



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Strategy, Development and External Relations Department

Press Release

SECP introduces Shariah audit mechanism for modarabas

ISLAMABAD, February 14: After exhaustive consultation with NBFIs and Modaraba Association of Pakistan, the Registrar, Modarabas, Securities and Exchange Commission of Pakistan issued Shariah compliance and Shariah audit mechanism (SCSAM) for modarabas.

The Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, provides that no modaraba shall be a business, which is opposed to the injunctions of Islam. However, no mechanism was in place to ensure and verify that after floatation of a modaraba its business affairs are being managed in accordance with the principles of Shariah. Therefore, in order to ensure that inflows and outflows of resources of modarabas are free from riba, qimar, gharar and support from business prohibited by Shariah, the SCSAM has been introduced which will strengthen the Shariah compliance by modarabas.

The SCSAM consists of 3 parts. Part-I contains Shariah compliance mechanism which lays down the procedure for investment in shares and securities and their screening process. It further prescribes dividend purification process, management of charity and investment of surplus funds of the modaraba. Part II of the SCSAM prescribes procedure for the appointment and role of Shariah advisor. Whereas, Part III of the SCSAM provides, the matters relating to the appointment of Internal Shariah auditors, his duties, compliance process and his report.

It is expected that SCSAM will harmonize the Shariah interpretations, strengthen the regulatory and supervisory oversight of the modaraba sector. The SCSAM will help the management of modaraba companies and other stakeholders to achieve the blessing of Allah (S.W.T), objectives of halal business as enshrined in Shariah and to mitigate the operational and reputational risks which may be caused due to Shariah non-compliance.

Shakil Ahmad Chaudhary

Head, Internal and External Communication
Securities and Exchange Commission of Pakistan
NIC Building, 63 Jinnah Avenue, Islamabad
Tel: 921-4005 or 921-4009 ext. 378
Fax: 920-6459
Cell: 0302-855-2254
| [email: shakil.chaudhary@secp.gov.pk](mailto:shakil.chaudhary@secp.gov.pk)