions"
31. SS 48 "Options to Terminate Due to Breach of Trust (Trust-Based Options)"
32. SS 49 "Unilateral and Bilateral Promise"
33. SS 51 "Options to Revoke Contracts Due to Incomplete Performance"

34. SS 52 "Options to Reconsider (Cooling-Off Options, Either-Or Options, and Options to Revoke Due to Non-Payment)"
35. SS 54 "Revocation of Contracts by Exercise of a Cooling-Off Option"
36. SS 55 "Competitions and Prizes"
37. SS 56 "Guarantee of Investment Manager"
38. SS 57 "Gold and its Trading Parameters in Shari'ah "
39. SS 58 "Repurchase Agreement"
40. SS 59 "Sale of Debt"

**Governance Standards (GS):**

41. GS 1 "Shari'a Supervisory Board: Appointment, Composition and Report"
42. GS 2 "Shari'a Review"
43. GS 4 "Audit and Governance Committee for Islamic Financial Institutions"
44. GS 5 "Independence of Shari'a Supervisory Board"
45. GS 6 "Statement on Governance Principles for Islamic Financial Institutions"
46. GS 7 "Corporate Social Responsibility, Conduct and Disclosure for Islamic Financial Institutions"
47. GS 8 "Central Shari'ah Board"
48. GS 9 "Shari'ah Compliance Function"
49. GS 10 "Shari'ah Compliance and Fiduciary Ratings for Islamic Financial Institutions"
50. GS 11 "Internal Shari'ah Audit"
51. GS 12 "Sukuk Governance"
52. GS 14 "Islamic Crowdfunding Governance"

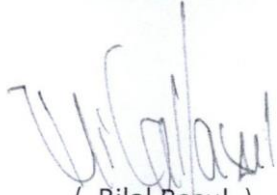
**Ethics:**

1. Code of Ethics for Islamic Finance Professionals
2. "Application of AAOIFI governance, ethics and auditing standards in view of the impact of COVID-19 pandemic"

Provided that nothing shall apply to a banking company or any other company which is required to follow the Shariah governance framework prescribed by the State Bank of Pakistan.

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( Bilal Rasul )  
Secretary to the Commission