



Da Afghanistan Bank
Financial Supervision Department

مدیریت عمومی نظارت امور مالی

د مالی چارو د نظارت لوی مدیریت

4/17/2011

Supervisory Circular 89-05

“Eligibility requirements for members of specified bodies and specified positions relating to and within a Islamic banking window”

To: Board of Supervisors of licensed commercial banks
General Managers of permitted branches of foreign banks

The Da Afghanistan Bank (central bank) has issued a detailed criteria for the establishment of Islamic banking window within commercial Banks for conducting business based on the principles of Shariah in the private sector, the bank would also appoint a Shariah adviser/Shariah Committee consisting of Shariah scholar(s) of repute to advise the Islamic Banking windows on matters pertaining to Shariah, and Head of Islamic Banking Window.

Moreover, the bank shall ensure that proper systems and controls are in place in order to ensure segregation of funds and to protect the interest of depositors. The banks shall ensure proper maintenance of records for all transactions for disclosure of assets, liabilities, expenses and income of IBW. To ensure they properly fulfill their role and responsibilities, it is critical that banks are managed and administered by individuals who are well trained, well educated and experienced in various areas of Islamic banking.

Under Article 22.2 of the Law on Banking and Article 27 of draft Islamic banking law, before a bank appoints a members, it is required to submit documents to DAB to obtain their authorization. Prior to authorizing the new board and committee member, DAB retains the right to review the documents and interview the proposed candidates to ensure they have the requisite skills, education and experience to adequately fulfill their role and responsibilities.

The purpose of this circular is to further clarify the education/training, experience, knowledge, skill and abilities DAB expects a candidate to possess before applying for specific positions within a bank for Islamic banking window.

Attached are the eligibility criteria for membership of the following bodies or for the following positions:

Shariah Committee of IBW
Head of Islamic Banking Window
Deputy Head of Islamic Banking Window
Investment/Finance Officer of IBW

Before a candidate is invited for an interview with DAB, they should meet the attached criteria.

If you have any questions about this circular, please contact Financial Supervision Department of DAB.

Very truly yours,

Mohibullah Safi
First Deputy Governor,
Da Afghanistan Bank

Shariah Committee Member

Nominees should meet the following minimum criteria:

Educational and certification:

- The proposed member of the Shariah Committee shall at least either have qualification or possess necessary knowledge, expertise or experience in the following areas:
 - (a) MA or BA in Islamic Studies.
 - (b) Islamic jurisprudence (*Usul al-Fiqh*);
 - (c) Islamic transaction/commercial law (*Fiqh ul-Mu'amalat*).
 - (d) Knowledge of or at-least familiarity with the banking industry.

Experience

- Strong knowledge of Shariah & law or *Fiqh ul Mu'amalat* or experience of at least 10 years giving religious rulings.
- Knowledge of or at-least familiar with the banking industry.

Knowledge-Skills-Abilities:

- Adequate understanding of the detailed responsibilities of the committee membership as well as the bank's business, operations and risks;
- Proficiency in local languages and English, both oral and written
- Excellent communication skills;
- Have adequate time to perform his/her duties as Audit Committee Member at the Bank's Office;

TRACK RECORD

- The Shariah committee/board members must have an faultless track record in the companies he/she has served either in the capacity of an employee or director/chief executive or as chairman.
- Has not given any wrong *fatwa's* on Islamic Finance transactions.
- Has not been associated with any illegal activity especially relating to banking business.
- Has not been convicted any criminal offence, involved in any fraud/forgery, financial crime etc.
- Has not been disqualified.

Head of Islamic Banking Window

Head of Islamic Banking Window candidates should meet the following minimum requirements:

Education:

Minimum academic qualifications area graduate degree such as

- Bachelor's or Master's degree, in Islamic banking Business Administration, Finance, Law, Economics or Islamic *shariat*, accounting, marketing, banking or risk management;
- Professional training or certificates in Islamic banking related field a plus.
- Alternatively a related area Islamic banking or equivalent professional certification in Islamic finance or in the discipline of banking and finance may be an added qualification.

Experience:

- At least 5 years of progressive management experience within the Islamic banking industry, and at least worked for 3 years on product development and investment level.
- Experience may be considered in case of experience as teacher of Islamic *Fiqh*, *Islamic Economics* and *Fiqh ul mamilat* in a reputable institution, other than banking institutions, for a period of not less than three years.

Knowledge, skills and abilities:

- Thorough knowledge of the Islamic banking industry, financial and accounting and AAOIFI accounting standards policies and practices and related laws and regulations;
- Understanding of trading and operational processes of Islamic banking and conventional banking;
- Advanced knowledge of financial management;
- Strong leadership and internal personal abilities;
- Solid organizational and analytical skills;
- Identify, develop and direct the implementation of business strategy;
- Must be able apply himself exclusively to the management of the bank;
- Must be able to define and articulate the organization's vision and to develop strategies for achieving that vision;
- Excellent written and verbal communication skills.

TRACK RECORD

- Has not been terminated or dismissed in the capacity of employee, director/chairman of a company.
- Has not been associated with any illegal activity especially relating to banking business.
- Has not been in default of payment of dues owed to any financial institution and/or default in payment of any taxes.
- Has not been convicted any criminal offence, involved in any fraud/forgery, financial crime etc.
- Has not been subject to any adverse findings or any settlement in civil/criminal proceedings particularly with regard to investments, financial/business, misconduct, fraud.
- Has not been disqualified.

Deputy Head of Islamic Banking Window

The nominees should have the following minimum criteria:

Education and training:

- Bachelor's with concentration in Islamic Finance, Economics, Law, Accounting, Marketing or in Islamic banking or risk management;
- Professional training or certificates in Islamic banking related field a plus.

Experience:

- 2 – 3 years Investment and Islamic finance experience with a recognized Islamic financial institution;
- Experience should include financing originations, investment evaluation, portfolio management and risk management;
- Experience in managing Investment department, developing and implementing investment and financing policies and procedures for commercial financing.

Knowledge, Skills and abilities:

- Knowledge of investment and Islamic financing; investment evaluation and underwriting;
- Having understanding of conventional and Islamic banking operations
- Ability to manage problem assets and develop workout strategies;
- Ability to develop Islamic financing policies, processes and procedures, together with a creative approach to identifying new Islamic financing products and structures for clients;

- Basic knowledge of AAOIFI accounting concepts specific to Islamic banks and IFSB standards: On-balance sheet, off-balance sheet, trading account assets, financing, commitments, guarantees;
- Working knowledge of risk management concepts;
- Have high ethical standards and integrity in both their personal and professional dealings;
- Excellent written and verbal communication skills;
- Leadership skills.

TRACK RECORD:

- Has not been subject to any adverse findings or any settlement in civil/criminal proceedings particularly with regard to investments, financial/business, misconduct, fraud.
- Has not been associated with any illegal activity especially relating to banking business.
- Has not been in default of payment of dues owed to any financial institution and/or default in payment of any taxes.
- Has not been convicted any criminal offence, involved in any fraud/forgery, financial crime etc.
- Has not been disqualified.

Investment/finance Officer of IBW

The nominees should have the following minimum criteria:

Education and training:

- Bachelor's or Master's degree in Business with concentration in Islamic Finance, Accounting, Marketing or in Islamic banking or risk management;
- Professional certification, such as CIA / CAT/ACCA, financial and risk management preferred.

Experience:

- 3 – 5 years Investment and Islamic finance experience with a recognized Islamic financial institution;
- Experience should include financing originations, investment evaluation, portfolio management and risk management;
- Experience in managing Investment department, developing and implementing investment and financing policies and procedures for commercial financing.

Knowledge, Skills and abilities:

- Knowledge of investment and commercial Islamic financing; investment evaluation and underwriting;

- Working knowledge of IFSB and Basel I and II;
- Ability to manage problem assets and develop workout strategies;
- Ability to develop Islamic financing policies, processes and procedures, together with a creative approach to identifying new Islamic financing products and structures for clients;
- Proficient in financial statement analysis, risk assessment; cash flow projections, valuation, stress testing and other financial models;
- Familiarity with local market Corporate and Consumer businesses;
- Basic knowledge of AAOIFI accounting concepts specific to Islamic banks: On-balance sheet, off-balance sheet, trading account assets, financing, commitments, guarantees;
- Working knowledge of risk management concepts;
- Have high ethical standards and integrity in both their personal and professional dealings;
- Excellent written and verbal communication skills;
- Leadership skills.

TRACK RECORD:

- Has not been subject to any adverse findings or any settlement in civil/criminal proceedings particularly with regard to investments, financial/business, misconduct, fraud.
- Has not been associated with any illegal activity especially relating to banking business.
- Has not been in default of payment of dues owed to any financial institution and/or default in payment of any taxes.
- Has not been convicted any criminal offence, involved in any fraud/forgery, financial crime etc.
- Has not been disqualified.