

PRESS RELEASE

Task Force for Formulation of Rules and Regulations for the Conduct of Takaful

ISLAMABAD – 22 April 2004: The Securities and Exchange Commission of Pakistan (SEC) has constituted a four-member task force for formulation of rules and regulations for the conduct of Takaful (Islamic mode of insurance) business in Pakistan. Mr. Justice (Retd.) M. Mahboob Ahmad, former Chief Justice of the Federal Shariah Court of Pakistan, heads the task force.

In pursuance of the Government's objective of Islamization of the economy, the SEC has allowed Takaful business in the country. Although Takaful has been defined under the Insurance Ordinance, 2000, rules for the conduct of Takaful business are yet to be formulated. The task force would undertake this task.

Terms of reference of the task force include:

- (i) To frame "Takaful" Schemes for life/non-life products, in compliance with the provisions of Islamic Shariah;
- (ii) To evaluate the draft rules already framed by the Committee of officers set up earlier by the SEC and to formulate rules, including accounting regulations / formats for reporting purposes, in accordance with the proviso to Section 120 of the Insurance Ordinance, 2000;
- (iii) To consider whether composite Takaful, in line with the practice in other jurisdictions, should be allowed or the existing statutory provisions under section 7(3) of the Insurance Ordinance, 2000, in respect of conventional insurance should be followed;
- (iv) To consider whether the existing insurance companies, underwriting conventional insurance business should be allowed "window operations" or not; and
- (v) To evaluate Re-Takaful arrangements for Takaful companies to be operating in Pakistan, with special reference to the normal Re-Takaful arrangements with as well as compulsory cessions to Pakistan Reinsurance Company Limited (PRCL).

The task force has started deliberations and initiated necessary research as well as study of Takaful Models being practiced in other Islamic countries, which would enable it to formulate Takaful rules. Introduction of Takaful would complement the efforts to introduce Islamic Banking as Islamic banks and financial institutions require Takaful services for their operations.

In addition to its chairman, members of the task force include Mr. Saif-ud-Din N. Zoomkawala, Managing Director & Chief Executive, EFU General Insurance Company Limited and Mr. Abdul Rahim, Actuary, Sidat Hyder Morshed Associates. Mr. Shafaat Ahmad, Executive Director, SEC is Member/Secretary to the task force.