

SEC Notifies Draft Takaful Rules

Islamabad, April 5, 2005: The Federal Government has notified and published in the official gazette draft Takaful Rules, 2005 for soliciting views and comments of the insurance industry, general public and all other stakeholders within fifteen days.

Under the proposed Rules, a *Wakalah* (agency) operational model has been introduced in the country. Under the model, surplus in the Takaful fund is distributed to the policyholders. The operator charges *Wakalah* fee from contributions that covers most of the expenses of business. The rate of fee is fixed in advance in consultation with Shariah committee of the company. All investments are made in Shariah compliant instruments.

Takaful is an Islamic alternative to conventional insurance, based on the concept of social solidarity, co-operation and mutual indemnification of losses of members. In takaful or Islamic insurance, resources are pooled to help the needy participants. This concept is in line with the principles of compensation and shared responsibilities among the community.

The draft takaful rules were first developed by a task force constituted by the Securities and Exchange Commission of Pakistan (SEC), under the chairmanship of former Chief Justice, Federal Shariat Court, Mian Mahboob Ahmed and later sent to the Ministry of Commerce for approval and notification. The draft Rules are available at the SEC's website, www.secp.gov.pk