

IRR Policy

If due to an extraordinary stream of income during any profit distribution period, the rate of return on the deposits is substantially higher than the market rate on similar funds, the Bank's management may decide to deduct, with prior permission from the Shari'a Advisor, a portion of depositors' share of profit, after deduction of the Mudarib share of profit, and transfer the same to the Investment Risk Reserve account.

1. The IRR, if any created and maintained shall be reflected as liability by the Bank.
2. In case the rate of return to the depositors in a certain profit distribution period is lower than the market rates or there is a loss, the Bank's management may decide to compensate the depositors by transferring the required amount from the IRR account to increase the depositors' return.
3. Till the time a proper model is developed that would determine the size of the IRR and the periodic contributions to be made in order to build up the IRR, the IBD may contribute to the IRR, an amount up to 1% of the profit available for distribution among the depositors (after deduction of Mudarib's share), in every profit distribution period.
4. The funds of IRR shall only be invested in Shariah compliant SLR eligible securities and the returns earned on these funds will also be credited in the IRR account. The profit sharing ratio for IBI as Mudarib shall not be more than 10% for managing IRR.
5. Any transfer to or from the IRR will require Shari'a Advisor's permission and will only be for and on behalf of the depositors.