

A Memorandum of Understanding is signed on 29 November 2023 (hereinafter referred to as the "MOU").

Between:

The Accounting and Auditing Organization for Islamic Financial Institutions (hereinafter referred to as "AAOIFI"), is an Islamic international autonomous not-for-profit corporate body established in 1991 that develops Shariah, accounting, auditing, governance and ethics standards for Islamic financial institutions and the industry with its office at Al Nakheel Tower, 10th Floor, Office 1001, Building 1074, Road 3622, Seef Area 436, Kingdom of Bahrain.

and

Securities and Exchange Commission of Pakistan, (hereinafter referred to as "SECP") is an apex regulator of capital market in Pakistan, whose objective is to develop a modern and efficient corporate sector and a capital market based on sound regulatory principles, in order to encourage investment and foster economic growth and prosperity in Pakistan. The SECP is mandated to inter-alia regulate and facilitate growth of Shariah compliant financial products in the financial services market and has been entrusted with the power to certify Shariah compliant companies, Shariah compliant securities and registration of Shariah Advisors in the country, with its Head Office at NIC Building, 63, Jinnah Avenue, Islamabad.

[AAOIFI and the SECP shall hereinafter be referred to as "the Parties".]

Whereas:

1. The Parties realise the need to increase knowledge and expertise in areas of mutual interest for the good operations of the Islamic financial services industry.
2. The Parties appreciate the importance of setting up a network of mutual co-operation, collaboration and support to strengthen the efforts of the two organizations through exchange of information and sharing of expertise and resources; and
3. The Parties acknowledge the need to establish a relationship to facilitate mutual and joint cooperation between one another in promoting and undertaking development and awareness for the Islamic finance services industry stakeholders, including but not limited to, multilateral institutions, central banks, banking sector supervisors, Takaful sector supervisors, and capital market sector supervisors.

Private & confidential

Page 2 of 8



4. AAOIFI and its reach has expanded many folds in the last three decades. This is evident from the level of adoption / adaption of AAOIFI standards globally. Additionally, the work of AAOIFI is expanding for standards development, standards implementation, capacity building and awareness and advocacy.
5. In order, to ensure AAOIFI remains in touch with global stakeholders in particular the regulatory and supervisory institutions and assist in the adoption of AAOIFI standards, it is important to remain continuously engaged with them.
6. SECP is committed to the promotion of Islamic finance in Pakistan, the development of Islamic financial products and services in its regulated sectors, and the global standing of Islamic financial services in its regulated sectors.
7. One of the ways to achieve this is to set up joint research and development centres ("JRDCs") with select regulatory and supervisory institutions ("RSAs").

Through this MOU, the Parties have reached the following understanding:

1. Purpose

This MOU develops on an earlier generic MOU signed between the Parties on May 29, 2023 and provides an outline for mutual and joint cooperation between AAOIFI and the SECP. In furtherence to the same, this MOU aims to formalise cooperation between the Parties in setting up a JRDC hosted by SECP. The MOU further highlights the roles and responsibilities of the Parties.

2. Acknowledgements

- 2.1 The SECP acknowledges that AAOIFI's core and sole mandate is to address the standardisation of international Islamic finance practices thorough development of Shariah, accounting, auditing, governance and ethics standards for Islamic financial industry across the globe to achieve the desired harmonisation in this regard; and
- 2.2 AAOIFI acknowledges that the SECP's core mandate is to regulate the capital markets, insurance, and non-bank financial sector apart from superintendence and control of corporate entities and for matters connected therewith and incidental thereto including the Islamic financial institutions in Pakistan. SECP proactively provides a stable framework for economic development of Islamic Republic of Pakistan through effective, efficient, and transparent implementation of sound policies.

3. Role of JRDC

- 3.1 Carry out research related to standards development, standards implementation; and other capacity building initiatives.

Private & confidential

Page 3 of 8



- 3.2 Produce impact assessment and standards implementation reports.
- 3.3 JRDC may offer specific capacity building programs or awareness and advocacy activities that can be beneficial and cost-effective for the respective RSA and the industry under its jurisdiction.
- 3.4 JRDC may collaborate with the regional universities etc., to have access to additional researchers etc. on a need basis.
- 3.5 Organise joint awareness and advocacy events including workshops, bespoke workshops, roundtables, forums and other conferences in collaboration with local and regional partners.
- 3.6 Establishing Joint Islamic finance and advocacy forum to promote Islamic finance and adoption of standards.

4. Scope

In line with the clause 1 of this MOU, AAOIFI and the SECP agree to cooperate on the JRDC in line with the following:

- 4.1 The JRDC may become part of / associated with the proposed AAOIFI regulatory research and development centre (in coordination with Islamic Development Bank (IsDB), which will undertake a number of market development activities.
- 4.2 The JRDC may be named and shall function as a joint centre (co-branded as needed)
- 4.3 The JRDC may, depending on need or suitability, function as a regional centre.
- 4.4 AAOIFI shall dedicate resources, at its cost, from its existing team on a part-time basis to supervise and / or collaborate remotely with the JRDC.
- 4.5 The JRDC will not be an official branch / liaison office / subsidiary and will not have any legal entity status.

5. Responsibilities of SECP

- 5.1 SECP shall host the JRDC in Pakistan and provide necessary support for its operations. This includes making facilities available such as office space, equipment, utilities, and administrative support required for the establishment and smooth functioning of the JRDC.
- 5.2 SECP shall allocate dedicated premises within its offices in Pakistan for the JRDC's activities, ensuring a suitable research environment with a minimum capacity of six team members. The premises provided by SECP shall adhere to the necessary security standards and protocols established by SECP.
- 5.3 SECP shall depute on a rotation basis at least one full-time, or two part-time, resources from its own team to work in the JRDC.

Private & confidential

Page 4 of 8



- 5.4 SECP shall grant access to the AAOIFI team members to the office premises in accordance with the personnel and security policies applicable to employees / consultants of SECP.
- 5.5 SECP shall take care of the amenities and facilities related to the office including, e.g., electricity and other office facilities.
- 5.6 SECP shall extend appropriate assistance in facilitating the procurement of visas and any other governmental support that may be required, as per the prevailing regulations and procedures, for the consultants or AAOIFI team members, visiting Pakistan to fulfil specific tasks assigned by the AAOIFI or JRDC.

6. Responsibilities of AAOIFI

- 6.1 AAOIFI shall assume the responsibility for selecting and appointing researchers or consultants to work at the JRDC within the jurisdiction of SECP. The selection process shall prioritize individuals with the requisite qualifications, expertise, and research acumen.
- 6.2 AAOIFI shall bear the responsibility for the benefits, allowances, and other expenses associated with the researchers or consultants appointed by AAOIFI for the JRDC, in compliance with the relevant laws, regulations, and policies in Pakistan.
- 6.3 AAOIFI shall oversee and undertake the research assignments assigned to the JRDC, ensuring that they align with AAOIFI's objectives, global best practices, and the specific needs of the region. The research conducted by the JRDC shall contribute to the advancement and standardization of Islamic finance practices.
- 6.4 AAOIFI shall support the SECP's team member's participation in the AAOIFI's capacity-building and developmental activities, including capacity building workshops, meetings, conferences, etc., as per its policies. Further, the AAOIFI shall consider prioritizing SECP officer capacity-building programmes, especially where funding is available for the same.
- 6.5 AAOIFI may, at its discretion, consider an appropriate form of compensation for the SECP's team member(s) allocated to the JRDC and working on tasks related to the functions of the AAOIFI (over and above their respective salary(ies), as continued to be paid by SECP).

7. Intellectual property

- 7.1 Each party will share with the other concepts, ideas and other facets of its intellectual property where relevant and appropriate to advance the collaborative ends of this MOU. However, it must be understood that each party will respect the intellectual property rights of the other by reference to the latter's related policies and procedures and in accordance with relevant laws and that all intellectual property rights in any materials, documents or other items created by or licensed to either party will remain vested in such party (or its licensors).
- 7.2 The Parties will agree on the extent to which, by reference to their respective policies and procedures and in accordance with relevant laws, each will enjoy intellectual property rights relating to new materials, documents or other items created by the parties, individually or collectively, as a result of collaboration with each other further to this MOU.



8. Confidentiality

- 8.1 Each party will use information, gained as a result of collaboration with the other, further to this MOU, solely to the ends for which it was provided.
- 8.2 Neither party will, without the other party's prior agreement, during the period covered by this MOU or at any time thereafter, for any reason whatsoever disclose to any person or in any way make use of any information acquired from such other party, identified by it as confidential, will use its best endeavours to prevent the unauthorized publication or disclosure of any such information.
- 8.3 The Parties agree to take all reasonably necessary measures to preserve, protect and maintain all privileges and claims of confidentiality related to information provided under this MOU, in accordance with applicable laws.

9. Publicity

- 9.1 The parties may make public reference to the existence of this MOU as they think relevant and appropriate.
- 9.2 Either party may, with the prior written consent of the other party, use, where relevant and appropriate, and in appropriate terms, the other party's logo and / or trademark, which each party will make available to the other in digital format for such use on request with prior approval of the other Party

10. Status of the MOU

- 10.1 This MOU is not intended to be a legally binding document and does not limit the Parties from entering into similar arrangements with an other party. It is meant to describe the nature and to suggest the guidelines of the cooperation between the AAOIFI and the SECP as described above. Nothing thereupon shall diminish the full autonomy of either Party nor will any constraints be imposed by either Party upon the other while carrying out this MOU.
- 10.2 This MOU represents an expression of common intent and nothing herein shall be construed as creating a joint venture, agency relationship or legal partnership between the parties. No provision of this MOU shall be construed so as to in any way interfere with the respective decision-making processes of the parties with regard to their own respective work and operation.
- 10.3 Neither party shall have any right, power or authority to create any obligation, express or implied, on behalf of the other.



11. Validity

- 11.1 This MOU shall be effective for three years from the date of signature by both parties. Its validity may be extended with mutual consent of t the parties in writing.
- 11.2 This MOU may be terminated by either party for reasonable cause upon three months' prior written notice to the other, such notice shall provide the ground(s) for termination.

12. Revisions

Any revisions to this MOU shall be agreed in writing between the parties as and when required so.

13. Assignment

Neither party may assign and / or otherwise transfer its rights or obligations or any part thereof under this MOU, to any third party without the prior written approval of the other party.

14. Resolving arising issue / dispute

In the event any dispute arises between the parties with regard to the terms and conditions of the MOU, the same shall be resolved by the parties through mutual negotiations among the senior management of the Parties.

15. Contact

- 15.1 The designated primary contact points for the parties for coordination of all matters relating to and / or arising under this MOU will be as follows:

For AAOIFI	For the SECP
Name: Amier AlMousa / Syed Siddiq Ahmed	Name: Tariq Naseem
Title: Head of Finance - Strategic Initiatives / Senior Manager, Standards Implementation and Regulatory Authorities Relations	Title: Head, Islamic Finance Department
Phone: +973 3777 7324 / +973 35947400	Phone: +92 3335225699
Email: aalmousa@aoofi.com/ssiddiq@aoofi.com	Email: tariq.naseem@secp.gov.pk

- 15.2 Either party may at any time revise its designated primary contact point by notice to the other.
- 15.3 Any notice required to be provided hereunder shall be deemed duly given if made by either party to the other party's designated primary contact in writing, which for the purposes hereof shall include by email.

[End of clauses]

Private & confidential

Page 7 of 8





In witness whereof, the Parties have executed this MOU on the date above written:

Accounting and Auditing Organization for Islamic
Financial Institutions (AAOIFI)

Securities and Exchange Commission of
Pakistan of the Islamic Republic of Pakistan

H.E. Sh. Ebrahim Bin Khalifa Al Khalifa
Chairman, AAOIFI Board of Trustees

Mujtaba Ahmad Lodhi
Commissioner

Date:

29/11/2023

Date:

29/11/2023

Witnessed by:

Witnessed by:

