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PART II

Statutory Notifications (S. R. O.)

GOVERNMENT OF PAKISTAN
SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

NOTIFICATION

Islamabad, the 14th September, 2023

S. R. O. 1314(I)/2023.— In exercise of powers conferred under section 512 read with section 451 of the Companies Act, 2017 (XIX of 2017), the Securities and Exchange Commission of Pakistan is pleased to make the Shariah Governance Regulations, 2023, the same having previously published *vide* notification No. S.R.O. 230 (I)/2023 dated March 1, 2023.

CHAPTER-I
PRELIMINARY

1. **Short title and commencement.**— (1) These regulations shall be called the Shariah Governance Regulations, 2023.

(2) They shall come into force at once.

2901(1—64)

Price: Rs. 80.00

[1837(2023)/Ex.Gaz.]

(3) The provisions of these regulations shall be in addition to and not in derogation of any other regulation in the matters concerning declaration of any company or security as Shariah compliant company and Shariah compliant security, respectively.

2. **Definitions.**— (1) In these regulations, unless there is anything repugnant in the subject or context,—

- (a) “Act” means the Companies Act, 2017 (XIX of 2017);
- (b) “Commission” means the Securities and Exchange Commission of Pakistan established under section 3 of the Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997);
- (c) “Form” means forms appended to these regulations;
- (d) “Islamic financial institution” means a company, entity or institution offering Islamic financial services as a main business activity, including but not limited to the following:
 - (i) an NBFI, as defined in clause (n) of sub-section (1) of section 2 of the SECP Act, 1997;
 - (ii) a regulated person, as defined in clause (pb) of sub-section (1) of section 2 of the SECP Act, 1997;
 - (iii) a financial institution as defined in clause (31) of sub-section (1) of section 2 of the Act; and
 - (iv) any other type of company, entity or institution, as may be notified by the Commission from time to time, but shall not include a banking company as defined in clause (c) of section 5 of the Banking Companies Ordinance, 1962 (LVII of 1962) or any other company, entity or institution regulated by the State Bank of Pakistan;
- (e) “Islamic financial services” includes Shariah compliant financial products and other financial services offered by Islamic financial institution under the SECP Act, 1997 or any administered legislation in accordance with Shariah principles and rules;
- (f) “Issuer” shall have the same meaning as assigned to it in clause (xxvii) of section 2 of the Securities Act, 2015 (III of 2015);

- (g) “Registered person” means a person registered under these regulations as resident member of the Shariah supervisory board or the Shariah advisor and include a deemed registered Shariah advisor;
- (h) “Schedule” means schedule appended to these regulations;
- (i) “Securities exchange” shall have the same meaning as assigned to it in clause (62) of sub-section (1) of section 2 of the Act;
- (j) “Shariah principles and rules” means requirements, standards, rulings or permissions, pertaining to Islamic financial services, derived from the following,—
 - (i) legal and regulatory framework administered by the Commission;
 - (ii) Shariah standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), as notified by Commission;
 - (iii) Islamic Financial Accounting Standards, developed by the Institute of Chartered Accountants of Pakistan, as notified by the Commission;
 - (iv) guidance and recommendations of the Shariah advisory committee, as notified by Commission; and
 - (v) approvals, rulings or pronouncements of the Shariah supervisory board or the Shariah advisor of the Islamic financial institution, in line with (i) to (iv) above;
- (k) “Shariah compliant company” means a company as defined in clause (64) of sub-section (1) of section 2 of the Act and declared as a Shariah compliant company under sub-section (1) of section 451 of the Act and these regulations;
- (l) “Shariah compliant security” means a security declared as a Shariah compliant security under sub-section (2) of section 451 of the Act, and these regulations;
- (m) “Shariah advisory committee” means the Shariah advisory committee constituted by the Commission under section 11A

of the SECP Act, 1997 to advise the Commission on Shariah related matters;

- (n) “Shariah supervisory services” includes services relating to Shariah compliance, Shariah advisory or Shariah audit;
- (o) “Shariah opinion” means fatwa, ruling, pronouncement or certificate issued in light of Shariah principles and rules and in such form and manner, as provided in these regulations;
- (p) “Shariah review report” means a review report issued by the Shariah supervisory board or the Shariah advisor under these regulations; and
- (q) “Shariah supervisory board” means a board constituted, appointed or engaged by the Islamic financial institution to advise it on matters concerning Shariah principles and rules.

(2) Words and expressions used but not defined in these regulations shall have the same meanings as are assigned to them in the Act or applicable administered legislation.

CHAPTER-II

CERTIFICATION OF SHARIAH COMPLIANT COMPANIES

3. **Certification of a Shariah compliant company.**— For the purposes of sub-section (1) of section 451 of the Act, every company shall, prior to claiming to be a Shariah compliant company, by whatever name called, obtain a declaration in the form of a Shariah compliance certificate from the Commission in accordance with the provisions of these regulations.

Explanation,— For the purposes of this regulation, the term “Shariah compliant company” shall, subject to section 451 of the Act, include without limitation, the term “Islamic company”, “Islamic institution” or a “Shariah compliant institution:

Provided that a dedicated Takaful company registered as insurer under the Insurance Ordinance, 2000 and authorised as a takaful operator under the Takaful Rules, 2012 shall deemed to be a Shariah compliant company. However, in the case of window takaful operations, the insurance company will only be considered Shariah compliant to the extent of its window takaful operations:

Provided further that, the company referred in the first proviso, shall comply with the requirements of these regulations except in so far as the said

requirements are inconsistent with the provisions of the Insurance Ordinance, 2000 (XXXIX of 2000) and rules and regulations made thereunder.

4. Grant of Shariah compliance certificate to a company.—(1)

Any company desirous of obtaining a declaration in the form of a Shariah compliance certificate shall make an application to the Commission, as set out in Form-A, along-with documents as mentioned therein and receipt evidencing the payment of non-refundable processing fee, as prescribed in Schedule-I.

(2) The Commission, while considering an application made to it under sub-regulation (1) shall have regard to the nature of business activities and operations, source of income, investments, and borrowing of the company in addition to Shariah screening criteria notified under these regulations and other requirements as provided in these regulations and any other additional requirements, as may be stipulated by the Commission, from time to time. The Commission may, while considering an application under this regulation, may also require the applicant to furnish such additional information, clarification, or documents as it deems appropriate.

(3) The Commission may, if it is satisfied that the company seeking Shariah compliance certificate, has fulfilled the requirements, may grant a declaration in form of a Shariah compliance certificate on the format as set out in Form-B:

Provided that the Commission may at any time impose, vary or revoke such restrictions or conditions as it may require.

(4) A company declared as Shariah compliant by the Commission under this regulation, shall;

- (a) admit that raising loans on interest is prohibited, whatsoever the amount, and it shall endeavour to settle the interest-bearing loan at the earliest possible time and shall not take any further interest-based loan in ordinary course of business:

Provided that in case of a dire need, such loans may be raised with specific approval of the Shariah supervisory board or the Shariah advisor, as the case may be and the board of directors with complete disclosure in the annual financial statements and annual report;

- (b) admit that any interest-based investment is prohibited, whatsoever the amount, and it shall endeavour to dispose of the same and not make any further interest-based investments; and

- (c) make concerted efforts to eliminate any prohibited elements from its income, operations, assets, and liabilities;

(5) A company declared as Shariah compliant by the Commission under this regulation shall divest the Shariah non-compliant investments above the quantitative tolerance levels, and any such Shariah compliant investments that may subsequently become Shariah non-compliant, in a manner and within such time period, as may be determined by its Shariah supervisory board or the Shariah advisor, as the case may be.

(6) The company referred in sub-regulation (5) shall, with approval of its Shariah supervisory board or the Shariah advisor, as the case may be, implement a policy for purification of its income and disbursement of Shariah non-compliant income, as charity.

(7) The Shariah compliance certificate granted under sub-regulation (3), shall remain valid unless voluntarily surrendered by the company or suspended or cancelled by the Commission, whichever is earlier.

5. **Scope of Shariah compliance certificate.**— The scope of Shariah compliance certificate granted under regulation 4 shall be limited to the requirements as applicable and provided for in these regulations.

6. **Refusal for grant of Shariah compliance certificate.**— (1) In case where an incomplete application is made under sub-regulation (1) of regulation 4 and the deficient information or documents have not been provided to the Commission within thirty days of application or communication of deficiencies, the said application shall be closed without any further notice.

(2) In case where a complete application is submitted under sub-regulation (1) of regulation 4, the Commission may, after providing a reasonable opportunity of representation to the applicant, refuse to grant a Shariah compliance certificate if, in the Commission's opinion, the applicant does not meet the requirements stipulated in these regulations or if, after considering the facts, the Commission determines that it is not in the public interest to grant such a certificate.

(3) The applicant, being aggrieved by the decision of the Commission under sub-regulation (2), may appeal to the Commission, within a period of thirty days of the date of refusal.

(4) The Commission shall, provide opportunity of hearing to the parties concerned and may, by an order in writing, communicate its finding to the applicant.

CHAPTER-III

CERTIFICATION OF SHARIAH COMPLIANT SECURITIES

7. **Shariah compliance certificate for securities.**— (1) For the purposes of sub-section (2) of section 451 of the Act, every person, before claiming that a security is Shariah compliant, shall obtain a declaration in the form of a Shariah compliance certificate under these regulations as per the following process:

- (a) Before issuing a Shariah compliant security, an issuer shall make an application under regulation 8 to the Commission.

Provided that

- (i) certificate of Modarabas floated with authorization of the Registrar, under section 10 of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980;
- (ii) shares of a company registered as insurer under the Insurance Ordinance, 2000 and authorised as a takaful operator under the Takaful Rules, 2012;
- (iii) units of Islamic Collective Investment Schemes that has been approved by the Commission under regulation 54 of NBFC Regulations, 2008 before promulgation of these regulations; and
- (iv) units of Islamic pension fund that has been approved by the Commission under rule 9 of the Voluntary Pension System Rules, 2005 before promulgation of these regulations;

shall be deemed to be Shariah Compliant security and shall not be required to obtain a Shariah compliance certificate as referred to in sub-regulation (2); and

- (b) Any person, other than the issuer, claiming a security to be Shariah compliant, shall seek and obtain approval of the Commission under regulation 9 before making such claim:

Provided that any security already issued and claimed to be Shariah compliant before publication of this provision of

the regulations, shall deemed to be a Shariah compliant security for a period of six months. During this period, the claimant shall obtain approval of the Commission, under regulation 9 on *post-facto* basis.

(2) No security shall be called a Shariah compliant security unless a Shariah compliance certificate has been granted by the Commission under these regulations.

8. **Grant of Shariah compliance certificate to an issuer.**— (1) An issuer of a Shariah compliant security shall make an application to the Commission, as set out in Form-C, along-with documents as required therein and receipt evidencing the payment of non-refundable processing fee as prescribed in Schedule I.

(2) The Commission shall, while considering an application duly made under sub-regulation (1) have regard to the underlying structure of the security under the permissible modes of Islamic financing and such other matters that the Commission may consider relevant. The Commission may, while considering an application under this regulation, may also require the applicant to furnish such additional information, clarification, or documents as it deems appropriate.

(3) The Commission may, if it is satisfied that an applicant under sub-regulation (1) has fulfilled the requirements of these regulations, grant a declaration in form of a Shariah compliance certificate on the format as set out in Form-D, subject to such terms and condition or restrictions as it deem fit to impose:

Provided that the Commission may at any time impose, vary or revoke such restrictions or conditions as it may require:

Provided further that if an issuer has already obtained a Shariah compliance certificate under these regulations for a security and is desirous to issue another security of similar underlying structure, same mode of Islamic financing and on same terms and conditions except commercial terms such as pricing, issue size etc., no further Shariah compliance certificate shall be required from the Commission for such security subject to filing of intimation as per Form-E along with such documents as mentioned therein and receipt evidencing the payment of non-refundable fee as prescribed in Schedule-I.

(4) In case where an incomplete application is made under sub-regulation (1) and the deficient information or documents have not been provided to the Commission within thirty days of application or communication of deficiencies, the said application shall be closed without any further notice.

(5) In case where complete application is made under sub-regulation (1), the Commission may, after providing a reasonable opportunity of representation to the applicant, refuse the application, if in the opinion of the Commission such applicant does not fulfil the requirements prescribed in these regulations or where the Commission, after considering the facts, is of the view that it is not in the public interest to grant Shariah compliance certificate.

(6) The applicant, being aggrieved by the decision of the Commission under sub-regulation (4), may appeal to the Commission, within a period of thirty days of the date of refusal.

(7) The Commission shall, provide opportunity of hearing to the parties concerned and may, by an order in writing, communicate its finding to the applicant(s).

9. Grant of Shariah compliance certificate to a person other than issuer.— (1) Any person, other than the issuer, who claims a security to be a Shariah compliant security shall make an application to the Commission, as set out in Form-F, providing information and documents as required therein and receipt evidencing the payment of non-refundable processing fee as prescribed in Schedule-I, for grant of a declaration in form of a Shariah compliance certificate in respect to security (ies) selected on the basis of Shariah screening criteria.

Explanation: For the purposes of this clause, a person other than the issuer may include a securities exchange, an index provider, or any other company, entity, institution, or individual publicly claiming any issued securities to be Shariah compliant primarily as Shariah compliant investable universe.

(2) The Commission shall, while considering an application duly made under sub-regulation (1), have regard to the Shariah screening criteria and process, underlying structure of the security under the permissible modes of Islamic financing and such other matters that the Commission may consider relevant. The Commission may, while considering an application under this regulation, may also require the applicant to furnish such additional information, clarification, or documents as it deems appropriate.

(3) The Commission may, if it is satisfied that an applicant under sub-regulation (1) has complied with these regulations, grant a Shariah compliance certificate on the format as set out in Form-G, subject to such terms and condition or restrictions as it deem fit to impose.

(4) In case where an incomplete application is made under sub-regulation (1) and the deficient information or documents have not been provided

to the Commission within thirty days of application or communication of deficiencies, the said application shall be closed without any further notice.

(5) In case where complete application is made under sub-regulation (1), the Commission may, after providing a reasonable opportunity of representation to the applicant, refuse the application, if in the opinion of the Commission such applicant does not fulfill the requirements prescribed in these regulations or where the Commission, after considering the facts, is of the view that it is not in the public interest to grant Shariah compliance certificate.

(6) The applicant, being aggrieved by the decision of the Commission under sub-regulation (4), may appeal to the Commission, within a period of thirty days of the date of refusal.

(7) The Commission shall, provide opportunity of hearing to the parties concerned and may, by an order in writing, communicate its finding to the applicant(s).

CHAPTER-IV

SHARIAH SCREENING OF COMPANIES AND SECURITIES

10. **Shariah screening criteria.**— (1) The following shall be the minimum Shariah screening criteria for Shariah compliant companies and securities:

(a) **Qualitative criteria:**

- (i) The core business activities of the company shall not include Shariah non-permissible business activities;

Explanation: For the purposes of this regulation, Shariah non-permissible business activities shall include but not be limited to conventional financial institutions including conventional banks, and insurance, interest based-lending, gambling and betting, liquor and liquor-related activities, pork and pork-related activities, non-halal food and beverages, Shariah non-compliant entertainment, tobacco and tobacco-related activities, and other activities that are deemed Shariah non-permissible.

- (ii) The company does not state in its memorandum of association that one of its objectives is to deal in Shariah non-permissible business activities.

(b) **Quantitative criteria:**

- (i) Subject to the following conditions and for the purposes of quantitative criteria, the Commission shall notify the minimum acceptable quantitative tolerance levels and other conditions,
 - 1. For listed companies and securities, the securities exchange, in consultation with stakeholders, shall prepare and recommend minimum acceptable quantitative tolerance levels, taking into consideration the existing practices and level of maturity of the security market;
 - 2. The quantitative thresholds shall be adjudged based on the latest audited or reviewed half yearly or quarterly financial statements, as the case may be, of the companies, including but not limited to the disclosures made pursuant to Fourth Schedule of the Act;
- (ii) The Commission shall periodically review the quantitative criteria, at least every three years, in consultation with the securities exchange, and shall notify changes to the approved criteria, if required, providing for a transition period of at least six months.

11. **Stock screening process.**— (1) Any person, other than the issuer of Shariah compliant securities, may claim a security or set of securities as Shariah compliant, after complying with the requirements of these regulations through the following process:

- (a) it may adopt minimum acceptable quantitative tolerance levels as notified by the Commission under regulation 10 or determine other minimum acceptable quantitative tolerance levels with prior approval of the Commission:

Provided that any such criteria already determined by a person before publication of this provision of the regulations, shall deemed to be approved by the Commission for a period of six month. During this period, such person shall obtain approval of the Commission on *post-facto* basis;

- (b) it shall not exclude;
 - (i) any company or security declared by the Commission as Shariah compliant company or Shariah compliant security;
 - (ii) a modaraba floated with approval of the Registrar Modaraba;
 - (iii) a company registered or licensed by the Commission as Takaful operator; and
 - (iv) any other entity or company, as may be notified by the Commission from time to time; and
 - (v) an Islamic bank and other Islamic financial institution regulated by the State Bank of Pakistan.
- (2) Such person shall;
 - (a) compile an initial list of Shariah compliant securities based on the said criteria;
 - (b) rank, rate or categorize securities based on level of compliance with the criteria;
 - (c) obtain Shariah vetting of the same from its Shariah supervisory board or the Shariah advisor;
 - (d) disclose the initial list through its website along-with the basis for arriving at the conclusion and provide basis in case of any exception or additional data used to arrive at a decision; and
 - (e) periodically update the list on its website and also provide reasonable guidelines on its website for investors on the related matters including dividend purification dis-investment in case of non-compliance, expressing displeasure over non-compliant investments and financing, etc.
- (3) Such person shall ensure that it has proper Shariah governance structure, including but not limited to, arrangements of Shariah review and compliance, Shariah audit and relevant reporting.
- (4) Such person shall also introduce continuity rules for smooth inclusion or exclusion of securities in the initial list, as part of Shariah screening criteria.

(5) A securities exchange may use the said initial list for making any stock indices and may include other criteria for further filtering of the initial list:

Provided that the additional criteria applied on the initial list shall be disclosed by the securities exchange through its website.

(6) A securities exchange may make one or more indices based on initial lists of one or more persons including an initial list that may be prepared by the securities exchange itself as per these regulations.

CHAPTER-V

SHARIAH SUPERVISION

12. **Prohibition.**— (1) For the purposes of Section 451 of the Act, no company shall appoint or engage any person for Shariah supervisory services, unless such person is registered with the Commission under these regulations:

Provided that persons providing services relating to internal Shariah audit or the external Shariah audit, as per mandate of internal audit or the external audit under any other law for the time being in-force, shall not be required to obtain registration under these regulations:

Provided further that any person registered with the Commission under the Shariah Advisors Regulation, 2017, on the date of promulgation of these regulations, shall be deemed to be registered under these regulations, subject to such conditions and limitations as provided in these regulations:

Provided further that such deemed registered Shariah advisors shall not give Shariah opinion if they do not meet the criteria of a Shariah scholar member, with exception of experience requirement, provided in these regulations.

(2) Subject to the conditions and limitations, as may be provided in any other law for the time being in-force, any person offering Islamic financial services in the financial services market may also appoint or engage Shariah supervisory board or Shariah advisor and entrust it with the powers, responsibilities, and mandate as provided in these regulations.

13. **Shariah supervisory board.**— (1) The Commission may, through a notification, require a Shariah-compliant company, a class of Shariah compliant companies, an Islamic financial institution or a class of Islamic financial institutions to form, constitute, appoint, or engage a Shariah supervisory board within a stipulated period, comprising at least two persons who meet the fit and proper criteria of a Shariah scholar member and other requirements as provided in these regulations.

(2) Subject to sub-regulation (1), a Shariah-compliant company and Islamic financial institution may voluntarily form, constitute, appoint, or engage a Shariah supervisory board, comprising at least two persons who meet the fit and proper criteria of Shariah scholar member and other requirements as provided in these regulations.

(3) Until a Shariah supervisory board is formed, appointed, or engaged by a Shariah-compliant company or an Islamic financial institution, it must appoint or engage a Shariah advisor registered under these regulations to perform the functions of the Shariah supervisory board.

(4) A Shariah supervisory board shall not function unless one of its members is registered as a Shariah advisor under these regulations.

(5) The term of appointment or engagement of the Shariah supervisory board or Shariah advisor shall be for a period of three years that may be extended further with mutual consent. However, such a term may be capped for the duration of the applicable Shariah-compliant security if it is a redeemable capital instrument.

(6) Any person, other than the issuer of Shariah compliant securities, involved in the stock screening process, shall also appoint a Shariah supervisory board or the Shariah advisor.

(7) Subject to the provisions of these regulations, the Shariah supervisory board shall enjoy such powers and perform such functions as may be agreed upon between the Shariah compliant company or the Islamic financial institution, as the case may be, and members of the Shariah supervisory board.

(8) The above requirements shall be applicable to Shariah-compliant companies and Islamic financial institutions, as the case may be, on the principle of proportionality.

Explanation: Principle of proportionality here means that the measures applied in a decision are proportionate to the size, complexity, structure, significance and risk profile of the Shariah-compliant companies and Islamic financial institutions and limited to what is necessary to achieve the compliance with Shariah principles and rules.

14. Fit and proper criteria.— (1) A member of the Shariah supervisory board, a member of the governing body of the Shariah advisor, and an individual Shariah Advisor shall meet the following fit and proper criteria;

(a) Shariah scholar member

- (i) A Muslim adult who is well-versed in *Fiqh* and *Usul al Fiqh*;
- (ii) Possess the following minimum qualifications in the field of Shariah, preferably in *Fiqh-ul-Momulat*, which is equivalent to a master's degree:

- a *Shahadat-ul-Aalamiyyah* (شهادة العالمية) degree, i.e., *Darse-Nizami* (درس نظامی) with at least 70% marks, a *Tokhasus fil Ifta* (تخصص في الفتا) certificate, and a second-class bachelor's degree in contemporary fields of education; or
- a postgraduate university degree in *Kuliyyah Usooluddin*, Master of Law in Shariah, Master of Science in Shariah, or equivalent Shariah degree with a minimum grade point average of 2.5 or equivalent:

Provided that the degree and the degree-awarding institution shall be duly recognized by the Higher Education Commission of Pakistan;

- (iii) Possess a total of 10 years or more of suitable practical experience including research, and academic experience, in the fields of Shariah, Islamic finance, Islamic economics, capital markets, Islamic banking, takaful, or other relevant fields, including but not limited to the following:
- issuing Shariah opinions in *Fiqh*, preferably in *Fiqh-ul-Muamulat*, and Islamic commercial jurisprudence; or
 - teaching at the post-graduate level or project-based research in the above-stated fields; or
 - working at a senior level in regulated financial markets or financial institutions, listed companies, international institutions, financial market regulators;
- (iv) has a good command of Arabic and English languages with a reasonable understanding of economics, law, banking, finance, and/or related fields;

- (v) demonstrable interest in and dedication to Islamic capital markets, Islamic non-banking financial institutions, Takaful, Islamic banking and finance, and the absence of anomalous opinions contrary to the well-established contemporary scholarly consensus as contained in Shariah principles and rules;
- (vi) demonstrate a good understanding of the legal and regulatory framework of Pakistan related to the regulated financial sector; and
- (vii) is suitable to act as a Shariah scholar member on the Shariah supervisory board, on the governing body of the Shariah advisor, or an individual Shariah Advisor by having good character, reputation, and market recognition; the ability to devote sufficient time; being independent and free from conflict of interest; and not being ineligible under the provisions of these regulations.

(b) Islamic finance expert member

- (i) A Muslim adult with a basic understanding of Shariah principles and rules, preferably an appropriate understanding of *Fiqh-ul-Muamalat* as applicable to Islamic finance;
- (ii) Possess a postgraduate university degree or equivalent qualification in Islamic finance, Shariah law, Islamic economics, or professional qualification in finance, accounting or law along-with senior level membership of relevant professional body or institute and certification in Islamic finance from a reputable institution:

Provided that the postgraduate university degree in the stated fields shall be with a minimum grade point average of 2.5 or equivalent:

Provided further that the degree and the degree-awarding institution shall be duly recognized by the Higher Education Commission of Pakistan;

- (iii) Possess a total of 10 years or more of suitable practical experience relating to Islamic finance in the capital market, banking, insurance, and other fields of finance, including but not limited to the following:
 - working at a senior level in regulated financial markets or at regulated financial institutions, listed companies, international institutions, financial market regulators; or
 - teaching at the post-graduate level or project-based field work in the above-stated fields.
- (iv) demonstrable interest and dedication to Islamic capital markets, Islamic non-banking financial institutions, Takaful, Islamic banking, and finance;
- (v) demonstrate a good understanding of the legal and regulatory framework of Pakistan related to the regulated financial sector; and
- (vi) is suitably qualified to serve as an expert member on the Shariah supervisory board, on the governing body of the Sharjah advisor, or an individual Shariah Advisor because he or she possesses good character, a good reputation, and market recognition; the ability to devote sufficient time; independence; and freedom from conflict of interest, and is not ineligible under the provisions of these regulations.

(2) A person shall be dis-qualified to become a member of a Shariah supervisory board, or the member of governing body of Shariah advisor or individual Shariah advisor if he—

- (a) is of un-sound mind;
- (b) has applied to be adjudicated as an insolvent, and his application is pending;
- (c) is an un-discharged insolvent;
- (d) has been convicted by a court of law of an offence involving moral turpitude;

- (e) has been debarred from holding such office under any provision of any law administered by the Commission;
- (f) is lacking fiduciary behavior, and a declaration to this effect has been made by the court at any time during the preceding five years;
- (g) has been declared by a court of competent jurisdiction to be in default in the repayment of a loan to a financial institution;
- (h) in case of a Pakistani national, his name is not included in active tax payer list of the Federal Board of Revenue;
- (i) has been convicted of any criminal offence involving fraud, negligence, criminal breach of trust, or financial impropriety;
- (j) does not have a good reputation for ethical, professional, and social conduct befitting its position as judged by the Commission;
- (k) has an overdue Credit Information Bureau (CIB) report:

Provided that in case of an overdue position in a CIB report, the person shall not be considered a fit and proper person except in cases where such overdue amount is under litigation, and that no rejection shall be made unless the person has been provided an opportunity to make a representation before the Commission;

- (l) has been convicted, whether within or outside Pakistan, of an offence under the administered laws;
- (m) has an investigation or criminal charges pending against her/him in any court of law, whether within or outside Pakistan, for an offence involving bribery, fraud, dishonesty, corporate mis-management, or violence;
- (n) has had any civil enforcement action filed against him in any court of law by any regulator or law enforcement agency, whether within or outside Pakistan;
- (o) is ineligible, under the Act or any other legislation or regulation administered by the Commission, from acting as a director or serving in a company;

- (p) has entered into a plea bargain arrangement with the National Accountability Bureau; or
- (q) has been penalized under Anti-Money Laundering regulatory framework during the last five years of being a member of the board of directors or in any other position.

15. **Shariah advisor.**— (1) In conjunction with sub-regulation (2) of regulation 12 and sub-regulation (3) of regulation 13, and subject to the requirements of these regulations, any person holding a valid registration under these regulations may act as a Shariah advisor for Shariah-compliant company, issuer of Shariah compliant security or an Islamic financial institution.

(2) An issuer of Shariah-compliant securities shall also appoint or engage a Shariah advisor, preferably for the period of maturity of the Shariah-compliant security, where applicable, or for any other period as may be deemed appropriate.

(3) In case of any specific regulatory requirement under any law for the time being in-force, a Shariah advisor registered in these regulations may be appointed or engaged.

(4) In case a registered person is a company with three or more Shariah scholar members and one or more Islamic finance expert members, such registered person is allowed to be represented as a shariah supervisory board for a Shariah compliant company, the issuer of Shariah compliant securities or the Islamic financial institution.

CHAPTER-VI

REGISTRATION AND RENEWAL

16. **Registration.**— (1) Any person eligible may make an application for registration as per Form-H and provide particulars as per Form I along-with an affidavit as per the specimen given in Annexure-I, and a bank challan, in original, evidencing payment of the non-refundable application fee as specified in Schedule-II.

(2) The Commission may, while considering an application under this regulation, require the applicant to furnish such additional information, clarification, or documents as it deems appropriate.

(3) The Commission may require an applicant to appear for an interview before any official(s) of the Commission and/or any one or more

members of the Shariah advisory committee in person or through video conferencing as deemed appropriate by the Commission.

(4) If a company, a firm, a body corporate, an institution, or any other body applies for registration as a Shariah advisor, it must have at least two Shariah scholar members and one Islamic finance expert member on its board of directors or governing body, as the case may be.

(5) A resident member of a Shariah board constituted under any other law, including the Shariah governance framework issued by the State Bank of Pakistan, shall be deemed to be registered under these regulations, subject to the following conditions:

- (i) profiles of such a resident Shariah board member and all other members of the Shariah board on Form-I, have been provided to the Commission:

Provided that, in case of any subsequent addition, the profile of the new member on Form-I shall be submitted to the Commission within 15 days of such addition;

- (ii) a letter signed by the company secretary or any other authorized officer confirming that the Shariah board was formed in accordance with the applicable Shariah governance framework or law;
- (iii) for the purpose of these regulations, the resident member and the Shariah board operate in accordance with the requirements of respective Shariah governance framework; and

this deemed registration shall not require renewal and be sufficient for such resident Shariah board member and such Shariah board to perform any or all functions described in these regulations;

(6) The Commission, on being satisfied that the applicant under sub-regulation (1) is eligible, meets the fit and proper criteria and the following prerequisite, may register the applicant and issue a certificate on the format as set out in Form-J:

- (a) the person is not engaged in any business practices that appear to the Commission to be deceitful, oppressive, or otherwise improper, whether unlawful or not, or that otherwise reflect discredit on her or his method of conducting business;

- (b) the person is not involved in or has been associated with any other business practices or has not conducted herself or himself in a manner that calls into question her or his competence and soundness of judgment;
- (c) the person is not engaged in or has not been associated with any conduct that casts doubt on her or his ability to act in the best interest of, having regard to his or her reputation, character, financial integrity, and reliability;
- (d) the person is suitably qualified to assume the position, including having the relevant experience and track record;
- (e) there are no other circumstances that are likely to lead to the improper conduct of operations by the person or reflect discredit on the manner in which the person would carry out his duties; and
- (f) it would not be contrary to the public interest to register the person.

(7) The registration shall remain valid for a period of three years, unless voluntarily surrendered, suspended, or cancelled earlier by the Commission.

17. **Conditions of registration.**— (1) A registration under regulation 16 shall be subject to the following conditions:

- (a) In case a registered person is a company, it shall seek and obtain declaration and certification of Shariah compliant company under these regulations, within a period of six months from the date of promulgation of these regulations, and shall comply with these regulations as a company as well.
- (b) In case a registered person is an employee of Islamic bank, it shall only provide Shariah opinion, where required, with approval of the Shariah Board of such Islamic bank.
- (c) A Shariah supervisory board can only issue a Shariah opinion if it is approved by member(s) who meet the criteria of a Shariah scholar member.
- (d) A Shariah advisor other than an individual can only issue a Shariah opinion if it is approved by such a person(s) who meets the criteria of a Shariah scholar member.

- (e) An individual Shariah advisor who meets the criteria of a Shariah scholar member can issue a Shariah opinion, whereas a Shariah advisor who only meets the criteria of an Islamic finance expert member shall not issue a Shariah opinion.
- (f) An individual or single-member company registered as a Shariah advisor may be concurrently appointed to provide Shariah supervisory services excluding services of external Shariah audit to a regulated person up to a maximum of four (4) clients at any point in time.

Explanations

- Multiple Shariah opinions given by a Shariah advisor to a company or entity shall be deemed as single appointment;
 - A Shariah advisor appointed by a non-banking finance company (NBFC) to manage multiple collective investment schemes, pension funds, and discretionary and non-discretionary portfolios is considered a single appointment; and
 - The appointment of a Shariah advisor by a company or an entity issuing any number of Shariah-compliant securities shall be considered a single appointment;
- (g) A member of the Shariah supervisory board shall not provide Shariah supervisory services to the same person in his/her personal capacity;
 - (h) If a Shariah advisor is a legal person, the members of its governing bodies shall not provide Shariah supervisory services to the same person in their personal capacity;
 - (i) If the registered Shariah advisor is a person other than individual, company or LLP and the Shariah scholar member or Islamic finance expert member is replaced, a new application for Shariah advisor registration must be made within fifteen (15) days of the change:

Provided that whenever there is an addition of a Shariah scholar member or an Islamic finance expert member, as the

case may be, or whenever there is a change in other members of the governing body, the Shariah advisor shall only provide updated information on Form-I within fifteen days of such change; and

- (1) Members of the Shariah supervisory board, members of the Shariah advisor's governing body that is not an individual, and the individual Shariah advisor shall complete mandatory training or certification as required by the Commission from time to time.

(2) The Commission may, by written notice served on the resident member of the Shariah supervisory board or the Shariah advisor, amend, cancel, or attach new conditions.

18. Renewal of registration.— (1) A registered person shall, one month prior to the date of expiry of registration, apply to the Commission for renewal of its registration as per Form-K along-with affidavit as per the specimen given in Annexure-I and a bank challan evidencing payment of the non-refundable application fee as specified in Schedule-II;

(2) Where a registered person fails to apply for renewal of its registration within the time given in sub-regulation (1) above, it shall deem to be suspended and shall cease to act as a registered person.

(3) The Commission, on being satisfied that the applicant under sub-regulation (1) is eligible, continue to meets the fit and proper criteria and the prerequisite, may renew the registration for another period of three years and issue a certificate on the format as set out in Form-J.

19. Refusal to grant registration or renewal.— (1) In case where an incomplete application is made for registration or renewal and the deficient information or documents have not been provided to the Commission within thirty days of such application or communication of deficiencies, the said application shall be closed without any further notice.

(2) In cases where a complete application is submitted under sub-regulation (1) of regulation 16 or sub-regulation (1) of regulation 18, the Commission may, after affording the applicant a reasonable opportunity of representation, refuse to grant a registration or renewal if, in the Commission's opinion, the applicant does not meet the requirements stipulated in these regulations or if, after considering the facts, the Commission determines that it is not in the public interest to grant such registration or renewal.

(3) An applicant, being aggrieved by the decision of the Commission under sub-regulation (2), may appeal to the Commission within a period of thirty days of the date of such refusal.

(4) The Commission shall provide an opportunity for hearing to the parties concerned and may, by an order in writing, communicate its decision to the applicant.

CHAPTER-VII

FUNCTIONS, POWERS AND OBLIGATIONS

20. Functions and responsibilities of the Shariah supervisory board.— (1) A Shariah supervisory board or the Shariah advisor, as the case may be shall be responsible for the following functions:

- (a) with respect to Shariah compliant securities,
 - (i) review and approve Shariah structure and related documents and agreements;
 - (ii) apply intellectual reasoning to ensure Islamic financial services follow Shariah principles and rules, in the absence of any Shariah rulings, principles, or concepts endorsed by the Shariah advisory committee;
 - (iii) give Shariah opinion(s), which shall be binding on the issuer of Shariah-compliant securities and ensure its proper documentation;
 - (iv) ensure that the applicable Shariah principles and rules, Shariah opinions, rulings, and guidelines are complied with; and
 - (v) provide guidance and propose mechanism to ensure Shariah compliance till maturity of the securities, if any.
- (b) with respect to Shariah compliant company or Islamic financial institution,
 - (i) establish a robust methodology to guide its decision-making process to ensure accountability for the quality, accuracy, and soundness of its decisions;
 - (ii) review and approve all policies and procedures relating to the Shariah compliant operations;

- (iii) make recommendations for potential improvements and policy formulation in accordance with Shariah principles and rules, as well as provide guidance on the process of rectification of identified irregularities;
- (iv) advise on any matter referred to it by the chief executive officer or the board of directors;
- (v) review and approve all relevant documentation for products and services, including contracts, agreements, marketing and promotional materials, or other legal and operational documentation used in the business transactions;
- (vi) define the key elements to be evaluated while reviewing and approving a product;
- (vii) apply intellectual reasoning to ensure Islamic financial services follow Shariah principles and rules, in the absence of any Shariah rulings, principles, or concepts endorsed by the Shariah advisory committee;
- (viii) give Shariah opinion(s), which shall be binding on the Shariah-compliant company or the Islamic financial institution, and ensure its proper documentation;
- (ix) ensure that the applicable Shariah principles and rules, Shariah opinions, rulings, and guidelines are complied with;
- (x) supervise the operations, transactions, and processes to ensure compliance with Shariah principles and rules;
- (xi) oversee and approve investment policy, providing their criteria for investment and divestment, treatment of non-Shariah compliant income and gains, and matters connected thereto;
- (xii) strive to introduce a mechanism that will strengthen Shariah compliance, in letter and spirit, and ensure that the systems, procedures, and policies adopted are in line with the Shariah principles and rules;
- (xiii) review and monitor to ensure that inflows and outflows

of financial resources are free from Riba (interest, usury or any other form), Qimar (Gambling), Gharar (Speculation) and other elements prohibited by Shariah (e.g. drugs and alcohol, tobacco, pork related items, etc.);

- (xiv) review and advise on a regular basis that the business conducted, the transactions carried out, and the investments made are in accordance with the applicable standards, principles, and laws;
- (xv) review the reports and observations of the Shariah compliance function, the internal Shariah audit function, and the external Shariah audit and provide advice on such reports and observations;
- (xvi) advise corrective, remedial, and preventive measures if Shariah non-compliance is discovered;
- (xvii) at least one member of the Shariah supervisory board or the Shariah advisor, as the case may be, shall present its report at the annual general meeting to the stakeholders and respond to their queries about the state of Shariah compliance;
- (xviii) ensure the continuous professional education and training programs of the management and members of the Shariah supervisory board or the Shariah advisor, as the case may be;
- (xix) conduct and arrange Shariah training programs for the board of directors, officers, and staff, where required;
- (xx) shall cooperate and, where necessary, work in coordination with the Shariah advisory committee to achieve standardization and harmonization in Islamic product development; and
- (xxi) provide guidance for the development of Islamic financial services in sectors regulated by the Commission, including activities relating to documentation, which includes the deed and prospectus, structure, features, and investment instruments, and ensure that all aspects of the products or activities are in accordance with Shariah principles and rules.

(2) Notwithstanding anything contained in any other law for the time being in-force and where no Shariah supervisory board is in place, the functions as provided in sub-regulation (1) shall be performed by the Shariah advisor registered in these regulations and appointed or engaged by a Shariah compliant company, an issuer of Shariah compliant securities, an Islamic financial institution, or any other regulated person.

21. Responsibilities of Company, entity or the Institution.—(1) Every person forming, constituting, appointing, or engaging a Shariah supervisory board or a Shariah advisor, as the case may be, shall comply with the following:

- (a) shall not form, constitute, appoint, or engage a Shariah supervisory board unless one of its members is registered with the Commission under these regulations;
- (b) shall not appoint or engage a Shariah advisor unless it is registered with the Commission under these regulations;
- (c) shall disclose in its financial statements details of any compensation paid to its Shariah supervisory board or Shariah advisor, as the case may be, for providing Shariah supervisory services and any other ancillary professional services, including but not limited to education and training in Islamic financial services;
- (d) shall not replace members of the Shariah supervisory board or the Shariah advisor, as the case may be, without recording the reasons for such replacement and intimate the same to incoming and outgoing persons;
- (e) shall endeavor to improve capacity of its human resources in the field of Islamic finance through education, training and awareness campaigns; and
- (f) where such person has obtained a Shariah opinion from more than one person on the same issue, it shall disclose the reasons for obtaining more than one Shariah opinion to each of the said persons, as well as in the offering document, financial statements, and any other relevant document.

(4) Unless provided otherwise in the constitutive documents of the persons forming, constituting, appointing, or engaging a Shariah supervisory board or a Shariah advisor, as the case may be, they shall do so with the prior

approval of their board of directors or a comparable governing body. The matter pertaining to removal and resignation shall also be handled accordingly.

(5) The board of directors, a committee of the board, or the governing body, or the chief executive officer if authorized by the board of directors to do so, shall meet with the Shariah supervisory board or the Shariah advisor, as the case may be, at least twice a year to review Shariah-related matters.

22. Powers of Shariah supervisory board.—Notwithstanding anything contained in the contract or agreement for the formation, constitution, appointment, or engagement of the Shariah supervisory board or the Shariah advisor, as the case may be, it shall have the following powers:

- (a) access to the books, papers, accounts, vouchers, records, information, agreements, and reports of the Islamic financial institution or the Shariah-compliant company, as the case may be, whether kept at the registered office;
- (b) direct access to the matters concerning internal audit and external audit including internal Shariah audit and external Shariah audit;
- (c) call for information and details from the directors, senior management, and other employees, as may be required for the performance of duties, and the board of directors, senior management, and other employees shall be bound to provide the requisite information and explanations; and
- (d) maintain direct and regular communication with senior management.

23. Obligations of Shariah supervisory board and the registered person.— (1) Every member of the Shariah supervisory board and a registered person shall—

- (a) adhere to the provisions of these regulations and other applicable laws;
- (b) not undertake any business activity that is prohibited in Islam;
- (c) disclose conflict of interest while considering any matter;
- (d) in case of a body, firm, or company, not obtain any Shariah non-compliant financial services;

- (e) adhere with the general principles of professional behavior; and
- (f) comply with any other conditions imposed by the Commission.

(2) A Shariah supervisory board or the Shariah advisor, as the case may be, shall prepare an annual report to be called the “Shariah Review Report,” which shall cover the overall Shariah compliance position for the period, and it shall be submitted to the board of directors.

(3) The Shariah Review Report shall include but not limited to the following, —

- (a) whether or not, in their opinion, the transactions, the relevant documentation, and the procedures adopted have been in accordance with the Shariah principles and rules;
- (b) whether or not in their opinion, the affairs have been carried out in accordance with Shariah principles and rules and relevant Shariah opinions issued from time to time; and
- (c) whether or not, in their opinion, any earnings that have been realized from sources or by means prohibited by Shariah have been credited to the charity account, where applicable.

(4) The Shariah review report shall be made part of the annual report or annual audited accounts of the Shariah compliant company, the issuer of Shariah-compliant securities or the Islamic financial institution, as the case may be.

(5) Every registered person shall prepare an annual report as per Form-L and submit the same to the Commission by January 31st year, along-with filing fee as per Schedule-II, electronically or through post covering the following:

- (a) all appointments and engagements, domestic or international, held at any time during the year; and
- (b) details of the continuing professional development activities undertaken during the year.

24. **Shariah opinion.**— (1) Notwithstanding anything contained in any other law for the time being in-force, a Shariah opinion shall be provided in writing in the form of a certificate serially numbered, dated, duly signed, and stamped by the Shariah scholar member of the Shariah supervisory board or the individual Shariah advisor meeting the fit and proper criteria for a Shariah scholar member.

(2) A Shariah opinion shall be mandatorily required while considering and approving Shariah compliant financial products, services, or transactions; the issuance of Shariah compliant securities; claiming to be a Shariah compliant company, entity, or institution; Shariah compliant contracts; and the public declaration of any system, procedure, or process as Shariah compliant, and when required by the Commission.

(3) A Shariah opinion shall provide the underlying reasoning and references in detail for arriving at the conclusion.

(4) A Shariah opinion shall, at the minimum, cover the following:

- (a) whether and to what extent the arrangement and related agreements and contracts, separately and collectively, are consistent with the Shariah principles and rules;
- (b) how the arrangement deals with the Riba;
- (c) whether the arrangement contains an excessive amount of Gharar, and if so, how it has been addressed;
- (d) exceptions, reservations, and qualifications to the Shariah opinion, if any;
- (e) Shariah non-compliance risks, if any; and
- (f) any other information or detail deemed relevant.

(5) A company, entity, or institution obtaining a Shariah opinion shall disseminate it through appropriate means, including through its website, such that it can be readily and publicly accessed without any hindrance or fee.

(6) A company, entity, or institution may use an abridged version of a Shariah opinion in its publications, where deemed necessary by the company or entity; however, the detailed Shariah opinion shall be made publicly available through its website.

(7) A Shariah opinion under these regulations shall be issued in both English and Urdu, in addition to any other language as may be required for listed securities, and either in English or Urdu, in addition to any other language as may be required for unlisted securities.

(8) A Shariah opinion issued may subsequently be modified or revoked based on new facts, findings, or research by the issuer of the initial opinion or his successor.

(9) Records of Shariah opinions solicited, obtained, and given shall be maintained by the person giving Shariah opinion and by the person obtaining such Shariah opinion for a minimum period of ten (10) years.

25. Conflicting Shariah opinions and dispute resolution.— (1) No Shariah supervisory board or registered person shall publicly issue a Shariah opinion regarding a regulated person, a company, an entity, or its security that is not solicited by that regulated person, company, or entity.

(2) Once a Shariah opinion has been issued, no other registered person shall publicly issue a contradictory Shariah opinion:

Provided that a registered person, acting in good faith, may privately issue a Shariah opinion regarding a company or entity or its security if the same is solicited by another person to meet its business needs, including the need to consider investing in or divesting from the subject company, entity, or its security.

(3) In case of any dispute or difference of opinion arising between the Shariah-compliant company or the Islamic financial institution, as the case may be, and the internal Shariah auditor on matters relating to Shariah interpretation, the same shall be referred to the Shariah supervisory board or the Shariah advisor, as the case may be, for a decision.

(4) In case of any difference of opinion regarding a Shariah opinion within the meaning of these regulations between a company or an entity and its Shariah supervisory board, Shariah advisor, or between any two or more Shariah advisors or Shariah supervisory boards, the matter shall be referred by the Commission for consideration by the Shariah advisory committee, the Shariah board for Takaful, or the Religious board for Modarabas, as the case may be, whose decision, when endorsed by the Commission, shall be final.

CHAPTER-VII

SHARIAH COMPLIANCE AND AUDIT

26. Systems and controls.— A Shariah compliant company, and issuer of a Shariah compliant security shall endeavor to establish systems and controls to ensure compliance with Shariah principles and rules, including but not limited to the following:

- (a) the manner in which the compliance function will be undertaken, in respect of Shariah compliance;

- (b) the manner in which the Shariah supervisory board or the Shariah advisor will oversee and advise in regard to the Islamic financial business;
- (c) the manner in which Shariah supervisory board or the Shariah advisor's opinions and guidelines will be recorded, disseminated and implemented and the internal Shariah review undertaken;
- (d) the manner in which disputes between the Shariah supervisory board or the Shariah advisor and the Shariah compliant company or issuer of a Shariah compliant security in respect of Shariah compliance will be addressed;
- (e) the process for approving those internal systems and controls which are in place to ensure not only that the business is carried out in compliance with the Shariah principles, but that information is disseminated to investors in an appropriate manner; and
- (f) the manner in which conflicts of interest will be identified and managed.

27. **Shariah compliance officer.**— (1) Every Shariah compliant company and issuer of a Shariah compliant security shall appoint or designate a Shariah compliance officer suitably qualified, trained and experienced in the field of Islamic finance. The Shariah compliance function can also be outsourced.

(2) The Shariah compliance officer shall work under the overall guidance and supervision of the Shariah supervisory board or the Shariah advisor, as the case may be, and functionally report to the Shariah supervisory board or the Shariah advisor, as the case may be with parallel administrative reporting to the head of compliance department or internal audit department, as the case may be.

(3) The Shariah compliance officer shall coordinate between the Shariah supervisory board or the Shariah advisor, and management and shall:

- (a) review all the product proposals and related agreements, contracts, manuals, process flows before presenting these to the Shariah supervisory board or the Shariah advisor for approval;
- (b) ensure that operations of are in conformity with Shariah principles and rules; and
- (c) periodically submit a Shariah compliance report to the management on the overall Shariah compliance environment.

28. **Internal Shariah audit.**— (1) Every Shariah compliant company and issuer of a Shariah compliant security shall strengthen its internal audit department, either by appointing an internal Shariah audit resource having relevant qualification or expertise in the field of Islamic finance or train at least one of its employees in the internal audit department for the purpose of internal Shariah audit from a reputable training institute.

(2) The scope and methodology of the internal Shariah audit shall be reviewed and approved by the board of directors or audit committee of the Shariah compliant company and issuer of a Shariah compliant security.

(3) The internal Shariah audit resource shall follow the same reporting norms, as are applicable on the internal auditor.

(4) The duties of the internal Shariah audit shall include, but not limited to the verification of:

- (a) transactions entered into are consistent with the Shariah principles and rules;
- (b) financing agreements entered into are Shariah compliant and are on the formats as approved by the Commission, if any and all the related conditions are met;
- (c) offering documents, investments, and contracts have been reviewed by the Shariah supervisory board or the Shariah advisor;
- (d) product structure, process flow and operations are duly vetted by the Shariah supervisory board or the Shariah advisor;
- (e) process for purification of income has been carried out and Shariah non-compliant income has been transferred into a charity account and distributed to approved charitable institutions;
- (f) findings are shared with the management and Shariah supervisory board or the Shariah advisor in respect of all the above items, including irregularities, in-adequacy in risk management, governance, and internal controls, which are necessary to avoid Shariah non-compliant business transactions; and
- (g) investments in the securities and other instruments and mobilization of fund are in accordance with the requirements of these regulations.

(5) The internal Shariah auditor shall submit an internal Shariah audit report annually to the board of directors or its audit committee.

(6) The internal Shariah auditor shall maintain liaison with the Shariah supervisory board or the Shariah advisor, as the case may be, and may seek its guidance in ensuring Shariah compliance.

(7) The internal Shariah auditor shall submit an internal Shariah audit report to the board of directors or its audit committee, as well as the Shariah Supervisory Board or the Shariah advisor, as the case may be, on an annual basis.

(8) A Shariah compliant company and an issuer of Shariah compliant security may outsource its internal Shariah audit function.

29. External Shariah audit.— (1) Every Shariah compliant company and issuer of a Shariah compliant security shall be subject to external Shariah audit for each financial year, which may be undertaken by the existing external auditors or an independent external Shariah auditor.

(2) For the purpose of this regulation, the provisions of sections 223 and 247 of the Act, shall be followed with regard to external Shariah audit and the external Shariah auditor, respectively and the audit firm shall preferably have expertise in Islamic finance.

(3) The scope of external Shariah audit shall include an independent and objective assessment of compliance of operations with the Shariah principles and rules and any further conditions imposed by the Commission from time to time.

(4) The external Shariah auditor shall assess the compliance of the Shariah compliant company or issuer of a Shariah compliant security with financial arrangements, contracts, and transactions with the Shariah principles and rules.

(5) The external Shariah auditor shall prepare a report on the format given in the Schedule-III for the board of directors giving their opinion on:

- (a) the status of Shariah compliance;
- (b) the risks associated with the Shariah non-compliance;
- (c) the capacity and quality of the internal controls to measure, manage and mitigate the Shariah non-compliance risks;

- (d) the adequacy and effectiveness of the Shariah governance framework;
- (e) the level of awareness and sensitivity of the management and the board of directors in addressing the Shariah risks; and
- (f) any other issues deemed significant by the external auditors with respect to Shariah compliance.

CHAPTER-VIII

DISCIPLINARY PROCEEDINGS

30. Restriction or suspension or cancellation of Shariah compliance certificate.— (1) The Commission may, in addition to any other regulatory action, impose restriction with respect to the Shariah compliance certificate granted to a company or issuer under these regulations, if:

- (a) it does not operate in conformity with the Shariah principles and rules;
- (b) any provision of these regulations or condition imposed by the Commission are not adhered to;
- (c) there exist sufficient reasons to believe that Shariah compliance is not being observed;
- (d) there exist sufficient reasons to believe that the act and conduct of the company or the issuer, as the case may be, from ethical conduct, observing values and objectives perspective, creating a reputation risk for the Islamic finance industry; or
- (e) the penalty, if any, imposed by the Commission has not been paid within the stipulated time period.

(2) A Shariah compliance certificate granted under these regulations shall be liable for suspension, if:

- (a) the company is not following the approved structure of the Shariah compliant security;
- (b) any regulation, restriction or condition imposed with respect to the Shariah compliance certificate is not adhered to; or

- (c) there exist sufficient reasons to believe that Shariah compliance is not being observed.
- (d) *There is any violation of the Shariah screening criteria as per bi-annual accounts.*

(3) A Shariah compliance certificate granted under these regulations shall be liable for cancelation by the Commission, if:

- (a) it is reported in the Shariah review report that the Shariah compliant company is non-compliant with the requirements of these regulations including Shariah screening criteria and other conditions and that the Shariah compliant certificate has not been voluntarily surrendered;
- (b) it is reported in the Shariah review report that the issuer of a Shariah compliant security is non-compliant with underlying approved Shariah-structure of such security or the conditions imposed under these regulations and that the Shariah compliant certificate has not been voluntarily surrendered;
- (c) the Shariah compliant company is pursuing aims, or carrying on its operations, business affairs and activities contrary to Shariah principals and rules;
- (d) the Shariah compliance certificate was granted based on information in support of an application that was found to be false, misleading, inaccurate or incomplete;
- (e) the Shariah compliant company has been liquidated;
- (f) all of the assets and liabilities of a Shariah compliant company, or issuer of a Shariah compliant security are transferred or merged into another company;
- (g) the certificate has been suspended and the causes of suspension have not been removed within sixty days from the receipt of suspension order or such period as provided in the order of suspension; or
- (h) it refuses or fails to pay the penalty, if any, imposed by the Commission.

(4) Prior to the imposition of restriction, suspension or cancellation of Shariah compliance certificate granted under these regulations, the Commission shall provide a reasonable opportunity of hearing.

(5) The Commission may, for the information of stakeholders, publish a press release of its order of cancellation of Shariah compliance certificate in at least two newspapers of wide circulation in Pakistan and/or place the said cancellation order on its official website.

31. Effect of surrender or cancellation of Shariah compliance certificate.— Where a Shariah compliance certificate granted under these regulations has been surrendered voluntarily or cancelled, the Commission shall remove the name from the register of Shariah compliant companies and Shariah compliant securities from the Commission's website, and the company or security shall cease to be called a Shariah compliant company or Shariah compliant security, as the case may be:

Provided that the company shall intimate the Commission, as well as to its shareholders, at least thirty days prior to the voluntarily surrender of the Shariah compliance certificate and the Commission shall cancel the Shariah compliance certificate after thirty days from the date of intimation.

32. Restriction or suspension of registration.— (1) Where a registered person contravenes or fails to comply with any provision of these regulations or is not in compliance with any condition or directive, circular, or order issued by the Commission, the Commission may, after providing a reasonable opportunity for representation:

- (a) impose restrictions on its activities as a registered person;
- (b) suspend the registration of such a registered person;
- (c) remove his name from the register maintained by the Commission; and/or
- (d) impose a penalty as provided in these regulations, or the Act.

(2) A registered person who has been suspended under this regulation shall cease to act as a registered person during the period of suspension and remove the cause of suspension as specified in the suspension order within a period of one hundred and twenty days from the receipt of the suspension order or such earlier period as provided in the said order.

(3) The Commission, while suspending a registered person, may impose such conditions as it deems appropriate.

33. Cancellation of registration.— (1) The Commission, after providing a reasonable opportunity for representation to a registered person, may cancel its registration if,

- (a) in the opinion of the Commission, it has been in violation of these regulations or has failed to discharge its obligations under these regulations;
 - (b) it is found guilty of fraud or any criminal offence; or
 - (c) it has been suspended and the cause of suspension has not been removed within one hundred and twenty (120) days from the receipt of the suspension order or such earlier period as provided through the order of suspension.
- (2) The registration of a registered person shall stand cancelled if such registered person,
- (a) is passed away or dissolved;
 - (b) is declared insolvent by a court;
 - (c) is wound up by an order passed by a court; or
 - (d) voluntarily surrender its registration certificate granted in these regulations through a written notice.
- (3) Upon cancellation of registration, the registered person shall, with immediate effect, cease to act as a registered person.

CHAPTER-IX

GENERAL PROVISIONS

34. **Principles of professional behavior.**— In fulfilling their obligations, a registered person and other members of the Shariah supervisory board shall adhere to and uphold the Shariah and observe the following principles of professional behavior:

- (a) Integrity: uphold fairness and truthfulness and be straightforward and honest in professional relationships;
- (b) objectivity: while carrying out his duties, exercise professional independence and do not allow any financial or nonfinancial incentives to affect the objectivity of his judgement;
- (c) due diligence and responsibility: exercise due diligence in his work and not form an opinion without first thoroughly

understanding and analyzing relevant issues; assume responsibility for his professional work and for the work carried out by those working under him;

- (d) care and conscientiousness:— before accepting an appointment, carefully consider whether he is in a position to carry out the work involved, keeping in mind his competence and available time, and he shall always strive to:
 - (i) uphold fairness and equity for the stakeholders;
 - (ii) act in a manner that preserves his honesty and integrity;
 - (iii) exercise appropriate discretion in decision-making and consider both juristic form and economic substance; and
 - (iv) value the diversity of opinions among various schools of thought as well as differences in expertise among his peers;
- (e) Confidentiality: maintain confidentiality of all information with which he is entrusted in his assignment and which is likely to be deemed material and sensitive by the company, entity, or institution;
- (f) Independence: maintain independence and strive not to be in a position of conflict of interest with the company, entity, or institution;

Explanation.—

The test of independence principally emanates from the fact that such a person can be reasonably perceived as being able to exercise independent judgement without being subservient to any form of conflict of interest. Wherever a conflict of interest is un-avoidable, the person concerned shall declare it in writing to the company, entity, or institution. Such a person shall also report any such conflict with regard to members of his family, business associates, or companies in which they have an interest. Where there is a conflict of interest or a duty to another party, such a person shall abstain from participating in the relevant decision or action on behalf of the company, entity, or institution. Where a notification is made of a conflict, it shall be recorded and retained by the company, entity, or institution.

35. **Takaful coverage.**— A Shariah compliant company and issuer of Shariah compliant securities shall endeavor to avoid using conventional insurance and instead obtain reasonable Takaful coverage, where required and available.

36. **Advertising.**— Prior to dissemination of any material for promotion of a product or service, a Shariah compliant company or issuer of a Shariah compliant security, must ensure that the material states the name and registration number of the registered person who reviewed the product, service and contents of advertisement and reference of shariah compliance certificate issued by the Commission.

37. **Disclosure requirements.**— A Shariah compliant company and issuer of a Shariah compliant security, if it is a company, shall meet disclosure requirements as prescribed in Schedule-IV of the Act.

38. **Accounting, auditing and governance standards.**— A Shariah compliant company and issuer of a Shariah compliant security shall prepare its accounts in accordance with all the applicable Shariah principles and other standards, notified by the Commission for adoption under section 225 of the Act or any other regulatory framework, from time to time:

Provided that the conditions of this regulation may be relaxed for a particular case, or class of cases, for reasons to be recorded in writing and subject to such conditions as the Commission may deem fit.

39. **Commission to maintain the register.**— The Commission shall maintain register of Shariah Compliant companies, Shariah compliant securities and registered persons in the manner it deems fit.

40. **Power of the Commission to call information.**—The Commission shall be empowered to call such information and documentation, as may be required by it from time to time. A Shariah compliant company, issuer of a Shariah compliant security and a registered person are obliged to provide the called information.

41. **Relaxation of regulations.**— Where the Commission is satisfied that it is not practicable to comply with the requirements of these Regulations in a particular case, or class of cases, the Commission may, for reasons to be recorded in writing relax such requirements subject to such conditions as it may deem fit.

42. **Fees.**— (1) A Shariah compliant company and issuer of a Shariah compliant security shall be subject to such fees as provided in Schedule-I of these regulations.

(2) A registered person shall be subject to such fees as provided in Schedule - II of these regulations.

43. **Penalty.**— Where any person contravenes or fails to comply with any provision of these regulations or is not in compliance with any condition or directive, circular, or order issued by the Commission in relation to the subject matter of these regulations, the Commission may, after providing a reasonable opportunity of representation, impose a penalty as provided in sub-section (4) of section 451 of the Act, after providing a reasonable opportunity for representation.

44. **Repeal and Savings.**— (1) The Shariah Advisors Regulations, 2017 and the Shariah Governance Regulations, 2018 are hereby repealed:

Provided that repeal of repealed Regulations shall not—

- (a) revive anything not in force at the time at which the repeal takes effect; or
- (b) affect the previous operation of the repealed Regulations or anything duly done or suffered thereunder; or
- (c) affect any right, privilege, obligation or liability acquired, accrued or incurred under the said repealed Regulations; or
- (d) affect any penalty imposed, forfeiture made or punishment awarded in respect of any offence committed under the repealed Regulations;
- (e) affect any inspection, investigation, prosecution, legal proceeding or remedy in respect of any obligation, liability, penalty, forfeiture or punishment as aforesaid;

and any such inspection, investigation, prosecution, legal proceeding or remedy may be made, continued or enforced and any such penalty, forfeiture or punishment may be imposed, as if these Regulations had not been passed.

(2) Save as otherwise specifically provided, nothing in the repealed regulations shall affect or deemed to effect any action taken, orders issued, relaxation granted unless withdrawn, fee paid or accrued, resolution passed, shall, if in force at the effective date of the promulgation of these regulations and not inconsistent with provision of these regulations, shall continue to be in force and have effect as if it were respectively taken, made, directed, passed, given, executed or issued under these regulations.

FORM-A

[See regulation 4(1)]

APPLICATION FOR GRANT OF SHARIAH COMPLIANCE CERTIFICATE TO A COMPANY

Dated: _____

The Islamic Finance Department
Securities and Exchange Commission of Pakistan
Islamabad.

Subject: Application for grant of Shariah Compliance Certificate to [name of the company]

Dear Sir/Madam,

1. We hereby apply for grant of Shariah Compliance certificate to **[name of the company]** under regulation 4 of the Shariah Governance Regulations, 2023 read with Section 451 of the Companies Act, 2017.
2. Following information and certified copies of documents are furnished in support of our application: -
 - (a) A brief profile of the company covering its history, core operations and key achievements during the last three years;
 - (b) A brief profile of sponsors, major shareholders, directors and chief executive officer covering educational qualifications, professional experience and positions held in other entities/institutions;
 - (c) Names and addresses of associated companies, if any;
 - (d) Names of bankers of the company;
 - (e) A Shariah opinion from the Shariah supervisory board or the Shariah advisor at least covering the following:
 - i. the status of compliance with the requirements of these regulations including the Shariah screening criteria;
 - ii. status of compliance with Shariah principles and rules; and
 - iii. status of compliance with Shariah guidelines concerning hiring, operations, marketing, sale, reporting and other relevant matters.
 - (f) Certified copy of last audited financial statements as well as latest available quarterly or half yearly financial statements;
 - (g) Annual information required under Part I of Fourth Schedule of the Companies Act, 2017 duly signed by the Shariah supervisory board or the Shariah advisor and chief financial officer, along-with a reconciliation with the audited financial statements;
 - (h) An undertaking duly signed by the chief executive officer or chief financial officer as to:
 - a) the correctness of the information contained in the application and documents submitted by the company;

- b) commitment of the company that it shall uphold the sanctity of Shariah principles and rules and adhere them in their true spirit; and
 - (i) Bank challan evidencing payment of non-refundable application fee as specified in Schedule I of the regulations.
3. Scanned/electronic copies of the application and the required information/ documents have also been provided through email at islamic.finance@secp.gov.pk

Yours faithfully,

Name and signature of authorized officer

FORM-B

[See Regulation 4(3)]

SHARIAH COMPLIANCE CERTIFICATE FOR A SHARIAH COMPLIANT COMPANY



Securities and Exchange Commission of Pakistan
Islamic Finance Department

Certificate No.

Islamabad, [date]

SHARIAH COMPLIANCE CERTIFICATE FOR A SHARIAH COMPLIANT COMPANY

The Securities and Exchange Commission of Pakistan, having considered the application for grant of Shariah compliant certificate for a company under regulation 4 of the Shariah Governance Regulations, 2023 (the "Regulations") read with Section 451 of the Companies Act, 2017 (XIX of 2017) submitted by [Name of a Company] and on being satisfied that the company meets the requirements of these regulations including the Shariah screening criteria, hereby grants Shariah compliance certificate, in exercise of the powers conferred by regulation 4(3) of the Regulations, subject to the conditions stated herein below or as may be prescribed or imposed hereafter: -

Standard Conditions

1. [Name of Company] shall comply with applicable provisions of the Companies Act, 2017, the Regulations, and any directives, circulars, codes, notifications and guidelines issued or are issued from time to time by the Commission and its Shariah supervisory board or the Shariah advisor;
2. [Name of Company] shall submit annual Shariah review report or such other reports as specified in the applicable laws; and
3. This certificate shall remain valid unless voluntarily surrendered by the company or suspended or cancelled by the Commission as provided in sub-regulation (2) of regulation 4 of the Regulations.

Specific Conditions, if any

(Sign and Official Seal)

Disclaimer: A Shariah compliance certificate granted under the Regulations, is subject to regulation 5 and shall not be considered as a substitute to any other regulatory approval or Halal certification, which may require separate approval or license from the respective regulatory authority.

FORM-C

[See regulation 8(1)]

APPLICATION FOR GRANT OF SHARIAH COMPLIANCE CERTIFICATE TO AN ISSUER

Dated: _____

The Islamic Finance Department
Securities and Exchange Commission of Pakistan
Islamabad.

Subject: Application for grant of Shariah Compliance Certificate for the issuance of [name of the security]

Dear Sir/Madam,

1. We, **[name of issuer]** hereby apply for grant of Shariah compliance certificate under regulation 8 of the Shariah Governance Regulations, 2023 read with Section 451 of the Companies Act, 2017 for Shariah Compliant Security(ies) under the name and style of **[name of security/model structure]** of amounting to PKR.....
2. We hereby furnish the following information/certified copies of documents:
 - a) A brief profile of the issuer, its sponsors and senior management;
 - b) Certified copies of the following documents:
 - i). A Shariah opinion by the Shariah supervisory board or the Shariah advisor on the security structure, term sheets, offering document and agreements, etc.;
 - ii). Model of the security structure and term sheet;
 - iii). Offering document; and
 - iv). Legal documents, agreements or contracts.
 - v). An undertaking duly signed by the chief executive officer or chief financial officer as to:
 - a. the correctness of the information contained in the application and documents submitted by the issuer;
 - b. Commitment of issuer that it shall uphold the sanctity of Shariah principles of Islamic finance and adhere them in their true spirit; and
 - vi). Bank challan evidencing payment of non-refundable application fee as specified in Schedule I of the Regulations.
3. Scanned/electronic copies of the application and the required information/ documents have also been provided through email at islamic.finance@secp.gov.pk

Yours faithfully,

Name and signature of the Authorized Officer

FORM-D

[See regulation 8(3)]

**GRANT OF SHARIAH COMPLIANCE CERTIFICATE TO AN ISSUER FOR A SHARIAH
COMPLIANT SECURITY****Securities and Exchange Commission of Pakistan
Islamic Finance Department**

Certificate No.

Islamabad, [date]

SHARIAH COMPLIANCE CERTIFICATE TO AN ISSUER FOR A SHARIAH COMPLIANT SECURITY

The Securities and Exchange Commission of Pakistan, having considered the application for grant of Shariah compliant certificate to an issuer for a security under regulation 8 of the Shariah Governance Regulations, 2023 (the "Regulations") read with Section 451 of the Companies Act, 2017 (XIX of 2017) submitted by [Name of the issuer] and being satisfied that the security is Shariah compliant, hereby grants, Shariah compliance certificate for issuance of (name of security/model structure) amounting to Rs..... in exercise of the powers conferred by regulation 8 of the Regulations, subject to the conditions stated herein below or as may be prescribed or imposed hereafter: -

Standard Conditions

1. [Name of the issuer] shall comply with the applicable provisions of the Companies Act, 2017, the Regulations, and any directives, circulars, codes, notifications and guidelines issued or are issued from time to time by the Commission and its Shariah supervisory board or the Shariah advisor;
2. [Name of the issuer] shall develop and implement a mechanism to ensure compliance with the Shariah principles and rules pertaining to the Shariah compliance securities; and
3. [Name of the issuer] shall submit annual Shariah review report or such other reports as specified in the applicable laws.

Specific Conditions, if any**(Sign and Official Seal)**

FORM-E

[See regulation 8(3) 2nd Proviso]

**REPORTING OF A SHARIAH COMPLIANT SECURITY TO BE ISSUED AS PER APPROVED
STRUCTURE**

Dated: _____

The Islamic Finance Department
Securities and Exchange Commission of Pakistan
Islamabad.

Subject: Reporting of a Shariah compliant security to be issued as per approved structure

Dear Sir/Madam,

1. It is hereby reported that pursuant to the grant of Shariah Compliance Certificate as per regulation 8 of the Shariah Governance Regulations, 2023 (the "Regulations") read with Section 451 of the Companies Act, 2017 (the "Act"), vide certificate No. (number of certificate) dated (date of certificate), the (name of issuer) has already issued Shariah compliant security(ies) of [name of security, model structure and amount] on (insert date) ----- The (name of issuer) now plans to issue another security of similar underlying structure, modes of Islamic financing and on same terms and conditions under the name and style of ----- of PKR

2. We hereby furnish the following information/documents:

- a) An undertaking on a non-judicial stamp paper by the chief executive officer of the company that:
 - (i) the (name of issuer) has already issued security(ies) [name of security, model structure and amount] after grant of Shariah compliant certificate by the Commission;
 - (ii) it intends to issue another security of similar underlying structure, modes of Islamic financing and on same terms and conditions under the name and style of -----of PKR
 - (iii) the underlying structure, modes and terms and conditions of security(ies) mentioned at para (ii) are same, as of the security(ies) mentioned at para (i) above;
 - (iv) the issue of new security(ies) does not attract submission of a new application rather reporting under regulation 8 of the Regulations;
 - (v) a Shariah opinion has been obtained from the Shariah supervisory board or the Shariah advisor to that effect;

- (vi) the information contained in this report and documents attached thereto is correct; and
 - (vii) the issuer re-affirms its commitment to uphold the sanctity of Shariah principles and rules and adhere them in their true spirit.
 - b) Certified copies of term sheet and contents;
 - c) Shariah opinion from the Shariah supervisory board or the Shariah advisor, in original;
 - d) Bank challan evidencing payment of non-refundable application fee as specified in Schedule I of the Regulations.
3. Scanned/electronic copies of the application and the required information/ documents have also been provided through email at islamic.finance@secp.gov.pk

Yours faithfully,

Name and signature of authorized officer

FORM-F

[See regulation 9(1)]

**APPLICATION FOR GRANT OF SHARIAH COMPLIANCE CERTIFICATE TO A PERSON OTHER
THEN ISSUER**

Dated: _____

The Islamic Finance Department
Securities and Exchange Commission of Pakistan
Islamabad.

Subject: Application for grant of Shariah Compliance Certificate to [name of the applicant]

Dear Sir/Madam,

1. We hereby apply for grant of Shariah compliance certificate under regulation 9 of the Shariah Governance Regulations, 2023 (the "Regulations") read with Section 451 of the Companies Act, 2017 for Shariah Compliant Security(ies) selected based on the Shariah screening criteria notified/approved by the Commission under regulation 10/11 of the Regulations.
2. We hereby furnish the following information/certified copies of documents:
 - a) A brief profile of the applicant, its sponsors and senior management;
 - b) A Shariah opinion by the Shariah supervisory board or the Shariah advisor on the Shariah screening criteria, continuity rules and other matters relating to Shariah screening of securities;
 - c) Certified copies of the following documents:
 - i). criteria for selection of securities;
 - ii). initial list of securities containing information to confirm compliance with the criteria for selection of securities; and
 - iii). continuity rules for smooth inclusion or exclusion of securities in the initial list.
 - d) An undertaking duly signed by the chief executive officer or chief financial officer as to:
 - i). the correctness of the information contained in the application and documents submitted;
 - ii). Commitment of applicant that it shall uphold the sanctity of Shariah principles of Islamic finance and adhere them in their true spirit; and
 - e) Bank challan evidencing payment of non-refundable application fee as specified in Schedule I of the Regulations.
3. Scanned/electronic copies of the application and the required information/documents have also been provided through email at islamic.finance@secp.gov.pk.

Yours faithfully,

Name and signature of the authorized officer

FORM-G

[See regulation 9(3)]

GRANT OF SHARIAH COMPLIANCE CERTIFICATE TO A PERSON OTHER THAN ISSUER FOR
SHARIAH COMPLIANT SECURITY/IESSecurities and Exchange Commission of Pakistan
Islamic Finance Department

Certificate No.

Islamabad, [date]

SHARIAH COMPLIANCE CERTIFICATE FOR SHARIAH COMPLIANT SECURITY/IES

The Securities and Exchange Commission of Pakistan, having considered the application for grant of Shariah compliant certificate for security/ies under regulation 9 of the Shariah Governance Regulations, 2023 (the "Regulations") read with Section 451 of the Companies Act, 2017 (XIX of 2017) submitted by **[Name of the applicant/person]** and being satisfied that the requirements of the Regulations have been complied with, hereby grants Shariah compliance certificate for selection of Shariah compliant securities, in exercise of the powers conferred by regulation 9(3) of the Regulations and subject to the conditions stated herein below or as may be prescribed or imposed hereafter: -

Standard Conditions

1. **[Name of the applicant/person]** shall comply with the applicable provisions of the Companies Act, 2017, the Regulations, and any directives, circulars, codes, notifications and guidelines issued or are issued from time to time by the Commission and its Shariah supervisory board or the Shariah advisor;
2. **[Name of the applicant/person]** shall develop and implement a mechanism to ensure compliance with the Shariah principles and rules pertaining to the Shariah compliance securities; and
3. **[Name of the applicant/person]** shall submit annual Shariah review report or such other reports as specified in the applicable laws.

Specific Conditions, if any

(Signature and Official Seal)

FORM-H

[See regulation 16(1)]

APPLICATION FOR REGISTRATION

Date: _____

The Islamic Finance Department,
SECP Head Office,
Islamabad

Subject: Application for registration of Shariah Advisor/Resident Member of Shariah Supervisory Board

Dear Sir/Madam,

I/We, [name of the applicant], hereby apply for registration under regulation 16 of the Shariah Governance Regulations, 2023. I/We hereby furnish the following:

In case, the applicant is an individual

- (a) Particulars of individual Shariah Advisor/resident member of the Shariah Supervisory Board (as per Form I).
- (b) Attested copies of educational qualification and experiences, as mentioned in Form I. (Copies of the highest university degree shall be attested by HEC and Copies of other degrees from the relevant authority)
- (c) Attested copies of CNIC, NICOP, or the Passport etc.
- (d) National Tax Number certificate, (a printout from FBR website is acceptable).
- (e) In case applicant is an employee of any company, entity or institution, an NOC from the respective company, entity or institution.
- (f) Challan, in original, evidencing payment of fee as per the Schedule-II of fees specified in these regulations.
- (g) Two passport size photographs with name and signature on the back.
- (h) An affidavit as per specimen in Annexure-I signed by the individual.

In case applicant is a person other than individual

- (a) Certified true copy of certificate of registration or equivalent.
- (b) List and profiles of each of the members of governing body (board of directors, council members or partners, etc.)
- (c) Particulars of Shariah scholar member(s) Islamic finance expert member (s) and CEO on Form-I.
- (d) Attested copies of the following documents of Shariah scholar member(s), Shariah expert member (s), and CEO as per Form I

- Attested copies/equivalence certificate(s) of educational qualifications (Copies of the highest university degree shall be attested by HEC and Copies of other degrees from the relevant authority)
 - copies of experience certificates
 - copies of CNIC, NICOP or passport (s).
 - In case such person is an employee of any company, entity or institution, an NOC from the respective company, entity or institution.
 - National Tax Number certificate (a printout from FBR website is acceptable)
 - Two passport size photographs with name and signature on the back
- (e) Challan, in original, evidencing payment of fee as per the Schedule-II of fees specified in these regulations.
- (f) An affidavit as per specimen in Annexure-I signed by each of the Shariah scholar member(s), Islamic finance expert member (s) and CEO.

Yours truly,

(Name and signature)

Post-graduation	
-----------------	--

12. Continuing Professional Development courses/trainings attended, if any:

Sr. #	Year	Title	Provided by

13. Certification / memberships of professional bodies, if any:

Certifications	
Memberships of professional bodies	

14. Language Skills (please mention relevant level as basic, intermediate or advanced levels)

Proficiency	English	Arabic	Urdu
Writing			
Reading			
Speaking			

C. Experience:

15. Professional experience

Sr #	Name of organization	Designation / Job Title	From (mm/yyyy)	To (mm/yyyy)

16. Research/Teaching/Fatwa experience

Research experience	
Teaching experience	
Fatawas experience	

17. Details of previous appointments/ engagements as Registered Person

Sr.#	Name of organization	From (mm/yyyy)	To (mm/yyyy)

18. Have you ever been terminated or dismissed from any organization?

No _____ Yes _____, If yes, provide reasons for termination:

--

19. Do any of the following circumstances (or similar) apply to you (answer in Yes or No)?

If you

a) have applied to be adjudicated as an insolvent and application is pending;	
b) are an undischarged insolvent;	
c) have been convicted by a court of law for an offence involving moral turpitude;	
d) have been debarred from holding an office under any provision of the Act;	
e) are lacking fiduciary behavior and a declaration to this effect has been made by the court at any time during the preceding five years;	
f) have been declared by a court of competent jurisdiction as defaulter in repayment of loan to a financial institution;	

g) in case of a Pakistani national, are not a registered tax payer (filer) in Pakistan and do not hold a valid National Tax Number given by Federal Board of Revenue;	
h) in case of foreign national, are not a registered tax payer, if applicable, in respective jurisdiction of residence or nationality;	
i) have been convicted of any criminal offence involving fraud, negligence or criminal breach of trust and financial impropriety; or	
j) have an overdue / past due payment in the CIB report	

20. Are you aware of any conflict of interest with the company or entity that has appointed you as a registered person?

No _____ Yes _____

Explanation (if Yes)

21. References.

Sr. #	Name	Address	Contact #
1			
2			
3			

(Name, signature and date)

FORM J

[see regulation 16(6)]

CERTIFICATE OF REGISTRATION



Securities and Exchange Commission of Pakistan
Islamic Finance Department

Certificate No. IFD/

Islamabad, [date]

REGISTRATION CERTIFICATE

SHARIAH ADVISOR/RESIDENT MEMBER OF SHARIAH SUPERVISORY BOARD

The Securities and Exchange Commission of Pakistan, having considered the application for grant/renewal of registration as Shariah advisor/resident member of Shariah supervisory board under regulation 16/18 of the Shariah Governance Regulations, 2023 (the "Regulations") read with Section 451 of the Companies Act, 2017 (XIX of 2017) submitted by **[Name of the applicant/person]** and being satisfied that the requirements of the Regulations have been complied with, hereby grants registration certificate to **[Name of the applicant/person]** as Shariah advisor/resident member of Shariah supervisory board in exercise of the powers conferred by regulation 16(6)/18(3) of the Regulations and subject to the conditions stated herein below or as may be prescribed or imposed hereafter: -

Standard Conditions

1. This registration certificate shall remain valid till [date] unless voluntarily surrendered or suspended or cancelled under the Regulations
2. **[Name of the applicant/person]** shall comply with the applicable provisions of the Companies Act, 2017, the Regulations, and any directives, circulars, codes, notifications and guidelines issued or are issued from time to time by the Commission; and
3. **[Name of the applicant/person]** shall submit annual report as provided in the Regulations and such other reports as specified in the applicable laws.

Specific Conditions, if any

(Signature and Official Seal)

Note: This registration shall only be valid for providing Shariah supervisory services to the Shariah compliant companies, Issuers of Shariah compliant securities and other regulated persons providing Islamic financial services within regulatory domain of the Commission including but not limited to takaful operators, modarabas, Islamic mutual funds, Islamic pension funds, NBFCs, securities exchange, futures exchange, clearing company, depository company, securities and future brokers, security advisors, credit rating companies, etc.

FORM-K

[see regulation 19(1)]

APPLICATION FOR RENEWAL OF REGISTRATION

Date: _____

The Islamic Finance Department (IFD)
SECP Head Office,
Islamabad.

Subject: Application for renewal of registration of [Name of applicant]

Dear Sir/Madam,

1. I/We, hereby apply for renewal of registration under the Shariah Governance Regulations, 2023 (the "Regulations").
2. I/we hereby furnish the following:
 - a) Affidavit- specimen as per Annexure I (from the individual, each of the Shariah scholar member, Islamic finance expert member and CEO)
 - b) In case of individual applicant, updated particulars on the "Form I"
 - c) In case of person other than individual,
 - i) a certified true copy of resolution passed by the governing body of the applicant;
 - ii) updated particulars on the "Form I" of each of the Shariah scholar member, Islamic finance Expert Member, and CEO
 - d) Bank Challan, in original, challan evidencing payment of fee as specified in Schedule II.

Yours truly,

Name and signature

FORM L

[See regulation 23(5)]

ANNUAL REPORTING OF REGISTERED PERSON

Date: _____

The Islamic Finance Department (IFD),
SECP Head Office,
Islamabad.

Subject: Annual reporting of registered person for the period ended December 31, YYYY)

Dear Sir/Madam,

I hereby furnish the following information:

- a) Details of appointments/ engagements as the registered person with the regulated persons, Shariah compliant companies and issuers of Shariah compliant securities during the year

Sr.#	Name of organization	From (mm/yyyy)	To (mm/yyyy)

Note: A person other than individual to provide detail of its appointments/ engagements on consolidated basis.

- b) Continuing Professional Development courses/trainings attended, if any:

Sr.#	Date	Title	Provided by

(Name, signature and date)

Annexure I

[see regulation 16(1) and 18(1)]

[Affidavit]

(Specimen)

(This affidavit is to be provided on Stamp Paper valuing Rs.100 duly attested by Oath Commissioner/Notary Public by the individual applicant and each of the Islamic finance scholar member, Islamic finance expert member and CEO)

Dated:

Islamic Finance Department (IFD), SECP Head office, Islamabad

1. I bearing CNIC No.....hereby, declare that:

- a. I meet the Fit and Proper Criteria as provided in regulation 14 of the Shariah Governance Regulations, 2023;
- b. I am not a person disqualified to become a member of a Shariah supervisory board or the Shariah advisor as provided in the aforementioned regulations; and
- c. All information provided in and with this application is correct to the best of my knowledge and belief.

2. I undertake to:

- a. Keep all the provided information up-to-date by communicating any material change particularly such that related to the fit and proper criteria, therein within twenty-one (21) days of such change; and
- b. Immediately surrender the registration certificate if I become ineligible under the Fit and Proper Criteria as provided in the aforesaid regulations.

3. I commit and pledge that sanctity of Shariah principles and rules shall be upheld and followed in its true essence and spirits.

Name and signature of Deponent

Witness # 1

Witness # 2

SCHEDULE I

[See regulation 4, 8 and 9]

Amount of Fee pertaining to Shariah Compliance Certificates

Forms	Subject of Application	Amount in rupees
Form A	Application for Grant of Shariah Compliance Certificate for a Shariah compliant company (Listed)	50,000
Form A	Application for Grant of Shariah Compliance Certificate for a Shariah compliant company (Unlisted)	25,000
Form C	Application by Issuer for Grant of Shariah Compliance Certificate for a Shariah Compliant Security (Listed)	50,000
Form C	Application by Issuer for Grant of Shariah Compliance Certificate for a Shariah Compliant Security (Unlisted)	50,000
Form E	Filing fee for reporting of subsequent issuance of Shariah Compliant Security (Listed)	50,000
Form E	Filing fee for reporting of subsequent issuance of Shariah Compliant Security (Unlisted)	50,000
Form F	Application by persons other than issuer for Grant of Shariah Compliance Certificate for a Shariah Compliant Security	100,000

SCHEDULE II

[See regulation 16(1), 18(1) and 23(5)]

Amount of Fee pertaining to registration and renewal

Forms	Particulars	Amount in rupees
Form H	Application for Registration	25,000
Form K	Application for Renewal	25,000
Form L	Annual reporting fee	10,000

SCHEDULE-III

[see regulation 29(5)]

FORMAT OF ANNUAL REPORT BY THE EXTERNAL SHARIAH AUDITORS

Independent Assurance Report on Compliance with the Shariah Governance Regulations,
2023

To the Board of Directors of [_____ / _____ Shariah Compliant Company
(the company)]

1. Introduction

We have undertaken a reasonable assurance engagement that the Securities and Exchange Commission of Pakistan (SECP) has required in terms of its Shariah Governance Regulations, 2023 (the Regulations) – External Shariah Audit of (the company) for assessing compliance of the (the company's) financial arrangements, contracts, and transactions having Shariah implications with Shariah principles for the year ended _____. This engagement was conducted by a multidisciplinary team including assurance practitioners and independent Shariah scholar(s).

2. Applicable Criteria

The criteria for the assurance engagement, against which the underlying subject matter (financial arrangements, contracts, and transactions having Shariah implications for the year ended _____) is assessed, comprise of the Shariah principles and rules, as defined in the Regulations and reproduced as under, -

The above criteria were evaluated for their implications on the financial statements of (the company) for the year ended _____, which are annexed.

3. Management's Responsibility for Shariah Compliance

Management is responsible to ensure that the financial arrangements, contracts and transactions having Shariah implications, entered into by the (the company) with its customers, other financial institutions and stakeholders and related policies and procedures are, in substance and in their legal form, in compliance with the requirements of Shariah rules and principles. The management is also responsible for design, implementation and maintenance of appropriate internal control procedures with respect to such compliance and maintenance of relevant accounting records.

4. Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Chartered Accountants issued by the Institute of Chartered Accountants of Pakistan, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies International Standard on Quality Control 1 "Quality Control for Firms That Perform Audits and Reviews of Historical Financial Information, And Other Assurance and Related Services Engagements" and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

5. Our responsibility and summary of the work performed

Our responsibility in connection with this engagement is to express an opinion on compliance of the (the company's) financial arrangements, contracts, and transactions having Shariah implications with Shariah principles, in all material respects, for the year ended _____ based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with International Standard on Assurance Engagements 3000, 'Assurance Engagements other than audits or reviews of historical financial statements', issued by the International Auditing and Assurance Standards Board. That standard requires that we plan and perform this engagement to obtain reasonable assurance about whether the compliance of the (the company's) financial arrangements, contracts, and transactions having Shariah implications with Shariah principles is free from material misstatement.

The procedures selected by us for the engagement depended on our judgement, including the assessment of the risks of material non-compliance with the Shariah principles. In making those risk assessments, we considered and tested the internal control relevant to the (the company's) compliance with the Shariah principles in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the (the company's) internal control. We have designed and performed necessary verification procedures on various financial arrangements, contracts and transactions having Shariah implications and related policies and procedures based on judgmental and systematic samples with regard to the compliance of Shariah principles (criteria specified in para 2 above).

We believe that the evidences we have obtained through performing our procedures were sufficient and appropriate to provide a basis for our opinion [or modified opinion].

6. Description of the matter(s) giving rise to the modified conclusion (if any)

a) _____;

b) _____; [insert material modifications to report, if any]

7. Conclusion

Based on our reasonable assurance engagement, we report that in our opinion, [except for the effect of the matters reported in paragraph(s) a) to x) above], the (the company's) financial arrangements, contracts and transactions for the year ended _____ are in compliance with the Shariah principles (criteria specified in the paragraph 2 above), in all material respects.

Name of Chartered Accountant firm

Name of engagement partner

Date:

Place/City

[File No.SY/SECP/8/13.]

BILAL RASUL,
Secretary to the Commission.