



Press Release

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For immediate release

SECP notifies Draft Shariah Governance Regulations

ISLAMABAD, March 1: The SECP has notified Draft Shariah Governance Regulations, 2018, which is a comprehensive set of regulations for governance of Shariah-compliant companies and entities, Shariah-compliant securities and Islamic financial institutions under its jurisdiction.

For the first time ever, a holistic Shariah governance framework has been introduced by the apex regulator of corporate sector and capital markets. Mr. Zafar Abdullah, the SECP chairman, termed it a quantum leap forward in cementing Islamic financial services, Shariah-compliant businesses and instruments in Pakistan.

The concept of a Shariah-compliant company and security was introduced through provisions incorporated in the Companies Act, 2017, empowering SECP to implement the scheme of certification of Shariah-compliant companies and Shariah-compliant securities. The aforesaid provision enables SECP to regulate almost every aspect of Shariah-compliant products, services and businesses.

The exponential growth of Islamic finance made it imperative to effectively regulate the businesses running their activities as per Shariah principles. The SECP regulates highly important segments of the Islamic financial services industry, including modarabas, takaful, Islamic NBFIs, Islamic mutual funds, pension funds, real estate investment trusts, Shariah-compliant companies and securities.

In order to bring harmonization, standardization and transparency in the practices of these Shariah compliant businesses, the SECP's Islamic Finance Department (IFD) reviewed Shariah governance frameworks and Islamic finance provisions of several international jurisdictions. Keeping in mind the domestic Islamic financial and socio-economic environs, IFD drafted these regulations, covering the areas such as certification of Shariah compliant companies and securities, Shariah screening criteria, functions and responsibilities of Shariah advisor, external and internal Shariah audit, Shariah compliance, disclosure requirements, systems and controls, and accounting, auditing and governance standards.

The regulations were needed to regulate and facilitate growth of Shariah-compliant entities in line with the SECP's mandate of providing a Shariah governance framework and bringing SECP at par with international regulators. These regulations will lead to the development of long-term, sustainable Islamic financial market, corporate sector and capital markets in Pakistan.

Considering the need for a consistent and updated Shariah governance framework, IFD conducted extensive consultation sessions with Shariah advisors, SBP, PSX, ICAP, takaful companies, modaraba and NBF Association.

The Shariah governance framework was also presented to the Implementation Committee's subcommittee on Islamic capital market and to the SECP's Shariah Advisory Board (SAB). The members of committee and SAB expressed their satisfaction over the contents and appreciated IFD's efforts.

The regulations are now open to public consultation and stakeholders have the opportunity to share their comments and suggestions within two weeks.