

Press Release

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SECP adopts Shariah Standards No 17, 18 and 23 of AAOIFI

ISLAMABAD, February 16: The Securities and Exchange Commission of Pakistan (SECP) has notified the adoption of three Shariah standards of the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), i.e., Shariah Standard No 17 - Investment Sukuk, Shariah Standard No 18- Possession (Qabd) and Shariah Standard No 23 - Agency and the Act of an un-commissioned agent (Fodooli).

The SECP has been playing a highly proactive role in providing an enabling legal and regulatory environment for the growth of Islamic finance in the country. Geared towards development and growth of Islamic finance, it has been replicating the best international practices as laid down by Islamic Financial Services Board (IFSB) through its regulations and policy guidelines. As a step further towards harmonization and standardization in the business practices of Islamic financial institutions, the SECP has been adopting the accounting and Shariah standards from time to time. For effective regulation and governance of the Islamic financial sector, the SECP has been working in close collaboration with the leading global standard-setting bodies in Islamic finance.

In 2005, 2007 and 2013, the SECP notified three Islamic Financial Accounting Standards for adoption, i.e., IFAS 1-Morabahah, IFAS 2- Ijarah, and IFAS 3- Profit and Loss Sharing on Deposits, respectively. While the four Shariah Standards of AAOIFI: Shariah Standard No 3- Default in Payment by a Debtor, Shariah Standard No 8-Murabahah to the Purchase Orderer, Shariah Standard No 9- Ijarah and Ijarah Muntahia Bittamleek; and Shariah Standard No13- Mudarabah, were notified in January 2016.

The Commission has granted approval to Islamic Finance Department for the adoption and notification of the three additional Shariah standards. The AAOIFI Shariah standards have been notified after a thorough consultative process, the standards were initially notified for public consultation in November 2017 and subsequent to the receipt of the opinion from stakeholders and upon completion of the consultation period the Shariah standards have been formally notified for adoption in Pakistan.