

## **Shari'a Compliance Framework for SME**

Emaan Islamic Banking (A division of Silkbank Ltd) is dedicated in supporting SME business with all its products and services. Shari'a guidelines shall be strictly followed in all products and services offered to SME clients.

### **Shari'a Compliance Department**

The Shari'a Compliance Department of the Bank will strive to implement and comply with the instructions issued by Shari'a Board with regard to SME.

Following points will be strictly followed in order to ensure better compliance:

#### **For Fresh Client**

1. The Relationship Manager (RM) shall submit the following to the Shari'a Compliance Department (SCD) for approval:
  - a. Credit Application (CA) of the customer
  - b. Customer Information Sheet – CIS
  - c. Draft process flow

#### **For Existing Client/ Renewal Cases**

2. The RM shall submit the following additional documents to the SCD for approval:
  - a. Previous approved process flow
  - b. Details of the last 3 transactions executed
  - c. Observations of last Shari'a Audit/Review Report on the subject customer's transactions
  - d. Changes required in the process flow with justification
3. The RM shall explain the complete business structure of the prospective customer to a designated SCD representative, who may hold a meeting with the customer for detailed understanding of its business cycle.
4. Prior to initial disbursement and for every renewal case, a detailed CA shall be shared with the SCD for the approval of the Resident Shari'a Board Member (RSBM).

5. The relationship manager (RM) shall explain the complete business structure of the prospective customer to a designated Shari'a Compliance Department (SCD) representative, who may hold a meeting with the customer for detailed understanding of its business cycle.
6. After the approval of CA & Process flow, the RM shall educate the customer about the transactions process flow, especially about the importance of transaction documents/ steps which are required in different transactions accordingly.
7. In case of Murabaha, the Purchase Price shall be paid directly to the supplier of the goods in the form of Payment/Purchase Order etc. In case the customer requires disbursement in any other for evidences in the form of Bank statement or cheque etc. to ascertain that the funds have indeed been ultimately paid to the supplier.
8. It is preferable that the Bank's name should be mentioned in the invoices as the buyer. However, in case it is difficult to have the name of the Bank mentioned in the invoices, prior written approval of the RSBM shall be obtained.

#### **Shari'a Inspection**

9. A certain percentage of transactions shall be inspected by a designated representative of the SCD (or a third party inspector approved by the SCD) during a calendar year, which would be agreed by the customer in the process flow.
10. In case of DM transactions the Relationship Manager (RM) shall Submit full details of the asset (location, description in case of land and fixed assets, and make, model etc. in case of machinery and plant) at the time of seeking Shari'a approval. The asset may be inspected by the SCD along with RM at the time of approval of the facility. The relevant Business Unit shall cause to provide full logistic support in this regard.
11. The transaction documents shall be executed as per the procedure and sequence prescribed by the SCD / RSBM. A final draft of the transaction documents may be reviewed by the SCD, prior to execution.



### **Sharia Review**

12. Shari'a review of the executed transactions shall be conducted by the Shari'a compliance department of the bank in order to ensure the compliance with the instructions issued by Shari'a Board of the Bank.

### **Shari'a Audit**

12. Shari'a audit unit of the Bank will conduct Shari'a audit of the transactions executed by the business. The report of Shari'a audit will be submitted with the Shari'a Board for their further guidelines and instructions.