

Sharia Governance Framework

Commercial Bank of Dubai

November 2022

CONTENTS

1	Definition and Interpretation	2
2	Introduction	2
3	Custody and Access	3
4	Maintenance and Updation	3
5	Sharia Control Governance Structure	4
6	Roles & Responsibilities.....	6
6.1	General Assembly of the Bank:	6
7	Board of Directors (the Board):	6
8	Board's Risk Committee ("Risk Committee")	7
9	Board's Audit Committee ('Audit Committee').....	7
10	Senior Management.....	8
11	Internal Sharia Supervision Committee (ISSC).....	8
12	Internal Shari'ah Control Division or Section	12
13	Internal Shari'ah Audit Division or Section.....	13
14	14	
15	Related Documents.....	14
16	Approval Details	14

1 Definition and Interpretation

Acronyms	Description & Definitions
AAOIFI	Accounting and Auditing Organization for IFIs
Board	Board of Directors
CIBAFI	the General Council for Islamic Banks And Financial Institutions
HSA	Higher Sharia Authority of the Central Bank of UAE
ISSC	Internal Sharia Supervision Committee
ISAD	Internal Sharia Audit Department
ISCD	Internal Sharia Control Department
Senior Management	The executive management of the Bank responsible and accountable to the Board for the sound and prudent day-to-day management of the Bank, generally including, but not limited to, the chief executive officer, chief financial officer, chief risk officer, and heads of the compliance and internal audit functions.
Fatwas	Juristic opinions on any matter pertaining to Sharia issues in Islamic finance, issued by HSA or ISSC.
Principles of Sharia	Resolutions, fatwas, regulations, and standards issued by the HSA and resolutions and fatwas issued by ISSC provided they do not contradict HSA's resolutions.
Independence	Ensuring that the ISSC is not subject to any form of undue influence when issuing resolutions and fatwas in accordance with the Sharia parameters, and ensuring that the ISCD and ISAD are also not subject to any form of undue influence. This should be carried out to strengthen the confidence of both shareholders and stakeholders in the Bank compliance with the principles of Sharia.
External Sharia Audit	An annual assessment conducted by external body to inspect and assess the IFI's compliance with Islamic Shari'ah and the level of adequacy and effectiveness of the governance of Shari'ah supervision systems
Subsidiary	An entity, owned by another entity by more than 50% of its capital, or under full control of that entity regarding the appointment of the Board of Directors
Affiliate	An entity owned by another entity by more than 25% and less than 50% of its capital
Shariah Non-compliance Risk	Probability of financial loss or reputational damage that IFI might incur or suffer due to not complying with Islamic Shari'ah

2 Introduction

2.1 Overview

In compliance with clause 6.1 of the Sharia governance for Islamic Financial Institutions issued by the Higher Sharia Authority of the Central Bank of UAE (“HSA”) on 21 April 2020, the Board of Directors (“the Board”) is responsible for establishing and implementing a Sharia governance framework that is commensurate with the size and complexity of the operations of the Bank and its risk appetite, to ensure the Bank’s compliance with the principles of Sharia.

The Sharia governance framework ensures the bank’s resilience, effectiveness, efficiency and promote general financial stability.

The Sharia governance framework should incorporate the three lines of defence approach comprising the business line, the support and control functions, and internal Sharia audit function.

2.2 Purpose

This Sharia governance framework outlines the structure, roles, responsibilities, accountability, scope and duties of different functions such as General Assembly, Board, Senior Management of the Bank, Members of the Internal Sharia Supervision Committee (“ISSC”).

This Sharia governance framework should be read in conjunction with the policies and procedures of Internal Sharia Control Department (“ISCD”), Internal Sharia Audit Department (“ISAD”) which contain responsibilities of Head of ISCD, Head of ISAD and the employees of the ISCD and ISAD, and reporting lines and communication channels between different functions with regard to the Bank’s compliance with the principles of Sharia.

2.3 Scope

This framework shall cover the duties and responsibilities for the General Assembly, Board, Senior Management of the Bank, Members of the ISSC, Head of ISCD, Head of ISAD and their employees to comply with the Sharia principles and resolutions & notices issued by the HSA from time to time. This framework applies to Islamic division of the Bank (the “CBD Al Islami”).

3 Custody and Access

- 3.1 This Framework shall remain in the permanent custody of all members of the Board, ISSC, Senior Management, Board’s Audit Committee, Board’s Risk Committee, ISCD, ISAD and any other designated positions identified by either senior management or ISCD as custodian.
- 3.2 Copies of the framework document must not be provided to any external party without the prior written approval of the head of ISCD and head of ISAD. However, access to this document shall not be restricted for such external parties who are entitled to such access in accordance with the provisions of any law.

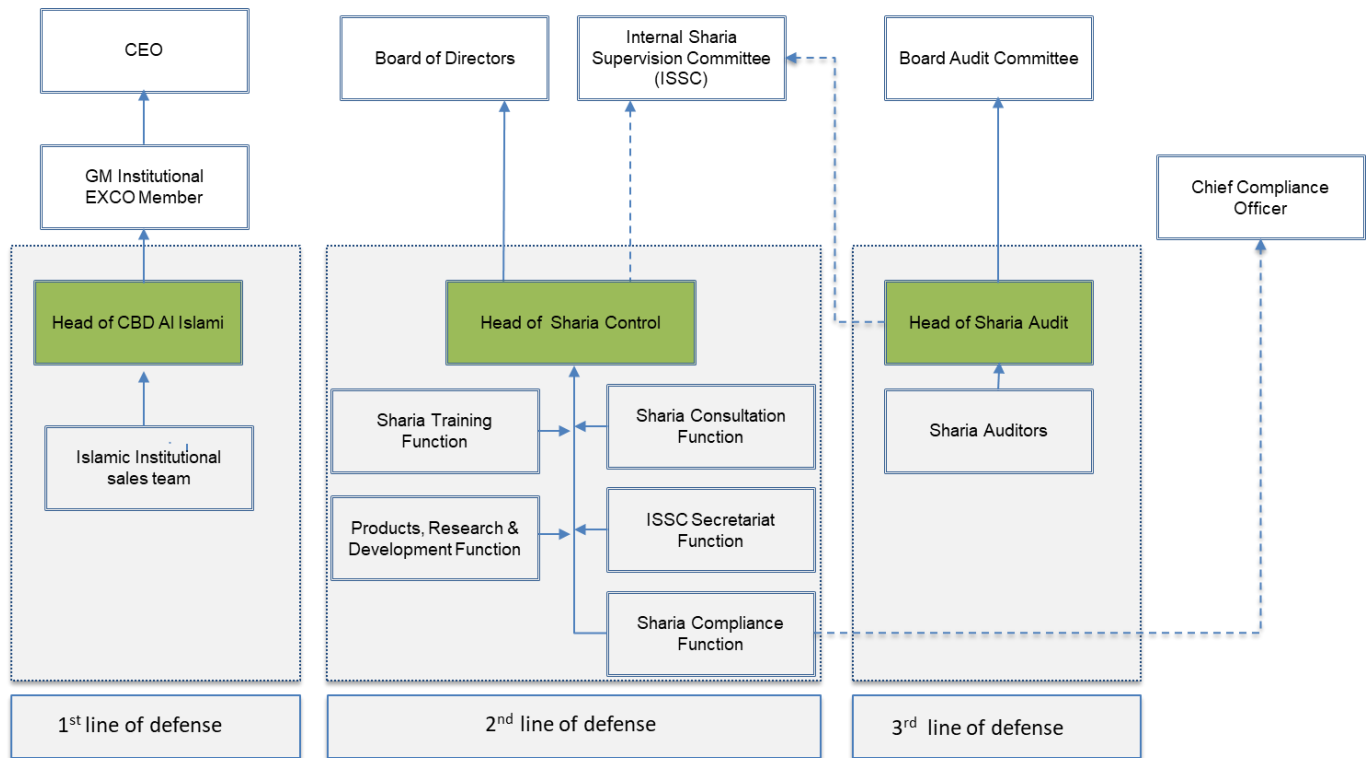
4 Maintenance and Updation

The basic responsibility for maintenance and updating of this Framework resides with the ISCD and ISAD. The review and updating of this Framework shall be an ongoing process to ensure continuous alignment of the framework with the internal and external dynamics in which the Bank operates. Such factors may include the developments, changes and trends in Sharia principles, governance and procedures whether required by the Board, HSA or ISSC.

5 Sharia Control Governance Structure

- 5.1** Bank has an Islamic banking window as CBD Al Islami which offers both retail & corporate banking services and facilities. The Board is ultimately responsible for Bank's compliance with Sharia principles. ISSC is the highest authority in the Bank from Sharia governance perspective. ISCD has the functional report to the ISSC while its administrative line of reporting is with the Board. On the other hand, ISAD has to submit its report to the ISSC for resolutions on Sharia matters mentioned in the audit reports then to submit to the Board's audit committee for the implementation. The below diagram gives the full picture of the Sharia governance structure in Bank.
- 5.2** The bank must comply with Islamic Shari'ah in all of its goals, activities, operations and code of conduct at all times
- 5.3** Bank must have in place governance controls and mechanisms in accordance to its size and complexity of its operations to ensure compliance with Islamic Shari'ah in all of its activities, operations and code of conduct
- 5.4** Branches of foreign licensed financial institutions that conduct all or part of their activities and businesses in accordance with the provisions of Islamic Shari'ah must adhere to this standard or establish equivalent arrangements to ensure regulatory comparability and consistency. The equivalent arrangement, if applicable, should include the matters related to general assembly, the Board and its Committees without contradicting the prevailing laws in the UAE. The equivalent arrangements shall be submitted to the CBUAE for approval
- 5.5** Stating the responsibility of the Board in regards to the bank compliance with Islamic Shari'ah, the oversight over the IFI, and establishing an adequate Shari'ah governance framework
- 5.6** Identification of the senior management responsibilities related to the bank compliance with Islamic Shari'ah and for providing adequate resources for implementation of Shari'ah governance requirements to ensure that the IFI's business is carried out in compliance with Islamic Shari'ah
- 5.7** Appointment of a qualified ISSC in accordance with the eligibility and competence requirements set out in this standard
- 5.8** Establishment of Internal Shari'ah Control Division (or Section)
- 5.9** Establishment of Internal Shari'ah Audit division (or section).
- 5.10** Publication of the ISSC's resolutions regarding standard products, services, fees, and other basic mechanisms governing IFI's operations, including late payment fees and the commitment to donate it, or awards granted by the IFI, and other essential matters
- 5.11** Providing training and awareness programs related to compliance with Islamic Shari'ah in the bank, this should include all levels in the organization.

- 5.12** The bank must spread awareness regarding Islamic finance and boost the culture of compliance with Islamic Shari'ah within the IFI, including workshops for the members of the Board and senior management on Islamic financial transactions and compliance with Islamic Shari'ah.
- 5.13** The bank must establish effective internal Shari'ah controls comprising of three lines of defense approach that are independent from each other, which includes:
- the first line of defense, represented by the business line, which should set clear policies, procedures, and controls, approved by ISSC, and execute the business activities in a manner compliant with Islamic Shari'ah at all times
 - the second line of defense, represented by the internal Shari'ah control division and it should not be organizationally part of any business division or reporting to it
 - the third line of defense represented by internal Shari'ah audit division or department, which undertakes Shari'ah audit and monitors compliance, and it should not be organizationally part of any business division or reporting to it
 - the internal Shari'ah control division or section and internal Shari'ah audit division or section 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 defense approach



6 Roles & Responsibilities

6.1 General Assembly of the Bank:

General Assembly of the Bank is responsible for appointment of a qualified ISSC in accordance with the eligibility and competence requirements as set out in the Sharia Governance Framework issued by HSA of CBUAE based on the Board's nomination.

6.2 General Assembly of the Bank has the authority to appoint or renew the ISSC members based on the Board's nomination and after HSA's approval.

6.3 If a position of ISSC member becomes vacant, at any time, and that causes lack of quorum, the Board shall nominate a substitute member and shall send the appointment request to HSA for approval before presenting the same to the General Assembly.

6.4 General Assembly of the Bank will approve the termination of appointment or resignation of ISSC members after it is approved by HSA.

6.5 General Assembly shall receive an annual Sharia report issued by the ISSC after its review and approval by the HSA.

7 Board of Directors (the Board):

7.1 The Board is ultimately responsible for Bank's compliance with Sharia, overseeing over the Bank, and establishing and implementing a Sharia governance framework that is commensurate with the size and complexity of the operations of the Bank and its risk appetite.

7.2 The Board is expected to be aware of Sharia non-compliance risk and its potential impact on the Bank.

- 7.3** Members of the Board shall nominate ISSC members to the General Assembly for the establishment of ISSC.
- 7.4** The Board, shall, in coordination with the ISSC, ensure the development, approval and implementation of internal policies related to the Bank’s compliance with Sharia.
- 7.5** The Board shall maintain effective communication with the ISSC. Meetings must be held to discuss issues pertaining to Sharia compliance, with at least one meeting per financial year.
- 7.6** The Board shall refer to the ISSC for all Sharia matters related to the Bank’s activities, operations and code of conduct.
- 7.7** The Board must ensure that the Annual Sharia Report issued by the ISSC is submitted to the HSA for review and approval before sharing it with shareholders at the General Assembly.
- 7.8** The relevant unit of ISCD will follow the following plan for raising Sharia compliance awareness to the Board’s members:
- a. Presenting the relevant portions/provisions of the regulations, instructions and notices issued by CB-HSA to the Board.
 - b. Conducting physical /virtual trainings (if needed).
- 8 Board’s Risk Committee (“Risk Committee”)**
- 8.1** The Risk Committee shall supervise and monitor management of Sharia non-compliance risk, and set controls in relation to this type of risk, in consultation with ISSC and through the ISCD.
- 8.2** The Risk Committee is responsible to review and approve the establishment of framework for managing Sharia non-compliance risk as part of the overall risk management framework of the Bank, and must oversee its implementation by the Senior Management.
- 8.3** The Risk Committee shall ensure the availability of an information system that enables the Bank to measure, assess and report Sharia non-compliance risk. Reports shall be provided on a timely manner to the Board and Senior Management, in formats suitable for their use and understanding.
- 9 Board’s Audit Committee (‘Audit Committee’)**
- 9.1** The Audit Committee shall evaluate the effectiveness of Bank’s policies (approved by ISSC) designed to monitor compliance of the Bank with the principles of Sharia.
- 9.2** The Audit Committee shall assess the effectiveness and adequacy of internal Sharia audit and its contribution in ensuring Bank’s compliance with the principles of Sharia. The Audit Committee’s responsibility includes the following:
- a. To assess the independence, effectiveness and adequacy of Internal Sharia audit scope and programs.
 - b. To review the reports prepared by the ISAD to ensure that all necessary measures have been undertaken.
 - c. To facilitate the work of ISAD.
 - d. To hold regular meetings with the head of ISAD twice a year, at minimum.
 - e. To review the scope, results, and adequacy of the external Sharia audit review (if any).

- f. To facilitate the work of the external Sharia auditors (if any).
- g. To review the reports prepared by external Sharia auditor (if any) to ensure that the senior management have taken all necessary measures in this regard.
- h. To hold meetings with the external Sharia auditors (if any) with a minimum of one meeting per financial year.
- i. To coordinate with ISAD in preparing the annual Sharia audit plan which must be approved by the ISSC while upholding the best practices in this process (e.g. Risk based Sharia Audit).

9.3 The Audit Committee may invite a member of the ISSC to attend the meetings when discussing the internal Sharia audit report to ensure compliance of the Bank with the resolution of the ISSC concerning the report. The Audit Committee and the member of ISSC are not authorized to change the ISSC's resolutions and decisions in this regard.

9.4 The Audit Committee shall receive the Sharia audit report with the ISSC resolution for the implementation of their content and follow-up of their requirements.

10 Senior Management

10.1 The Senior Management of the Bank shall execute and manage the Bank's activities and businesses in compliance with the principles of Sharia.

10.2 The Senior Management shall report to the Board regarding the Bank's compliance with the principles of Sharia in all of its activities, operations, policies, internal regulations, and code of conduct.

10.3 The Senior Management is responsible before the Board for:

- a. submitting Sharia matters related to all the Bank's businesses and activities, including its policies, internal regulations, code of conduct, all onshore/offshore transactions, services and products to ISSC,
- b. ensuring implementation of the ISSC's fatwas and resolutions.

10.4 The Senior Management shall fully disclose all relevant information required by the ISSC in a transparent, accurate and timely manner.

10.5 The senior management shall provide the ISSC with the required financial and human resources.

10.6 The Senior Management must:

- a. facilitate work of internal Sharia audit and external Sharia audit (if any),
- b. ascertain that the Sharia auditors are not obstructed in their work,
- c. enable Sharia auditors to access information or staff, from all different levels.

10.7 The Senior Management is responsible to establish sufficient knowledge regarding the Compliance with the Sharia requirements and the culture of Sharia compliance banking in the Bank.

10.8 The relevant unit of ISCD will follow the following plan for raising Sharia compliance awareness to the Board's members:

- a. Presenting the relevant portions/provisions of the regulations, instructions and notices issued by CB-HSA to the Senior Management.
- b. Conducting physical /virtual trainings (if needed).

11 Internal Sharia Supervision Committee (ISSC)

11.1 Membership and Appointment

- a. The Board shall nominate the members of ISSC, and send the member's appointment request to HSA for approval prior to presenting its nomination to the General Assembly.
- b. The composition of ISSC members in the Bank shall not be less than (5) five members with proper qualifications and competence as prescribed in the in the regulations, standards and resolutions issued by the Central Bank and the Higher Shar'ah Authority ("Regulations, Standards and Resolutions"). The CBUAE may exempt CBD from this requirement in consideration to its size and the complexity of its operations during the approval process of banks Shari'ah governance framework. The number of members of the ISSC shall not be less than three, in all cases.
- c. Emirati members in ISSC shall not be less than one third.
- d. The membership of each member in the ISSC is subject to the following:
 1. shall not exceed (3) three ISSC memberships inside the UAE unless it is exempted by the HSA,
 2. shall not exceed a total of (15) fifteen ISSC (or equivalent committees) memberships inside and outside the UAE, unless it is exempted by the HSA.
 3. The HSA may exempt UAE nationals from d1 & d2 requirements if necessary
- e. If a position of ISSC member becomes vacant, at any time, and that causes lack of quorum, the Board shall nominate a substitute member and shall send the appointment request to HSA for approval before presenting the same to the General Assembly.
- f. However, if a position of ISSC member becomes vacant, at any time, but it does not breach the quorum, the Board may appoint a member after obtaining the HSA approval on the appointment. In this case the appointment shall be tabled to the General Assembly for final approval in its next meeting and no General Assembly shall be held specifically for this purpose.
- g. The term of office for ISSC members shall be specified in the Bank's engagement letter with a minimum of three years, and may be renewed for a similar period.
- h. The engagement letter shall also specify the responsibilities of the ISSC members and their remunerations. The remuneration shall not be linked to the performance of the ISSC members.
- i. Membership of ISSC shall be renewed upon a recommendation from the Board and shall be presented to the General Assembly after its approval by the HSA. The renewal shall not be considered as new appointment.

11.2 Eligibility and Competence of ISSC Members:

- a. Members of the ISSC shall:
 1. be a Muslim persons (not a company);
 2. hold a bachelor degree (as a minimum) in Sharia, particularly in jurisprudence of transactions, from a university that is acknowledged in Sharia studies, especially methodologies of jurisprudence, or have a minimum of (10) ten years' experience in fatwas issuance related to jurisprudence of financial transactions.
 3. have proven competence and expertise, especially in jurisprudence of financial transactions;
 4. have a strong comprehension of finance in general and Islamic finance in particular, and shall have worked in the spectrum of Islamic finance and/or Sharia Supervision for a minimum of (10) ten years whether in direct employment or advisory level, or at least (10) ten years of post-graduation experience in teaching and scientific research related to jurisprudence of financial transactions;

5. have good knowledge of the legal and supervisory framework related to financial and banking activities in the UAE;
6. be excellent in Arabic, and preferably to have good knowledge of English;
7. have good conduct and behavior, particularly with regard to credibility, integrity, and reputation in professional and financial transactions.
8. HSA may exempt UAE candidates from some of the above requirements that would not impair their competence in performing their duties, provided that the candidate commits to the development and training required by the HSA.

11.3 Termination or Resignation of ISSC member

- a. Termination of appointment or resignation of ISSC members is not considered effective until the termination or resignation request is approved by HSA, before it is presented to the General Assembly for approval.
- b. The request must clarify the reasons for termination or resignation of the ISSC member.

11.4 Responsibility of ISSC

- a. ISSC undertakes Sharia supervision of all businesses, activities, products, services, contracts, documents, investments, or participates in, and code of conducts of the Bank.
- b. ISSC issues Sharia fatwas and resolutions that are binding upon the Bank. The members of ISSC are accountable for the resolutions and fatwas they issue to the Bank, and their compliance with the resolutions and standards issued by the HSA.
- c. ISSC must monitor the Bank's compliance with Sharia through ISCD and ISAD.
- d. In case a Sharia non-compliance issue is identified in the Bank, the ISSC shall review and approve:
 1. corrective measures, if the correction is feasible,
 2. remediation required by the Sharia regarding the consequences arising from the Sharia non-compliance issue if the correction is not feasible,
 3. preventive measures to avoid reoccurrence of such issues.
- e. ISSC shall review and approve from Sharia perspective:
 1. the method for calculation and distribution of profits, and for allocation of expenditures and costs and their division between holders of investment accounts and shareholders to protect the rights of investment account holders, The quarterly profit distribution calculations are submitted to the ISSC after thorough review of the ISCD for approval. The ISSC ensures compliance of the calculations and distribution with the general terms and conditions signed with the accountholders.
 2. final annual accounts before presenting them to the Central Bank.
- f. The ISSC shall issue an annual report stating the extent of the Bank's compliance with Sharia that is published within the financial statement in the Bank's disclosures and other available means.
- g. The annual Sharia report of ISSC shall contain the main components specified by the HSA in the annual Sharia report form attached as annexure to this framework.
- h. The annual Sharia report shall be submitted to the HSA for review and approval prior to presenting the same to the General Assembly.

- i. The annual Sharia report shall be disclosed to the public through the following:
 1. Annual Financial Report of the Bank
 2. Bank's website,

11.5 Performance Assessment of ISSC

- a. The Bank in coordination with the chairman of the ISSC shall develop an assessment for ISSC based on the following aspects:
 1. Sharia and scholarly aspects in terms of the member's participation in decision making, discussions, and review of contracts, documents and reports submitted to ISSC. This shall account for 70% of the assessment.
 2. Organizational aspect in terms of members' attendance of meetings and adherence to meeting schedule (dates and times), and other procedures prescribed by ISSC charter. This shall account for 30% of the assessment.
- b. The Bank shall inform each ISSC member upon appointment and at the beginning of each fiscal year about the assessment criteria.
- c. At the end of a fiscal year, the Chairman of the ISSC shall provide HSA with a report on performance assessment.

11.6 ISSC Charter

The Bank shall adopt a charter for the ISSC that defines details of decision making process and their implementation, and setting of adequate methods to fulfil ISSC's responsibilities without prejudice to the requirements of HSA.

11.7 ISSC Independence

- a. The following controls and guidelines, as a minimum, shall be observed to ensure the independence of ISSC members:
 1. Members of the ISSC shall not have a first-degree relative as member of Bank's Board or executive body in the Bank.
 2. Shall not be an owner/shareholder of/in a company that provides consultancy or Sharia services to the Bank.
 3. Members of the ISSC shall not be employees at the Bank or any of its affiliates when serving as members of the committee and shall not provide services to the Bank outside the scope of ISSC's assigned functions.
 4. Members of the ISSC shall not accept any allowance from the Bank or its affiliates other than the allowance they receive for being members of the ISSC, the allowance for attending ISSC meetings, and other matters related thereto. If a financing is granted to a member of the ISSC, such member shall be treated as ordinary customers and shall not receive any preferential treatment,
 5. Member of ISSC or his first or second- degree relatives, shall not own a share equal to/or more than 5% that entitles him to act as executives or managers in any commercial company to which the Bank has paid, or received from, payments of material size, or one of its subsidiaries during the current or previous fiscal year.

6. The entitlement to ISSC allowances shall not be conditional on achieving certain results, or linking it to the results of the services provided by the ISSC (conditional remuneration).
7. In case the Bank desires to treat ISSC members independent despite the existence of one or more of the above relationships, it shall transparently disclose those instances and bear the responsibility for clarifying the reason for considering such members independent.
8. In case of inevitable conflict of interest, member of the ISSC shall notify the Bank management thereof in writing. He shall also disclose any conflict of interest cases related to his family members or business partners or companies he has interest in. Also in cases where conflict of interest is related to a third party, he has to refrain from participating in the decision. In case of reporting conflict of interests, it shall be recorded.
9. The Bank shall immediately notify the central bank if it becomes aware of any material information that may negatively affect the independence of any ISSC member.

11.8 Confidentiality

Member of the ISSC shall not disclose Confidential Information of the Bank unless such disclosure is required by law or by the Central Bank.

11.9 Consistency

The ISSC members shall try to achieve agreement related to fatwas and resolutions, to the extent possible. ISSC shall not resort to majority vote unless members are unable to reach agreement within a reasonable period.

11.10 Transparency

The annual financials of the Bank which includes all the activities, incomes and expenses of the Common Mudaraba Pool (commingled pool of Investment accountholders and Bank's equity) are approved by the ISSC before its submission to the HSA and publicly published by the Bank.

12 Internal Shari'ah Control Division or Section

- 12.1** This division or section 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 bank operations. The ISSC shall supervise the work of this division or section from the technical perspective
- 12.2** The bank should appoint a head for internal Shari'ah control division or section- as per the selection criteria stated in the Sharia governance standard and who shall report to the Board
- 12.3** The internal Shari'ah control division or section 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 the internal Shari'ah control division or section head and staff shall not report to the senior management, but to the Board or its committees in consultation with the ISSC
- 12.4** In matters related to promotions, bonus, performance assessment, and removal, the internal Shari'ah control division or section head and staff shall not report to the senior management, but to the Board or its committees in consultation with the ISSC

- 12.5** Internal Shari'ah control division or section staff shall not assume any executive powers or responsibilities related to the businesses and activities that may be monitored by themselves
- 12.6** The internal Shari'ah control division assume the functions of ISSC Secretariat, Shari'ah Consultations, Shari'ah Research & Development, Shari'ah Compliance & Shari'ah Training

13 Internal Shari'ah Audit Division or Section


- 13.1** The internal Shari'ah audit division or section undertakes Shari'ah audit and monitors bank compliance with Islamic Shari'ah. This is conducted through an annual plan to collect and assess evidence of bank activities and transactions to ensure their compliance with Islamic Shari'ah and ensure the adequacy of internal procedures and Shari'ah governance frameworks
- 13.2** The Board should appoint a Shari'ah controller to serve as head for internal Shari'ah audit division or section as per the selection criteria stated in the Sharia governance standard
- 13.3** The head of Internal Shari'ah audit division or department shall report to the Board. The head of internal Shari'ah audit division or section shall submit the reports to the ISSC for resolutions on Shari'ah matters mentioned in his/her reports. He/She shall then report with the ISSC resolutions to the Board's audit committee for the implementation of their content and follow-up of their requirements.
- 13.4** The internal Shari'ah audit division or section submits its reports to the ISSC and to the Board audit committee biannually (at minimum).
- 13.5** The internal Shari'ah audit division and the internal audit division must coordinate and exchange their findings and reports
- 13.6** In matters related to promotions, bonus, performance assessment, and removal, internal Shari'ah audit division or section head and staff shall not report to the senior management they are auditing, but to the Board, through the audit committee, and in consultation with the ISSC.
- 13.7** Internal Shari'ah audit division or section staff shall not assume any executive powers or responsibilities related to the businesses, activities, and contracts that may be audited by them
- 13.8** The internal Shari'ah audit must not be outsourced to external entities. The internal Shari'ah audit division may be assisted by additional external bodies after the approval of the CBUAE.
- 13.9** Internal Shari'ah audit division or section
- Development of internal Shari'ah audit manual, and to undertake review and update of the manual on a regular basis
 - Prepare the annual Shari'ah audit plan, which must be approved by the ISSC in coordination with the audit committee, while upholding the best practices in this process (e.g. Risk based Shari'ah Audit)
 - Undertake assessment of businesses and activities of IFI to ensure the IFI's compliance with Islamic Shari'ah
 - Assess effectiveness of the internal Shari'ah supervision to ensure that the IFI's compliance with Islamic Shari'ah
 - Ensure that the products, services forms, contracts, agreements, activities and transactions execution procedures, and other related matters are approved by ISSC

- Ensure the IFI's branches, its internal and external departments, and affiliates comply with Islamic Shari'ah
- Conduct regular field audit to the IFI's internal and external departments, and branches (if any)
- Prepare internal audit forms and programs required for conducting inspection, and to verify and documents the sound execution of transactions in light of the ISSC's fatwas and HSA's resolutions
- Conduct meetings with IFI's departments and branches to discuss the Shari'ah observations and request putting in place appropriate measures to prevent recurrences of similar issues, and in cooperation with relevant entities inside the IFI
- Prepare a report of the outcomes of the Internal Shari'ah audit

14 Related Documents

- a) Sharia Governance Standard issued by CB HSA
- b) Charter of Internal Sharia Supervision Committee
- c) Template of Annual Sharia report of ISSC
- d) Internal Sharia Control Policy and Procedure
- e) Internal Sharia Audit Policy and Procedure

15 Approval Details

Approval	Signature
Chairman, Internal Sharia Supervision Committee	
Head of ISCD	
Head of ISAD	
Internal Audit	
Compliance	
Head of Islamic Banking	

Document History	Details
Original Author and Date	Ziad Jaber , Nov 2020 , v1.0
Version and Date	v1.0 New Document, Nov 2020 v2.0, Nov 2022 Updated to include the responsibilities of ISCD and ISAD, Include the governance requirements for the standard of Regulatory Requirements for Financial Institutions Housing an Islamic Window

Approval	Signature
Notes	