

Classification : Internal - داخلي

ISSC Resolution

ISCD Manual

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Resolution No. 09 / 2023 - 44



إدارة الرقابة الشرعية الداخلية
Internal Sharia Control Division

بسم الله الرحمن الرحيم
الحمد لله والصلاة والسلام على نبينا محمد وعلى آله وأصحابه أجمعين ومن والاه الى يوم الدين.

The Internal Sharia Supervision Committee (the "ISSC") reviewed the attached ISCD Manual.	اطلعت لجنة الرقابة الشرعية الداخلية ("اللجنة") على دليل عمل الرقابة الشرعية الداخلية المرفق
The ISSC Resolution:	قرار اللجنة:
The ISSC decided that the attached Manual of the Internal Shari'ah Supervision Division (the "ISCD Manual") is complying with the principles and provisions of Islamic Shari'ah, and do not violate the Shari'ah Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). The ISSC reviewed the Manual in light of the Shari'ah Governance Standard of Islamic Financial Institutions issued by the UAE-CB. The ISSC is of the opinion that the Manual is prepared in line with the requirements of the standard. Therefore, the Shari'ah Control team must follow it with entire responsibility and transparency and the Management of the Bank has to ensure the proper implementation.	قررت اللجنة بأن دليل عمل الرقابة الشرعية الداخلية (دليل عمل) المرفق متوافق مع مبادئ وأحكام الشريعة الإسلامية، وهو لا يخالف المعايير الشرعية الصادرة عن هيئة المحاسبة والمراجعة للمؤسسات المالية الإسلامية (أيو في). راجعت اللجنة دليل العمل في ضوء معيار الحوكمة الشرعية للمؤسسات المالية الإسلامية الصادر عن المصرف المركزي الإماراتي، وتري اللجنة بأن الدليل تم اعداده حسب متطلبات المعيار المذكور، وبالتالي، يجب اتباعه بكل مسؤولية وشفافية من قبل فريق عمل الرقابة الشرعية الداخلية وعلى إدارة المصرف ضمان حسن التنفيذ.
And, Allah knows the best.	والله اعلم بالصواب.

Internal Sharia Supervision Committee لجنة الرقابة الشرعية الداخلية


فضيلة الدكتور / محمد احمد الهاشمي
عضو اللجنة


فضيلة الدكتور / إبراهيم علي المنصوري
عضو اللجنة


فضيلة الأستاذ الدكتور / جاسم علي الشامسي
الرئيس والعضو التنفيذي للجنة

Attachments:

(1) Copy of the ISCD Manual

المرفقات:

(1) نسخة من دليل عمل الرقابة الشرعية الداخلية

Classification : Internal - داخلي

Internal Shari'ah Control Division (ISCD) Manual

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Internal Shari'ah Control Division Manual

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**Purpose of the Manual**

The purpose of this manual is to:

1. define and set out the high level policies and operating processes for the Internal Shari'ah Control Division's ("ISCD") functions at Ajman Bank ("AB" or the "Bank").
2. provide a framework in order to ensure that the AB's operations are in compliance with the Shari'ah Principles and guidelines provided by the Internal Sharia Supervision Committee ("ISSC") and the Higher Sharia Authority ("HSA").
3. identify the basic formation of the ISCD
4. provide description of the roles and responsibilities of the key Shari'ah personnel.
5. establish a well-integrated Shari'ah system for AB in order to support the long-term objectives of the Bank.
6. implement the Shari'ah framework within the decision-making and corporate culture of the Bank.
7. provide efficient functional workflows for the Internal Shari'ah Control Division to monitor Shari'ah compliance throughout the Bank.
8. ensure that the management through this manual define that the policies and procedures adopted by the Internal Shari'ah Control Division for the following functions are in line with the Shari'ah Governance Standard issued by the CBUAE:
 - i. ISSC Secretariat Function;
 - ii. Shari'ah Compliance Function;
 - iii. Shari'ah Consultancy Function;
 - iv. Shari'ah Training & Research Functions



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Manual Administration

a. Update Control Log

- Changes to the manual must be consecutively numbered so that any missing update may be easily detected. The date of amending the manual must be documented alongside the sequential update number. In case there is a break in the sequence, Head of the ISCD must be informed.

NO.	DATE	INITIALS	NO.	DATE	INITIALS

- It is the responsibility of each holder to maintain his/her manual in a current status.

b. Maintenance, Review Frequency and Approval of Manual

- The manual is structured in terms of sections for easy review and approval.
- The manual will be reviewed and approved at regular intervals to reflect changes in the business activities of AB.
- The review and approval structure is outlined below:

Shari'ah Policy	Periodical Review	Exceptional Review	Responsibility for Review	Approval of Modifications
General Shari'ah Policies	Every 3 Years	Change of fundamentals or other major internal or external changes	Internal Shari'ah Control Division	Internal Shari'ah Supervision Committee
Specific Policies	Every 2 Years	As above	Internal Shari'ah Control Division	Internal Shari'ah Supervision Committee
Appendices	Every 2 Years	As above	Internal Shari'ah Control Division	Internal Shari'ah Supervision Committee

c. Distribution of Manual

- The primary copies of the manual are to be maintained by the ISCD in coordination with the Chief Executive Officer ("CEO") and the ISSC.
- The ISCD should distribute copies to the Heads of all relevant departments of AB.



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3. An electronic and printed copy of this manual should be kept securely with the Internal Shari'ah Control Team.
4. Access to the manual should be restricted to senior management. Use by third parties should be subject to prior approval of the CEO of AB. Such third parties should have signed a standard Confidentiality Agreement or Non-Disclosure Agreement (NDA) with AB in order to obtain a copy (electronic or other) from the ISCD.
5. Head of the departments should ensure that all the executives / supervisors read the manual for relevant sections of their direct responsibility before taking over the new job and at regular intervals thereafter or whenever there is a version change.



AB's Shari'ah Philosophy

1. AB will operate as an Islamic Bank abiding by the guidelines of Shari'ah Law as expressed and outlined by the Higher Sharia Authority of the UAE-CB (the "HSA") and the Internal Shari'ah Supervision Committee (the "ISSC").¹
2. All AB's activities must be carried out in compliance with Shari'ah guidelines, set by the HSA and the ISSC.
3. All AB's products and services must be in compliance with Shari'ah standards, issued by the Accounting and Auditing Organization for Islamic Financial Institutions ("AAOIFI"), the HSA and the ISSC.²

General Shari'ah policies

1. AB will abide by Shari'ah guidelines in all its activities, operating under the supervision and guidance of the ISSC.
2. The Shari'ah framework involves various elements for the implementation of the Shari'ah function throughout the management and functional levels of AB. The organization of the Shari'ah function includes an Internal Sharia Supervision Committee representing the Shari'ah function at the level of the General Assembly, and a Shari'ah Control Division at AB's management level.
3. The ISCD supports the ISSC in its duties. It is comprised of the number of employees of the size that is commensurate with the size and nature of the AB operations. The ISSC shall supervise the work of this division from the technical perspective.³
4. The Internal Shari'ah Control Division ("ISCD") will mainly carry out the following functions:⁴
 - i. ISSC Secretariat;
 - ii. Shari'ah Consultancy;
 - iii. Shari'ah Compliance;
 - iv. Shari'ah Training; and Shari'ah Research and Development.
5. The ISCD is a second line of defence, which undertakes the Shari'ah control related functions prescribed in point four (4), and it should not be organizationally part of any business division or reporting to it.⁵
6. AB must appoint a head for internal Shari'ah control division, who shall report to the Board.⁶ The head for Internal Shari'ah Control Division must:
 - a. be a Muslim;
 - b. have a university degree in Islamic Shari'ah, or relevant specializations;

¹ SGS – UAECB – Article: 4 (e) definition of Compliance with Islamic Shari'ah.

² UAECB Notice 1369/2018

³ SGS – UAECB – Article: 10.1

⁴ SGS – UAECB – Article: 10.6

⁵ SGS – UAECB – Article: 9.1

⁶ SGS – UAECB – Article: 10.2



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- c. have a professional certificate in Shari'ah and Islamic Banking Control from one of the organizations that supports Islamic Finance like the Accounting and Auditing Organization for IFIs (AAOIFI) and the General Council for Islamic Banks and Financial Institutions (CIBAFI);
 - d. have an experience of 10 years (at least, as a minimum) in the field of Shari'ah Supervision;
 - e. not have been sentenced by a court in crimes related to honor or honesty, or was convicted of offences and sentenced to imprisonment;
 - f. have strong command of English and reasonable command of Arabic.
7. The Internal Shari'ah Control Division should not issue Fatwas or resolutions. Instead, the Internal Shari'ah Control Division should refer back to ISSC in all matters that it considers and all tasks it carries out, unless there were Fatwas or resolutions issued for the matters before.⁷
 8. AB must provide sufficient financial and human resources that suit the size and nature of AB's activities so that Internal Shari'ah Control Division can carry its work effectively and efficiently, in consultation with the ISSC.⁸
 9. The Internal Shari'ah Control Division and Internal Shari'ah Audit Division perform two different tasks, and must stay separate from each other in terms of reporting and human resources in accordance with the three lines of defence approach.⁹
 10. In matters related to promotions, bonuses, performance assessment, and termination, the Internal Shari'ah Control Division head and staff shall not report to the senior management, but to the Board or its committees in consultation with the ISSC.¹⁰
 11. Internal Shari'ah Control Division staff shall not assume any executive powers or responsibilities related to the businesses and activities that may be monitored by themselves.¹¹
 12. The ISSC is responsible to present the annual report to the Shareholders of AB on the extent of AB's compliance to Shari'ah regulations. The annual report has to be issued prior to the release of AB's published annual accounts. The annual report must be issued in line with the Shari'ah Governance Standard issued by the UAE-CB.
 13. The responsibility for complying with Shari'ah guidelines rests with the Board and the executive management of AB. The management of AB will apply Shari'ah guidelines, and enable necessary controls, to ensure the compliance.
 14. The ISCD must have complete and unhindered access to all records, transactions and information from all sources including professional advisers and AB employees. It is the management's responsibility to provide to ISCD and ISSC all information relating to AB's compliance with Shari'ah guidelines.

⁷ SGS – UAE CB – Article: 10.3

⁸ SGS – UAE CB – Article: 9.2

⁹ SGS – UAE CB – Article: 9.3

¹⁰ SGS – UAE CB – Article: 10.4

¹¹ SGS – UAE CB – Article: 10.4

Applicable laws and regulations

1. The scope of the business activities of AB with regards to Shari'ah will be regulated by:
 - i. Shari'ah guidelines (as stipulated by the HSA)
 - ii. Shari'ah guidelines (as stipulated by the ISSC);
 - iii. Guidelines issued by the Central Bank of UAE; and
 - iv. Shari'ah Standards issued by the AAOIFI.
2. In the event of additional laws or regulations or standards becoming applicable to AB in the future, the ISCD will ensure that all appropriate Shari'ah policies and processes are updated to reflect the same.
3. In the event that the local laws / specific needs of the land require procedures that would conflict with the mandatory instructions specified by the manual, special case has to be presented to the ISSC for evaluation and approval. Any exceptions / changes to the mandatory instructions will be appended to the manual for further reference

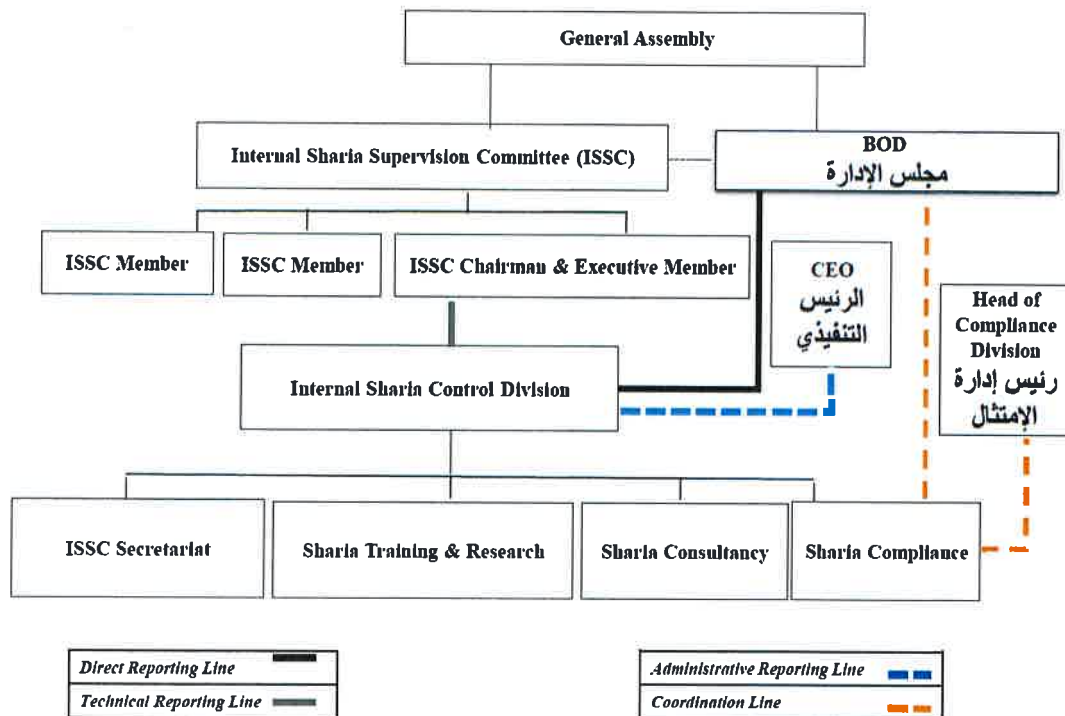
Key Areas of AB

The key areas of AB for which the Shari'ah Team will conduct a compliance review and provide advisory services will include the operation and banking activities of the following divisions:

1. Consumer Banking;
2. Wholesale Banking Group;
 - a. Corporate Banking;
 - b. Emerging Banking;
 - c. Investment Banking;
 - d. Financial Institutions;
 - e. Syndications;
 - f. Treasury;
3. Central Operations;
4. Marketing;
5. Wealth Management;
6. Digital Banking.
7. Administration
8. Human Capital

THE STRUCTURE OF ISSC AND ISCD:

The following diagram illustrates the organization of the ISSC & ISCD.





Responsibilities of the Various Parties Involved in the Shari'ah Function

This section highlights the ISSC and the departments that are responsible for Shari'ah compliance reviews, Shari'ah advisory and liaison, as well as other Shari'ah-related functions within AB.

1. Board of Directors (the "Board"):

- AB's Board is ultimately responsible for AB's compliance with Islamic Shari'ah. The Board is expected to be aware of Shari'ah non-compliance risk and its potential impact on AB. Accordingly, the Board is responsible for establishing and implementing a Shari'ah governance framework that is commensurate with the size and complexity of the operations of AB and its risk appetite, to ensure AB's compliance with Islamic Shari'ah. The Shari'ah governance framework should incorporate the three line of defense approach comprising the business line, the support and control functions, and internal Sharia audit function.¹²
- Members of the Board must nominate ISSC members to the general assembly for the establishment of ISSC post approval of HSA.¹³
- The Board must, in coordination with the ISSC, ensure the development, approval and implementation of internal policies related to AB compliance with Islamic Shari'ah.¹⁴
- The Board must maintain effective communication with the ISSC. Meetings must be held to discuss issues pertaining to Shari'ah compliance, with at least one meeting per financial year.¹⁵
- The Board must refer to the ISSC for all Shari'ah matters related to AB activities, operations and code of conduct.¹⁶
- The Board must ensure the annual Shari'ah report issued by the ISSC is submitted to the HSA for review and approval before sharing it with shareholders at the general assembly.¹⁷

In discharging their duties and responsibilities, the BoD is supported by a number of Board Committees.

2. Board's Risk Committee ("BRC"):

- The Board's Risk Committee ("BRC") must supervise and monitor management of Shari'ah non-compliance risk, and set controls in consultation with ISSC and through the internal Shari'ah Control Division.¹⁸
- The BRC is responsible to review and approve the establishment of framework for managing Shari'ah non-compliance risk as part of the overall risk management framework of AB, and must oversee its implementation by the Senior Management.¹⁹

¹² SGS – UAECB – Article: 6.1

¹³ SGS – UAECB – Article: 6.2

¹⁴ SGS – UAECB – Article: 6.3

¹⁵ SGS – UAECB – Article: 6.4

¹⁶ SGS – UAECB – Article: 6.5

¹⁷ SGS – UAECB – Article: 6.6

¹⁸ SGS – UAECB – Article: 6.7

¹⁹ SGS – UAECB – Article: 6.8



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- The BRC must ensure there is an information system that enables AB to measure, assess and report Shari'ah non-compliance risk. Reports must be provided on a timely manner to the Board and Senior Management, in formats suitable for their use and understanding.²⁰

3. Internal Shari'ah Supervision Committee (ISSC)²¹

The Internal Shari'ah Supervision Committee (ISSC) is an independent body of specialised jurists with knowledge in Fiqh-al-Mua'malat and/or experts in Islamic Financial Institutions. The ISSC members are recommended by the BoD and appointed by the shareholders post approval of Higher Sharia Authority ("HSA") of the UAE-CB. The ISSC is composed of three members²².

The ISSC will issue guidelines for AB to supervise the activities of AB (from an Shari'ah perspective) and report to the shareholders on the compliance of the activities to Shari'ah guidelines. The ISSC is the decisive authority for issuing the Shari'ah guidelines and resolutions regarding the Shari'ah related matters in light of guidelines issued by the HSA. The ISSC is mainly responsible for providing the "advice" on Shari'ah compliance whereas the responsibility of ensuring Shari'ah compliant business conduct mainly rests with the management of AB.

The ISSC may appoint an executive member which will review the matters that require the ISSC's review and/or approval. The ISSC will also be responsible for formulating procedures for such ISSC's operations.

4. Internal Shari'ah Control Division (ISCD)

The Internal Shari'ah Control Division is responsible for monitoring AB's activities in order to ensure that the management discharges its responsibility of operating under Shari'ah rules and the guidelines issued by the ISSC and HSA. The ISCD is also be responsible for providing advice and consultation on various Shari'ah issues, and acts as a liaison between AB management and the ISSC. ISCD is also involved in staff training on Shari'ah compliant banking operations and maintaining Shari'ah knowledge databases.

The Internal Shari'ah Control Division perform review compliance in various activities of AB which covers the entire transaction process of those activities, including the transaction documentation. In case of any actual or possible compliance issues, ISCD will initiate corrective measures at the functional level.

5. Key Personnel

• Head of Internal Shari'ah Control Division (HISCD)

Head of Internal Shari'ah Control Division will report directly to the BoD. The technical reporting line of the HISCD is the ISSC. The HISCD is administrative reporting to the CEO. HISCD will be responsible for managing ISCD and establishing plans to carry out the various responsibilities of the ISCD at the functional level.

HISCD will act as a secretary to the ISSC. HISCD will supervise the following sections of the ISCD:

- (1) ISSC Secretariat Section;

²⁰ SGS – UAE CB – Article: 6.9

²¹ SGS - UAE CB: Chapter 7, 8 and 9 and ISSC Board approved charter for detailed role of ISSC

²² ISSC must compose of five members as per SGS – UAE CB. However, minimum three members were approved for AB as an exceptional case.

- (2) Sharia Consultancy Section;
- (3) Sharia Compliance Section;
- (4) Sharia Research and Training Section.

- **Head of ISSC Secretariat Section**

Head of ISSC Secretariat Section will act as a liaison between the various sections of the ISCD, various Divisions of AB and ISSC.

- **Head of Shari'ah Compliance Section**

The Shari'ah compliance review is the primary function of the ISCD, which will be carried out by the Head of Sharia Compliance Section. The Head will report to the HISCD. The Shari'ah compliance must have a right of direct access to the Board.²³ It must have a dotted reporting line to the head of compliance of the IFI to submit reports regarding the compliance with Islamic Shari'ah.²⁴ The Head will plan and execute Shari'ah compliance reviews. The Head will report discrepancies and manage the approved remedial actions. The Shari'ah compliance function must not be outsourced to external entities.²⁵

- **Head of Shari'ah Consultancy Section**

The Head of Sharia Consultancy Section will be responsible for providing consultancy on matters related to Sharia screening of products, services, transactions, documents, process flows, policies, procedures, PPG's, SOP's, structures, BRD's, systems, accounting entries, marketing materials, Zakat calculation, financial reports etc. The Head will report to the HISCD.

- **Head of Shari'ah Research & Training Section**

Head of Sharia Research & Training will be responsible for carrying out Shari'ah related research for the management of AB and the ISSC. The Head will arrange an annual plan for Sharia Training. The Head will be responsible for the Shari'ah Training of AB staff in line with the approved Sharia Training Plan. The Head will report to the HISCD.

6. ISSC Secretariat Section

ISSC Secretariat Section will act as a liaison between the various sections of the ISCD, various Divisions of AB and ISSC for arranging necessary Fatawa and resolutions of the ISSC.

7. Shari'ah Compliance Section

This section is responsible to make necessary follow-up for the implementation of the guidelines, standards, fatwas issued by the Higher Sharia Authority of the UAE-CB and the Internal Sharia Supervision Committee of AB. This section is responsible to prepare an annual review plan which will be executed on various frequencies. The review must cover a remarkable sample of the transactions where the ISSC has provided guidelines to follow the proper implementations in line with the Fatwas and resolutions of the ISSC.

This section is responsible for the Remedial Management as well. This section handles the remedial measurement and processes for Shari'ah non-compliant transactions. This section is also responsible for periodic review of the Charity Account and preparation of annual charity distribution report for the ISSC and the Bank senior management.

²³ SGS – UAECB – Article: 10.6 (d) para-3

²⁴ SGS – UAECB – Article: 10.6 (d) para-4

²⁵ SGS – UAECB – Article: 10.6 (d) para-2

8. Shari'ah Consultancy Section

This unit is responsible to respond the queries of AB's management under the supervision of ISSC, review the technical process flows from Shari'ah perspective, provide the Shari'ah Consultancy on the structures of the products and services with relevant documents, provide Islamic alternatives & solutions to meet the customer's requirements, participate in product development, initial reviews of the contracts, review the policies, standard operating procedures, product programs, BRD's and Coordinate between AB's management, ISSC and other departments of AB regarding Shari'ah issues.

9. Shari'ah Research & Training

This section is responsible for conducting research for the Shari'ah Supervision Committee as and when required. The core responsibility of this section is to organize Shari'ah training programs and workshops for the employees of AB as per the annual Sharia Training plan.

ISSC Secretariat Section



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ISSC Secretariat Section:

Policy:

ISSC Secretariat Section will act as a liaison between the various sections of the ISCD, various Divisions of AB and ISSC for approvals from the ISSC.

Process:

ISSC Secretariat Section undertakes the following²⁶:

- (1) Liaise between various sections of ISCD, various divisions of AB and Executive member of the ISSC for day to day activities;
- (2) Preparing, and organizing the meetings of the ISSC;
- (3) Preparing and drafting the minutes of the meetings;
- (4) Communicating the minutes of meeting to the Management and concerned Divisions of AB;
- (5) Communicating the Fatwas and resolutions of the ISSC to the Internal Shari'ah Control Division and Internal Shari'ah Audit Division in addition to other divisions and sections of AB,
- (6) Following up with resolution implementation as per the follow-up list required by ISSC,
- (7) The ISSC Secretariat Section files all ISSC Fatwas and resolutions, through a robust and comprehensive way where each ISSC resolution have meticulous referencing to keep the proper record accordingly the all resolutions have been indexed in the excel sheet for ease of reference and
- (8) The ISSC Secretariat Section follows-up administrative issues related to ISSC.
- (9) The ISSC Secretariat Section maintains the MIS for the purpose of monitoring the work dashboard.

Initiation	Evaluation	Approval
Head of ISSC Secretariat Section	Head of Internal Shari'ah Control Division	Internal Sharia Supervision Committee

²⁶ SGS – UAECB – Article: 10.6 (a)

Sharia Compliance Section



Shari'ah Compliance Review Planning

Policies

- The Shari'ah compliance report must be submitted to the ISSC to look at the technical Shari'ah related matters prior to submitting the same to the Chief Executive Officer.²⁷
 - b.
- The work of the Shari'ah compliance function must be integrated within the overall compliance function of the IFI.²⁸
 - c.
- Sharia Compliance Section will plan, organize and execute each Shari'ah Compliance review. The review planning will culminate in a comprehensive, documented form, prepared by the Shari'ah Compliance section.
- A review plan must be established at the beginning of each year, which must follow a uniform methodology for each Shari'ah review.
- The Shari'ah Compliance Section will be responsible for review of the Charity Account at regular intervals.

Processes

- Shari'ah Compliance section will decide the ISSC resolutions issued for documents (e.g. policies, process flows, contracts, product programs (PPG's), standard operating procedures (SOP's), memorandum of understandings (MOU's), memorandum of associations (MOA's)), etc. and transactions to be reviewed for the respective department on sample basis.
- Shari'ah Compliance section will decide the HSA resolutions, guidelines, and standards etc. to be reviewed on sample basis.
- During the review planning stage, the Shari'ah Compliance section will document the Annual Review Plan which will contain, but not be limited to the following contents:
 1. The Shari'ah Compliance section will prioritise the Shari'ah Review of the documents and transactions where the probability of non-compliance is high, based on the following key factors:
 - i. Extent of financial impact on AB's profits;
 - ii. The amount of finances invested in the product;
 - iii. Significant issues raised in the previous Shari'ah Reviews;
 - iv. The complexity;
 - v. The prior involvement of the Shari'ah Compliance section in the products approval process was low;
 - vi. The ISSC's recommendation/request; and
 - vii. The frequency.
 2. The criteria for selecting either the entire or a part of transaction – Entire transactions – document will be reviewed on a sample basis due to time limitations, except where the number of transactions is low or the Shari'ah Group deems it important. The criteria for selecting entire transactions should be based on the following key factors:
 - i. If the number of transactions of a single product is high, the SCS will choose a sample considering time limitations;

²⁷ SGS – UAE CB – Article: 10.6 (d) para-3

²⁸ SGS – UAE CB – Article: 10.6 (d) para-4



- ii. If the similarity between such transactions is high, the SCS will choose only certain transactions that are representative of the total transactions for the product;
 - iii. If the transaction was one-off, or not part of the typical product portfolio for the Reviewing Department, the SCS will review the entire transaction; and
 - iv. The ISSC's recommendation/request.
 - v. Otherwise, if the SCS believes reviewing only key elements of the transaction process or only the documentation will suffice for a certain type of transaction, it may carry out a partial review of the transaction and plan it accordingly.
 - a. Timing for the Shari'ah Review and quarterly Shari'ah review reporting.
 - b. The Review Department(s).
3. Head Shari'ah Compliance Section will finalise the Annual Review Plan and send it to the head of ISCD for review and approval. In case the head of ISCD requires any changes to the Annual Review Plan, Shari'ah Compliance section will make the necessary amendments.
4. Head of ISCD will send the document to the ISSC for their review and approval. In case ISSC requires any changes to the Annual Review Plan, Shari'ah Compliance section will make amendments in the Annual Review Plan and subsequently seek approval from the ISSC.
5. Once the Annual Review Plan approved by ISSC, Shari'ah Compliance section will start the implementation of the plan on the approved frequencies. The Head of Shari'ah Compliance section will prepare a Review Letter/ Review e-mail signed by Head of ISCD and then send it to the department whose work is required to be reviewed. The Review Letter/ e-mail include:
 - Opening Review Letter/ e-mail, which should be addressed to the Head of the department being reviewed and includes the reason for the review;
 - Review Scope Summary, which should include the following;
 - i. The type and number of transactions to be reviewed;
 - ii. State the documentation, which will be reviewed;
 - Review Planning Memorandum, which should include the following;
 - i. Objectives of the Shari'ah Review of the Reviewee Department;
 - ii. Activities (analytical review of the contracts, files, and supporting documents, etc.) that will be carried out by the Shari'ah Compliance section;
 - iii. The process for resolving Shari'ah non-compliance issues (if any) before the issuance of a final report;
 - iv. Organization of the Shari'ah Review including the names and designations of the personnel conducting the review; and
 - v. Timing for the Shari'ah Review.
6. Once confirmation to the review has been received from the Reviewee Department, head of ISCD, Head of Shari'ah Compliance section and the Head of the Reviewee Department will hold a pre-review meeting in order to clear any issues before initiating the Shari'ah Review. The Reviewee Department will also designate a Review Coordinator for all communications as the Shari'ah Compliance section may require additional information or documentation from the Reviewee Department.
7. Shari'ah Compliance section will review the Charity Account and register details of the funds distributed from the Charity Account. Shari'ah Compliance section will submit a Charity Review Report to the ISSC and the Management of AB at the yearend of a financial year.



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8. Shari'ah Compliance section will include in the Sharia Review Report the status of the Sharia Compliance related to the standards and guidelines issued by the Higher Sharia Authority of the UAE-CB.
9. Head of Shari'ah Compliance section will obtain all the reports, Shari'ah Rulings, previous Shari'ah review reports and any other information necessary, and ensure that all the required documents are available in the electronic and paper form for executing the Shari'ah Review of the Reviewee Department.

Initiation	Evaluation	Approval
Head of Shari'ah Compliance section	Head of Internal Shari'ah Control Division	Internal Shari'ah Supervision Committee



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Shari'ah Compliance Review Execution

Policies

- The ISCD shall review a sample of the transactions carried out by AB and the associated documentation to assess the extent of compliance with the Shari'ah guidelines of the ISSC.
- The ISCD shall prepare working papers for the Shari'ah Review process carried out which should be clear, organized and cross-referenced.
- The Shari'ah Review will be executed by Shari'ah Compliance section.
- The Shari'ah Compliance section shall not undertake any operational activities of AB.
- The ISSC may approve a new product or a service from a Shari'ah perspective; however, the Shari'ah Compliance section will have to monitor that product very closely when the first transaction in that product is being carried out.

Processes

- The Shari'ah Compliance section will log into the core banking system through the computer terminal and generate the reports required to carry out the review.
- The Shari'ah Compliance section will commence the review on the date stipulated in the Annual Review Plan.
- The Shari'ah Compliance section will review and ensure that the transactions carried out for the approved products were according to Shari'ah guidelines issued by the ISSC.
- The Shari'ah Compliance section will ensure that there are no discrepancies/ inconsistencies in the transaction documentation regarding compliance to Shari'ah Rulings by the ISSC and that such Shari'ah Rulings exist for the transactions carried out by AB in addition to ensuring that the transaction is genuine.
- The Shari'ah Compliance section will review, analyse and interpret contract/agreement documentation to determine the extent of compliance and focus on the following contents:
 1. Purpose;
 2. Description of goods/assets;
 3. Counterparty acceptability;
 4. Cost of goods/assets;
 5. Repayments;
 6. Tenor;
 7. Grace period;
 8. Shari'ah sign-offs and approvals (where applicable);
 9. Chronological order of the transaction; and
 10. Any other conditions (as necessary).



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- The Shari'ah Compliance section will ensure that a real transaction was carried out for the product and that transaction process was in compliance with the Shari'ah guidelines.
- The Shari'ah Compliance section will ensure that the collateral or guarantee meets the Shari'ah requirements as per the guidelines set by the ISSC.
- The Shari'ah Compliance section will review other ancillary documents pertaining to the transaction which may include:
 1. Supplier's invoice;
 2. Purchase order;
 3. Ownership transfer of goods/assets;
 4. Goods/assets valuations;
 5. Audio recordings of the transactions;
 6. Electronic recording of the transaction; and
 7. Faxes, telexes, emails and other documents.
- The Shari'ah Compliance section will also review the control measures, and assess the viability of the operating system of the Reviewee Department and focus on the following dimensions:
 1. The system includes double-checks to ensure Shari'ah compliance; and
 2. The system ensures disposal of non-Shari'ah compliant earnings (if any).
- Where necessary, the Shari'ah Compliance section will also contact parties other than the customer i.e. the suppliers/ vendors e.g. car dealers/ London Metal Exchange (LME)/ Dubai Multi Commodities Centre (DMCC) etc. to ensure compliance by these parties to the Shari'ah guidelines in carrying out transactions with AB or on behalf of it.
- After the Shari'ah Review is complete, the Shari'ah Compliance section will compile all the working papers. If during the course of the review, the SCS comes across some critical issues, these will be marked as "Urgent Review Issues" and raised immediately to the ISSC to take prompt action.
- In case the Shari'ah Compliance section finds discrepancies, it will:
- Prepare a summary of issues (Issue Summary) to be discussed with the Head of Reviewee Department. The Issue Summary will cover the following:
 - i. Confirmation of the factual accuracy of issues;
 - ii. Request for an Action Plan from Management; and
 - iii. Corrective action to take place.
- Head of Shari'ah Compliance section will send the Issues Summary to the HISCD. He will review the Issues Summary, check factual accuracy and then arrange a take-up meeting with Head of the Reviewee Department with the Head of Shari'ah Compliance section to discuss the corrective measures required.
- If the issues have been resolved prior to the quarterly reporting, the Shari'ah Compliance section will not include any corrective measures in the Shari'ah Review Report.
- In case the Shari'ah Compliance section does not find any discrepancies, the Head of Shari'ah Compliance section will inform the Head of the Reviewee Department regarding the Shari'ah Compliance Review results.

- The Shari'ah Compliance section will begin execution of the next review.

Initiation	Evaluation	Approval
Head of Shari'ah Compliance Section	Head of Reviewee Department and Head of ISCD	Head of ISCD and ISSC



Sharia Compliance Review Reporting

Policies

- The Shari'ah Compliance section shall formulate a review report on a quarterly basis and submit the report to the ISSC.
- The Shari'ah Compliance section shall also suggest remedial actions for discrepancies found during the Shari'ah Review in the review report.
- The review report will be documented by Shari'ah Compliance section.
- The ISSC shall provide its comments on the review report to the CEO and BoD.

Processes

- The Shari'ah Compliance section will compile all the review working papers.
- The Shari'ah Compliance section will prepare an Executive Summary, which includes the following:
 1. Background,
 2. Review Objectives and Procedures, and
 3. Key Review Findings and General Observations.
- The body of the review report will contain a summary of the findings from the Shari'ah review, on a department-wise basis.
- The SCS will also prepare a Corrective Action Report ("CAR"), which will contain recommendations to be implemented, by the Reviewee Department, and submit such report (as part of the review report) to HISCD in electronic and paper format.
- The ISSC will discuss the CAR.
- The SCS will summarize the quarterly reports into an annual report at the end of the financial year, detailing the following:
 1. The number of reviews carried out for the year;
 2. A summary of the transactions and the names of the departments reviewed throughout the year;
 3. The resolution of any outstanding issues raised in the quarterly review reports; and
 4. Any further correction active measures recommended by the ISCD.
- The Shari'ah Compliance section will distribute the quarterly and annual Shari'ah Review Report along with the working papers to the HISCD, who will review the report and send them to the ISSC for approval.
- HISCD will also send an approved copy to the CEO.

Initiation	Evaluation	Approval
Head of Shari'ah Compliance section	Head of ISCD	ISSC



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Remedial Management

Policies

- The non-rectifiable Shari'ah non-compliance action shall be decided by the ISSC instantly. The ISSC to decide to move the profit of the repugnant transaction to Charity Account.
- Corrective measures for rectifiable Shari'ah compliance issues found during the Shari'ah Review, and detailed in the Corrective Actions Report (CAR), shall be approved by the ISSC.
- The Shari'ah Compliance section shall monitor the implementation on the approved corrective actions and report back to the ISSC. The Shari'ah Compliance section must follow the concerned division/ department on the status of the CAR.
- The concerned division/ department has to rectify the Sharia non-compliance action within one month of the issuance of the CAR and report the Shari'ah Compliance section accordingly.
- In case of failure, the concerned division/ department has to explain the reasons why the Sharia non-compliance issue has not been rectified. The ISSC may allow further one-month time for the rectification.
- In case of failure, the ISSC will meet with the Senior Management to search out solution(s) for the issue. If the delay in correction is due to the staff negligence, the responsible staff may be warned.
- In case if the management of AB and the ISSC did not reach to a solution, the matter to be taken to the Higher Sharia Authority of the UAEFCB.

Processes

- Shari'ah Compliance section will prepare the CAR for any discrepancies found during the Shari'ah Review. The CAR will also state the deadline for the implementation of the corrective measures.
- The Shari'ah Compliance section will make amendments to the CAR as advised by the HISCD.
- The Shari'ah Compliance section will send the amended CAR to the HISCD. The HISCD will obtain approval from the ISSC and the CEO.
- The Shari'ah Compliance section will send the approved CAR to the Head of the Reviewee Department(s) for further action.
- The Shari'ah Compliance section will send an internal memorandum to the Reviewee Department on the due date to inquire about the progress of the corrective action.
 1. If the corrective actions have been properly implemented, the Shari'ah Compliance section will review and report the same to the HISCD who will forward the report to the ISSC through an internal memorandum. The HISCD will retain a copy of the memorandum for record purposes.
 2. If the corrective actions have not been implemented, the Shari'ah Compliance section will direct the Reviewee Department to seek a waiver regarding the implementation of the corrective actions. The Head of Shari'ah Compliance section will report the outstanding issue to the HISCD who will forward the report to the ISSC.



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- The ISSC will decide the course for action, which may be:
 1. Amendment to the CAR,
 2. Extension of the deadline, or
 3. Other actions as deemed necessary.
- The ISSC will communicate the new corrective action plan to the HISCD who will provide the new CAR to the Shari'ah Compliance section. The Head of Shari'ah Compliance section will further communicate the required measures to the Reviewee department through an internal memo, and send a copy of the memo to the ISSC for their information.
- Upon the new deadline for implementation of the corrective measures, the Head of Shari'ah Compliance section will request a report from the Reviewee Department on the progress.
- The progress report will be sent to the ISSC and the CEO by the Shari'ah Compliance section after the HISCD has reviewed it.
- If the non-compliance issue has been rectified, a final note will be prepared by the ISCD indicating the close of the matter, and will be included both in the Shari'ah review file for the Shari'ah Compliance section, as well as in the subsequent quarterly report to the ISSC.
- If the corrective measures remain outstanding, the Shari'ah Compliance section will inform the ISSC and the CEO so that they initiate further action and relay instructions to the Reviewee Department.

Initiation	Monitoring/Evaluation	Approval
Head of Shari'ah Compliance Section	Head of Shari'ah Compliance Section and Head of Internal Shari'ah Control Division	ISSC/ AB Management



ISSC Annual Sharia Report

Policies

- The ISCD to liaise in issuance of the AB ISSC Annual Sharia Report.
- The ISCD must use the mandatory template advised by the Higher Sharia Authority of the UAECB for the draft annual Sharia Report.
- The ISCD to liaise in obtaining ISSC annual Sharia Report from the ISSC before 60 days of the annual general assembly meeting.
- The ISCD must present the Annual Sharia Report to the Higher Sharia Authority for approval and endorsement of the Higher Sharia Authority prior to submission in general assembly for the shareholder's notification.
- The Head of ISCD must ensure that the ISSC annual Sharia Report approved by the Higher Sharia Authority is a part of the Agenda of the general assembly meeting.

Processes

- Before initiating the process of ISSC annual Shari'ah report, the ISCD has to ensure that the following year-end documents have been reviewed and necessary resolutions have been signed and issued by the Internal Shari'ah Supervision Committee:
 - (1) The financial reports;
 - (2) Distribution of profit and loss between the shareholders and the investment account holders;
 - (3) Corrective actions of Internal Shari'ah Audit Division observations;
 - (4) Corrective actions of Shari'ah Compliance Section observations;
 - (5) Approval of the Zakah calculation; and
 - (6) The shareholder's Zakat notification.
- The ISCD will prepare the draft annual report of the Internal Shari'ah Supervision Committee of AB's activities during the ended financial year, according to the Template²⁹ approved by the Higher Shari'ah Authority.
- The draft annual Shari'ah report shall be presented to the ISSC for necessary review and sign-off.
- The ISSC's annual Sharia report must be sent to the HSA's secretariat in both languages (Arabic and English version) for review and approval by the Higher Shari'ah Authority of the UAE Central Bank at least before 60 days of the annual general assembly meeting.
- The Shari'ah Compliance section receive the annual Shari'ah Report from the Secretariat of the Higher Shari'ah Authority. Incorporate the amendments (if any) proposed by the Higher Shari'ah Authority.

²⁹ HSA Annual Sharia Report Template (English version) is attached in Annexure (7)

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- Send a copy of the HSA approved version of the ISSC Annual Shari'ah Report to the Secretary of the Board of Directors to include it in the agenda of the General Assembly meeting.

Initiation	Evaluation	Approval
Head of Shari'ah Compliance Section	Head of Internal Sharia Control Division	ISSC/ HSA

Shari'ah Consultancy Section



Shari'ah Consultancy Section

Policies

- i. Shari'ah Consultancy Section within the ISCD shall advise management on general issues or clarifications regarding the ISSC's guidelines on an as-required basis.
- ii. Shari'ah Consultancy Section provides consultation based on the ISSC's fatwas and resolutions, notices of Higher Shari'ah Authority including AAOIFI Shari'ah Standards in regards to³⁰:
 - Contracts and documents and other aspects related to the IFI's financial products and services, including products manual, policies, internal procedures and processes,
 - IFI's Sharia related inquiries and issues,
 - Promotional / advertising materials and publications,
 - Customers complaints (related to the compliance with Islamic Shari'ah), and
 - Other Shari'ah issues faced by the IFI especially the ones related to structuring and products.
 - Shari'ah restructuring for the remedial cases, or the cases under customer's retention program or debt counselling policy as well as the cases that were under litigation.

Processes

- The Sharia Consultancy Section is contacted by the Head of the Department (Relevant Department) seeking advice on a general Shari'ah issue. In order for appropriate documentation procedures, the Sharia Consultancy Section will accept communication by:
 1. Telephonic conversation (call report should be made in such instance);
 2. Electronic mail; or
 3. Personal meeting (minutes of meeting to be taken).
- The Shari'ah Consultancy Section will accept the documents, queries through email, or hard copies and Telephonic conversation, and include the person who initiated and will review and provide the feedbacks under the supervision of Head of ISCD on the documents and queries with a summary of the issue through the mode of communication that it has been received. Post finalizing the Shari'ah related concerns, the Shari'ah Consultancy unit will request to ISSC secretariat unit to arrange the ISSC opinion on the documents/queries on an approved resolution format.
- The Head of ISCD or Sharia Consultancy Section will send the documents along with ISSC resolution to the concerned division/unit.
- In a situation where the Sharia Consultancy Section is unable to answer the issue/query on its own, it will consult the Head of ISCD guidance or if needed, Head of ISCD may contact to ISSC for the guidance and their kind opinion.
- The ISSC will provide resolution on the matter to the HISCD who will forward the response to either directly to concerned division/unit or to Sharia Consultancy Section. The Sharia Consultancy Section will then communicate the ISSC's response to the Head of the Relevant Department.

Initiation	Evaluation	Approval
Head of Relevant Department	Sharia Consultancy Section and Head of ISCD	Head of Internal Shari'ah Control Division or ISSC

³⁰ SGS – UAE CB – Article: 10.6 (b)



New Product / service Profile Review

Policies

- All new products / services must be reviewed by the respective functions of the ISCD in consultation of HISCD and be approved by the ISSC before their launch, including the associated documentation, contracts and agreements. The Head of ISCD will make an assessment and evaluation whether the new product is subject to approval of Higher Shari'ah Authority (HSA).
- If it requires the HSA_CB-UAE approval, then the respective HSA guidelines for new product approval to be followed. For the avoidance of the doubt, all communications with the HSA for the new product approval to be rooted with Compliance Division.
- The ISCD or its respective function (Shari'ah Secretariat) must maintain all communications with the ISSC regarding the new product in documented form.
- The Sharia Consultancy Section will provide advice throughout the product/ services, business activities and operations.

Processes

- HISCD is contacted by Product team for review and advice on any new product profile. The Sharia Consultancy Section will receive the Draft Product concept in paper and electronic format in English or Arabic. The Product Department will provide the product Draft, which will include the following specific information:
 1. Product details;
 2. Method of profit calculation;
 3. Product structure;
 4. Transaction process;
 5. Preliminary timeframe;
 6. Meeting time for discussion on the new product profile; and
 7. Other relevant documents.
- HISCD will forward the documents received from the Product Team to the Sharia Consultancy Section.
- Sharia Consultancy Section will:
 1. Review the documents;
 2. Carryout internal research, if required; and
 3. Provide the suitable Shari'ah structuring and feedbacks in line with HSA guidance.
 4. Prepare the issues that to be discussed and addressed with the Product Department.
- If Sharia Consultancy Section is unclear on any issue = then they will consult the concerned division and highlight the issues and propose the Shari'ah compliant solution that is business wise viable, if there is no solution available, then Shariah Consultancy unit may propose a different Shari'ah structure under the following documents in consultation with the HISCD for the ISSC's approval:
 1. Internal memorandum stating consultation's purpose (Concept paper);
 2. Issues Summary Report (detailing the issues raised by the Shari'ah Team); and
 3. Product profile Draft.

- The ISSC will provide its recommendations in light of HSA and AAOIFI Shari'ah Standard. If there is something that is unavailable in aforementioned guidance, the ISSC may refer to matter for the deliberation to HSA.
- The ISSC may also decline the product structure; in which case the HISCD will communicate the response and reasons of the ISSC through an internal customary communication to the Product Department.
- In the case of engagement of external Shari'ah experts, the HISCD will inform the ISSC regarding external sourcing. Upon receiving the final consultation report from the external experts, the HISCD will forward the report to the Sharia Consultancy Section.
- The meeting time to discuss the new product/ service profile may need to be rescheduled due to the engagement of the external experts, and a new meeting time will be set in consultation with the Head of Product Department by the HISCD.
- Once the Head of Sharia Consultancy Section receives the external consultation report he will compile and prepare his views and recommendations for the meeting on the new product profile and communicate the same to the HISCD.
- If the HISCD requires any changes the Sharia Consultancy Section will amend as per his recommendations.
- The Head of Sharia Consultancy Section will prepare a final Issue Summary that will be discussed at the meeting with the concerned division under the supervision of the HISCD.
- During the meeting the Sharia Consultancy Section will:
 1. Raise issues;
 2. Provide remedies;
 3. Agree on the final product profile; and
 4. Document the proceedings.
- The HISCD will receive the final product profile from the Head of Product Department for the ISSC's approval.
- The HISCD and Secretariat section will send the product profile to the ISSC in an approved format with a covering memorandum.
- The Sharia Consultancy Section will fill the UAE-CB New Product / Services template along with all required documents not limited to detailed product structure, process flow, program manual, system enhancement SOPs, executional agreements and marketing materials etc and post note from HISCD, request Shari'ah Secretariat unit to send it to the ISSC for sign-off.
- The signed template, copy of the Fatwa and approved documents shall be sent to HSA (UAE-CB) for HSA approval and endorsement with cooperation of Shari'ah Compliance unit and Regulatory Compliance Section of the Bank.

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- Once approval has been obtained, the HISCD will retain a copy of the approved document and send the original approved product profile to the Product Department.
- A copy of the approved (from the ISSC & HSA) product profile will be sent to the CEO.

Initiation	Evaluation	Approval
Head of Product Department	Head of Sharia Consultancy Section and Head of Internal Shari'ah Control Division	ISSC and HSA



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New Product Contracts

- The HISCD will receive the contract from the Business Team (prepared by the Legal Department (LD)/ External Law Office) for the ISSC's approval, and forward it to the Sharia Consultancy Section.
- The Head of Sharia Consultancy Section will review the contract. In case it finds discrepancies in the contract, he will send an Issues Summary to the HISCD who will coordinate with the Product Head to modify the contract or under the supervision of HISCD will negotiate the issues with the Business Team in order to ensure the compliance with Islamic Shari'ah.
- The HISCD will receive the amended contract, which will be sent to the ISSC for approval.
- The HISCD will receive either of the following responses from the ISSC.

1. Approval:

HISCD will send the documentation and the ISSC's response to the Business team in an attached memorandum.

2. Amendments:

- The HISCD will send the documents to the respective Business Team along with the details of changes required;
- Once the amendments have been made in the contract, the Business team will send the contract back to the HISCD who will forward the contract for the Head of Sharia Consultancy Section's review;
- The Head of Sharia Consultancy Section will review the contract to ensure all the amendments have been incorporated and then send it to the HISCD or Shari'ah Secretariat to obtain approval from the ISSC; and
- A copy of the approved (from the ISSC) contract will be sent to the CEO/Management.

Initiation	Evaluation	Approval
Head of the Product Department (via Internal LD or External Law Office)	Head of Shari'ah Consultancy Section and Head of Internal Shari'ah Control Division	ISSC/ HSA



Changes in Existing Products Policies

- All changes in existing products must be reviewed by Sharia Consultancy Section and approved by the ISSC before their launch.
- ISCD must maintain all communications with ISSC in a document form.
- Head of Sharia Consultancy Section will coordinate the efforts between the ISSC, the relevant department and ISCD.

Processes

- The HISCD will receive an internal memorandum stating the reason for changes and the meeting time for discussion on the changes in a Product Profile from Head of Product Department (Relevant Department) seeking an approval from the ISSC on a change in the existing Product Profile. The Relevant Department will provide the following documents:
 1. Proposed Product Profile; and
 2. Original/existing Product Profile.
- The HISCD will forward the documents received from the Product Department to the Sharia Consultancy Section.
- Sharia Consultancy Section will:
 1. Review the documents;
 2. Carryout internal research, if required; and provides the feedback. If the documents have been found in compliance with Islamic Shari'ah, then ISCD may proceed for ISSC approval.
 3. Prepare the issues that is required further deliberation with the Product Department if needed.
- If Shari'ah Consultancy Section is unclear on any issue or decides that the product structure is non-Shari'ah compliant, it may refer to the HISCD and HISCD may either provide the solution that is inline the precedence of ISSC guidance or else HISCD may consult to ISSC for their opinion/approval. The documents sent for the approval will include:
 1. Proposed Product Profile. The ISSC will either provide its recommendations on the matter or recommend external sourcing for consultation.
 2. Issues Summary Report (detailing the issues raised by the Head of Sharia Consultancy Section); and
- The ISSC may also decline the amendment that is not in compliance with Islamic Shari'ah; in which case the HISCD will communicate the response and reasons of the ISSC through an internal mode of communication with Concerned Department.
- In the case of engagement of external Shari'ah experts, the HISCD will inform the ISSC regarding external sourcing. Upon receiving the final consultation report from the external experts, the HISCD will forward the report to the Sharia Consultancy Section.
- The meeting time to discuss the Changes in Existing Product Profile may need to be rescheduled due to the engagement of the external experts, and a new meeting time will be set in consultation with the Head of Product Department by the HISCD.



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- Once the Head of Sharia Consultancy Section receives the external consultation report, he will compile and prepare his views and recommendations for the meeting on the new proposed Profile and communicate the same to the HISCD.
- If the HISCD requires any changes the Sharia Consultancy Section will amend as per his recommendations.
- The Head of Sharia Consultancy Section prepare a final Issue Summary that will be discussed at the meeting with the Head of Relevant Department and the HISCD.
- During the meeting the Sharia Consultancy Section will:
 1. Raise issues;
 2. Provide remedies;
 3. Agree on final Product Profile; and
 4. Document the proceedings.
- The HISCD will receive the Product Profile from the Head of the Relevant Department for the ISSC's approval.
- The HISCD or Shari'ah Secretariat will send the final changed Product Profile to the ISSC with a covering memorandum. Once the approval has been obtained the HISCD will retain a copy of the approved document and send the original approved Product Profile to the Relevant Department.
- A copy of the approved (from the ISSC) Product Profile will be sent to the CEO.

Initiation	Evaluation	Approval
Heads of Relevant Department	Head of Shari'ah Consultancy Section and Head of Internal Shari'ah Control Division	ISSC

Proposed Contract

- The HSCD will receive the contract from the Head of the Relevant Department (prepared by Internal Legal Department or External Law Office) for the ISSC's approval, and forward it to the Sharia Consultancy Section.
- The Head of Sharia Consultancy Section will review the contract. In case he finds discrepancies in the contract he will send an Issues Summary to the HISC, who will coordinate with the Relevant Department Head to revamp the contract or Shari'ah Consultancy team may communicate the concern with proposed solution with the Relevant Department under the supervision of HISC.
- The HISC or Secretariat unit will receive the amended contract, which will be sent to the ISSC for approval.
- The HISC will receive either of the following responses from the ISSC.

1. Approval:

HISC will send the documentation and the ISSC's response to the Relevant Department Head in an attached memorandum.

2. Amendments:

- The HISC will send the documents to the Relevant Department Head along with the details of changes required;
- Once the amendments have been made in the contract, the Relevant Department Head will send the contract back to the HISC who will forward the contract for the Head of Sharia Consultancy Section's review; and
- The Head of Sharia Consultancy Section will review the contract to ensure all the amendments have been incorporated and then send it to HISC to obtain approval from the ISSC.
- A copy of the approved (from the ISSC) contract will be sent to the CEO.

Initiation	Evaluation	Approval
Head of the Relevant Division	Head of Shari'ah Consultancy Section and Head of Internal Shari'ah Control Division	ISSC



Zakah Calculation

Policies

- The institution or the company is committed to pay Zakah under the following cases:³¹
 - a. Enactment of an enforceable Zakah law;
 - b. Stipulation of commitment to pay Zakah in the articles of association;
 - c. Issuance of a Zakah commitment resolution by the general assembly
- Since, none of the above conditions apply on AB, the Bank is not obliged to pay Zakah on behalf of the shareholders.
- AB must calculate per share Zakah and inform shareholders of the Bank in annual general assembly meeting.
- AB must publish the Shareholders per-share Zakah Notification ("Zakah Notification") along-with the Annual Sharia Report in documented form for the notification of the shareholders of AB. Copy must be published in English and Arabic on the website of the Bank.
- Zakah calculation will take into account the following percentages based on the use of different calendars:
 1. It will be based on 2.5% for a lunar calendar year; and
 2. 2.5775% for a solar calendar year.
- There are two methods for calculation of Zakah base: the first is the method of net assets, and the second is the method of net investment assets.
- AB shall use the "Net Invested Assets" method for calculation of the Zakah base.

Processes

- Post finalization of the Annual Financial Reports of year ended 31st Dec of each financial year by AB Finance Division and External Auditors, copy of the reports shall be shared with the Internal Sharia Control Division.
- Internal Sharia Control Division will calculate the per-share Zakah using the Net Investment Method.
- ISCD will share the calculation methodology with the ISSC.
- ISSC will review the methodology and calculation in light of AAOIFI Sharia standard No.35 and approve if the calculation is correct.
- In light of the ISSC approval, the ISCD will prepare a draft notification of the Shareholders per-share Zakah Notification ("Zakah Notification").
- The draft Zakah Notification attached with the Zakah Calculation shall be presented to the ISSC for sign-off.
- The ISSC signed Zakah Notification shall be presented to the shareholders along-with the Annual Sharia Report in the annual general assembly meeting.

³¹ AAOIFI Sharia Standard: 35, Article: 2/2/1 (a), (b), (c)

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- Post endorsement by the shareholders, the ISSC signed Zakah Notification along-with the Annual Sharia Report shall be published in Arabic and English on AB official website.

Initiation	Evaluation	Approval
Head of Shari'ah Consultancy Section/ Financial Controller	Head of Shari'ah Control	ISSC



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Financial Reports & Profit/ Loss Distribution

Policies

- The ISCD to liaise in review of the AB Annual Financial Reports from Sharia perspective.
- The ISCD to liaise in review of the mechanism and methodology of the profit and loss distribution between the shareholders and the investment account holders from one side and between the Mudareb (AB) and the investment account holders on the other side.
- The ISCD must highlight the Sharia non-compliance issues/ observations (if any) in the Financial Statement to the ISSC.
- The ISCD must highlight the Sharia non-compliance issues/ observations (if any) in the mechanism and methodology of the profit and loss distribution between the shareholders and the investment account holders from one side and between the Mudareb (AB) and the investment account holders on the other side.

Processes

- Post finalization of the Annual Financial Reports of year ended 31st Dec of each financial year by AB Finance Division and External Auditors, copy of the reports shall be shared with the Internal Sharia Control Division.
- Internal Sharia Control Division will review the financial reports from Sharia point of view.
- ISCD will share the ISCD comments and observations (if any) with the ISSC.
- ISSC will review the financial reports along-with the observations and comments of the ISCD and decide accordingly to amend the reports by applying the proposed changes (if any).
- The ISSC will send the proposed changes to the Finance Division. If discussion required, ISCD will discuss the proposed changes with the Financial Controller.
- Post amendment, the ISCD will prepare a draft resolution for the approval and endorsement of the Financial Reports by the ISSC.
- The draft resolution attached with the amended and final version of the Financial Reports shall be presented to the ISSC for sign-off.
- The ISSC signed resolution shall be sent to Finance Division to be attached with the final ISSC approved version of the Financial Reports for onward submission to the Board for approval.

Initiation	Evaluation	Approval
Head of Shari'ah Consultancy/ Financial Controller	Head of Shari'ah Control	ISSC

Shari'ah Research and Training Section



Shari'ah Training

Policies

- Shari'ah Training and Research Section conducts training for AB's staff on those aspects of their duties which are related to AB's compliance with Islamic Shari'ah ³².
- This function also provides adequate qualifications for the staff on what they need to be equipped with information and skills, depending on nature of work of each employee, to ascertain that AB complies with Islamic Shari'ah at all times. ³³
- The ISCD shall coordinate the Shari'ah related Islamic Banking training for AB staff members.
- The ISCD shall maintain technical competence through its own continuing training.
- The Shari'ah related Islamic Banking training shall be managed by Shari'ah Training & Research Section (STRS).

Processes

• Training Programme

1. The STRS will assess the requirements for training and development in consultation with HR for AB staff. The assessment will take into account the following key factors:
 - Developments in the industry which affect the duties of relevant employees of AB;
 - Technical skills development for relevant employees which are involved in the Shari'ah compliance process; and
 - Levels of Shari'ah know-how among the relevant staff members.
2. The STRS in consultation with the HR will prepare a Training Programme for the relevant staff members. The Programme will include, but will not be limited to the following:
 - Subject matter
 - Attendees (supported by need for the specific learning)
 - Conductor(s)/Lecturer(s)/speaker(s)
 - Schedule
 - Place (In house or external sessions, may include seminars, conferences and workshops).
3. The STRS in consultation with the HR will coordinate with the Relevant Head of the Department(s) and the HR in order to gain approval regarding the schedule of the Sharia Training Programme. The STRS may also discuss the Sharia Training Programme with the relevant personnel to agree on the contents for maximum benefit (possible for in-house training).
4. Once the Sharia Training Programme has been finalized, the HR will send the Sharia Training Programme to the HISCD for review and approval. The HR will also obtain approval from the Head of HR.
5. The Training Programme will be sent to the heads of the concerned departments for their signoff.

³² SGS – UAE CB – Article: 10.6 (e) para-1

³³ SGS – UAE CB – Article: 10.6 (e) para-2

6. The HISCD will obtain approval from the CEO after all the signoffs are in order.
7. Once the approval has been obtained the Sharia Training Programme will be forwarded to the HR.
8. Copies of the approved Training Programme will be sent to the Head of HR and Relevant department(s).

• **Conducting Training**

1. In case Manager Shari'ah Research & Training Section (MSRTS) is conducting a course or a seminar, he will prepare for the course by taking following necessary actions:
 - He will make sure the necessary reservations of training venue;
 - Gather all the material required for conducting the course; and
 - Prepare any presentations or handouts for the attendees.
2. On the date of the Shari'ah training course, the instructor (of SRTS) will conduct the course. The instructor should:
 - Mark attendance;
 - Prepare course material;
 - Present the subject matter;
 - Note down and follow up on any questions that are left unanswered and require further clarification; and
 - At the end of the session, gather comments from the attendees regarding course content and presentation/delivery.

Initiation	Evaluation	Approval
Human Resource and Manager Shari'ah Research & Training Section	Head of Shari'ah Control Division and Head of Human Resource Departments	ISSC

Research and development**Policies**

- Shari'ah Research & Development Function: undertakes the following³⁴:
 - a. Conducting researches for related Shari'ah and procedural issues requested by ISSC,
 - b. contributing, with other relevant sections in the IFI, to the development of products and formulation of policies, procedures, contracts, and
 - c. other areas of development in IFIs.
- The SRTS shall conduct internal research to provide research/consultation on Shari'ah related issues to the management and departments in AB.
- The SRTS shall manage external sourcing of Shari'ah expertise approved by the ISSC.
- The ISSC will decide which matters the SRTS can independently consult on, and which matters require Committee evaluation.
- The SRTS will conduct the research as required by the ISCD.

Processes

- The HISCD will receive an internal memorandum and attached documents (if any) from the Head of Relevant Department seeking research on a particular Shari'ah related issue.
- The HISCD will forward this information to the MSRTS.
- The MSRTS will assess internal resources (library reference materials, internal Shari'ah research, etc.) and determine after discussing with the HISCD whether the research ought to be provided through:
 1. Internal sources; or
 2. External sources.

Internal Research

- The SRTS will collect the required information for the purpose of providing research on the issue from the Shari'ah Library.
- The HR will communicate with the HISCD who will in turn communicate with the Relevant Department if the SRTS is unclear on the requirements.
- The SRTS will prepare a research report which will include:
 1. Findings of the SRTS;
 2. List of sources of information; and
 3. Copies of documents supporting the SRTS's findings (where necessary).
- The MSRTS will send the research report to the HISCD who will review the report and recommend changes.
- The change will be incorporated by SRTS (if any).

³⁴ SGS – UAECB – Article: 10.6 (c)

- The HISCD will send the research report to the Relevant Department.
- In case the ISSC's approval is required, the MSRT will send the research report for review and approval from the ISSC. The SRTS will make changes if required by the HISCD or the ISSC. Once approval is gained from the ISSC, the HISCD will send the Report to the Relevant Department.

Initiation	Evaluation	Approval
Head of Relevant Department and Research & Training Section & SRTS	Head of Shari'ah Control Division and Head of Relevant Department	ISSC

External Sourcing (Outsourcing)

1. The SRTS will send a request to the HISCD for approval for outsourcing, which he will forward to the ISSC for approval. The ISSC may list out the external Shari'ah consultants that have been outlined for such purpose.
2. Once the approval has been obtained, the SRTS will initiate the process of external sourcing, which involves the following:
 - A. If the ISSC has stated the Shari'ah expert or consultant to be referred to for the required job, the SRTS will:
 - i. Contact and coordinate with the external Shari'ah consultant/expert and request proposal (should include content and price for the research) for the required services.
 - ii. Send the proposal to the relevant department who will obtain approval for initiating outsourcing.
 - B. If the ISSC has not stated the external expert(s) to source, the SRTS will communicate the same to the relevant department to contact and coordinate different options in terms of external Shari'ah experts/consultants, and assess the best proposal options in terms of:
 - i. Content;
 - ii. Timing;
 - iii. Price; and
 - iv. Credibility of the experts/consultants.
 - C. The HISCD and the relevant department head may hold meetings with external consultants.
 - D. The HISCD will send the suggested external consultant and outsourcing proposal to the ISSC for approval.
 - E. Once the approvals have been received, the HISCD will inform the relevant department who will initiate the external research engagement.
 - F. The relevant department will manage the entire sourcing process from initiation to finalization transparently, timely and tailored to meet specific requirements.
 - G. Upon the completion of the outsourcing exercise, the relevant department will distribute copies of the report from the external Shari'ah expert/ consultant to the ISSC for review and approval.
 - H. The ISCD will send the ISSC approved report to the Relevant Department.

Initiation	Evaluation	Approval
Head of Relevant Department and SRTS	Head of Internal Shari'ah Control Division	ISSC