

Press Release

SEC Notifies New Islamic Financial Accounting Standards

Islamabad – September 6, 2005: The Securities and Exchange Commission of Pakistan (SEC) has notified the Islamic Financial Accounting Standards (IFAS-1) on Murabaha Transactions and directed financial institutions to follow IFAS-1 in preparation of their financial statements.

The new Islamic standards have been prepared by a committee of the Institute of Chartered Accountants of Pakistan (ICAP) following the Shariah Appellate Bench of the Supreme Court of Pakistan in its judgment on Riba in 1999 had directed ICAP to play its role in Islamisation of economy. In compliance with the said directive, ICAP had constituted the Committee on Accounting and Auditing Standards of Interest-Free Modes of Financing and Investment.

After thorough consultation with banks, financial institutions and the State Bank of Pakistan, the committee developed the Islamic Financial Accounting Standard with a view that its implementation will have a significant bearing on the Islamization of the economy. The IFAS-1 shall be required to be followed in presentation of the financial statements of financial institutions and banks.

The notification of the SEC under section 234(3) of the Companies Ordinance, 1984 bearing No. S.R.O 865, the Islamic Financial Accounting Standard-1 “Murabaha”, has been placed on the SEC’s website, www.sec.gov.pk.