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## IIRA reaffirms SCFR ratings of Faysal Bank Limited, Pakistan, following complete conversion

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**Manama, October 30, 2022:** Islamic International Rating Agency (“IIRA”) has affirmed the Shari’ah Compliance and Fiduciary Rating of Faysal Bank Limited (FBL or ‘the Bank’) at “SCFR (pk) 1” on the national scale, which denotes “No material deviations from national regulatory framework for Shari’ah Compliant Finance” and “SCFR (Global) High” on the global scale, which denotes, “High level of conformance to global standards in terms of fulfilling fiduciary obligations of Shari’ah compliant Finance”.

Faysal Bank Limited (‘FBL’ or ‘the bank’) is a Pakistan-based commercial bank offering commercial, retail, and corporate banking services. Following the conclusion of the conversion process in December ‘22, the bank has surrendered its conventional banking license and is now licensed as an Islamic Bank under the relevant rules and regulations of the State Bank of Pakistan (SBP), and following completion of the regulatory review process. Islamic Banking in Pakistan is regulated by the SBP, through a comprehensive “Shari’ah Governance Framework (SGF)” which applies to all Islamic Banking Institutions (IBIs) i.e. full-fledged Islamic banks, Islamic banking subsidiaries and Islamic banking divisions of conventional banks. Majority shareholding (67%) of FBL, either directly or indirectly, is owned by Ithmaar Bank BSC (Closed) (IB, Bahrain).

The Shari’ah governance framework of FBL is aligned with regulatory requirements. An internal Shari’ah control mechanism is in place to ensure that the Bank operates in accordance with Islamic Banking principles and relevant policies. Key products meet global standards; however, some deviations persist and reflect local market needs and ongoing product evolution. Charity paid out mostly constitutes late payment charges, which have increased in the process of conversion. The distribution mechanism of such receipts, not taken to income due to Shari’ah considerations, is well-defined and in line with best practices.

The bank has implemented robust corporate governance practices meeting local and global best practices. Appointment of an independent Chairman, enhanced gender diversity at Board level and an expanded base of professional expertise, with additional board members, has uplifted the governance standards in effect at the Bank. Comprehensive information related to financial and non-financial information, is made accessible for stakeholders. The Bank has adequately discharged fiduciary responsibility with good asset quality, and satisfactory returns to investment account holders.

The rating assignment has been carried out with cooperation of the rated entity. The information contained herein is obtained by IIRA from sources believed to be accurate and reliable. IIRA does not audit or verify the truth or accuracy of any such information. As a result, the information herein is provided “as is” without any representation or warranty of any kind. IIRA, the analysts involved in the rating process and members of its rating committee do not have any conflict of interest relating to the rating/ scores assigned.

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## Scope of the Rating

This rating is an independent assessment & opinion on the Shari'ah Governance & Compliance framework as implemented by Faysal Bank Limited Pakistan. The rating encapsulates areas of coverage laid out in Governance Standard for Islamic Financial Institutions 10 (GSIFI 10), issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). The rating committee benefits from Shari'a scholarly opinion and representation of AAOIFI and IIRA.

The Global scale rating benchmarks institution level practices vis-à-vis best practices world-wide and international scholarly opinions in terms of structure for products and services, as implemented by the rated institution. As such, compliance with local regulatory requirements does not necessarily warrant the maximum score.

The national scale SCFR rating assigned is based on the extent of conformance of practices of the rated entity or its Islamic Banking Branch/Division with the national regulatory framework of the country of domicile.

For further information on this rating announcement, please contact us via e-mail at [iira@iirating.com](mailto:iira@iirating.com).

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