

Islamic Financial Services Board
Guidelines and Procedures for the Preparation of
Standards/Guidelines

April 2003

Amended December 2003

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Background

1. This document was prepared in response to Article 21 (d) of the Articles of Agreement which states that the Council shall “.....establish guidelines and procedures to be followed by any Technical Committee (and its working groups) when preparing standards and guidance for approval by the Council“.
2. An initial draft of this document was discussed by the Technical Committee in its 1st Meeting held on 5, 6 February 2003 at the IFSB offices in Kuala Lumpur, Malaysia. The Technical Committee made the necessary amendments which it deemed appropriate and agreed to submit the revised document to the Council for review and approval.
3. The Council reviewed the revised draft document in its 2nd meeting held on 30 April 2003 at the Islamic Development Bank in Jeddah, Kingdom of Saudi Arabia. The Council made the necessary amendments which it deemed appropriate and approved the document for implementation.
4. In its 3rd meeting held on 6 December 2003, the Council amended Article 4 by increasing the number of the members of a Working Group to 15.

Guidelines and Procedures for the Preparation of Standards/Guidelines

Introduction

1. Article 21 (d) of the Articles of Agreement states that the Council shall “.....establish guidelines and procedures to be followed by any Technical Committee (and its working groups) when preparing standards and guidance for approval by the Council “.
2. The guidelines and procedures presented in this document attempt to delineate the:
 - a) Structure and process of the working group(s) (WG);
 - b) Due process that shall be followed by the concerned individuals in preparing the standard/guideline;
 - c) Process of commenting on and issuance of exposure drafts;
 - d) General provisions relating to the preparation of the standards/guidelines

Working Groups

3. Each WG formed by the Technical Committee (TC) shall be responsible for the drafting of one standard/guideline. Members of the TC shall be allocated to the WG. Each WG shall comprise at least 2 members from the TC, one of whom shall be appointed as Chairman and the other as Deputy Chairman of the WG. Any member of the TC wishing to join any working group in addition to the WG to which he was assigned is welcome, subject to paragraph (4) below.
4. The total number of members in any WG, excluding the TC members, shall not exceed 15 members. The WG may include persons who are not members of the TC (in accordance with Article 29). Members in the WG other than those from the TC shall be appointed from:
 - (a) Individuals nominated from the staff of the Full Members of the IFSB;
 - (b) National or international organizations involved in setting or promoting standards for the stability and soundness of international and national monetary and financial systems; and
 - (c) National, regional or international professional or industry associations as well as market players and professional services firms (accountants, lawyers etc).
5. Members in each WG other than members of the TC shall be appointed by a committee comprising the Chairman and Deputy Chairman of the TC, Chairman of the concerned WG, and the Secretary-General.
6. Since members of the WG shall render their services on part-time basis, it will be necessary to assign to each WG a full-time project manager who shall be

responsible for the technical and administrative matters relating to the standard/guideline to which s/he is assigned. Technical matters shall include, among others, conducting research on specific issues related to the standard/guidelines being prepared as directed by the WG, drafting of the standard/guideline in all the steps of the due process based on the directions of the WG, preparing material for workshops, follow-up with the individuals assigned to undertake research projects. The administrative matters shall include, among others, logistics of meetings, minutes, preparation of summary of technical resolutions reached in each meeting.

7. In addition to the project manager, each WG shall be assigned a part-time consultant who is well knowledgeable in the international standard/guideline that is relevant to the standard/guideline that is being prepared. The consultant shall provide advice to the WG and the project manager and help in the drafting of the standard/guideline. The consultant shall also take an active role in the workshops that may be held on the topic of the standard/guideline.

8. Article 35 of the Articles of Agreement states: "Senior Secretariat staff may either be appointed by the Secretary-General or be seconded by Full Members of the IFSB on such terms and conditions as the Secretary-General shall determine, subject to the approval of the Council". The Secretary-General shall form and chair a committee to appoint the project manager and the consultant for each WG.

Preparation of the Exposure Draft of the Standard/Guideline

9. The General Secretariat shall compile a list of the standards/guidelines that it deems should be prepared. In compiling the list, the General Secretariat shall consult with the members of the TC and other relevant regulatory bodies and organizations involved in setting or promoting standard for the stability and soundness of international and national monetary and financial systems. The list of proposed standards/guidelines shall be presented to the TC for discussion before it is tabled for approval by the Council.

10. The project manager and the consultant that are assigned to a standard/guideline shall prepare an initial study highlighting, among others, the following:

- a) Issues that require to be addressed in the standard/guideline;
- b) How these issues are addressed in existing international standards/guidelines;
- c) The reasons why a different treatment is required;
- d) The possible alternative treatments of the identified issues;
- e) The pros and cons of each proposed alternative treatment; and

f) The basis for conclusions

11. Each WG shall meet to discuss the initial study of the standard/guideline assigned to it. The WG may require that the initial study should be revised and resubmitted in light of the comments made by its members. The WG shall choose the alternative it deems appropriate on each of the issues presented in the initial study. The WG shall require the project manager and the consultant to prepare a revised document based on the chosen alternatives.

12. The WG shall refer the revised document to the TC for discussion, amendment, and approval. The project manager and the consultant shall use the document approved by the TC as the basis for the preparation of a draft of the exposure draft of the standard/guideline. The WG shall discuss and amend the draft of the exposure draft accordingly.

13. A workshop may be held on the topic of each standard/guideline to be prepared. This shall enable the WG to embark on an engagement process with the various relevant supervisory and regulatory bodies (both members and non-members of the IFSB) and elicit their views on the issues raised in the document approved by the TC.

14. In deciding on the location of the workshops, consideration shall be given to the geographical locations of the members of the IFSB. The Committee mentioned in (5) above shall finalize the details of each workshop.

15. Based on the feedback from the workshop the WG will provide the project manager with guidelines to prepare a draft of the exposure draft on the standard/guideline. The WG will discuss the draft of the exposure draft and refer it to the TC.

16. The TC shall discuss and amend the draft of the exposure draft and refer it to the body of Shari'a scholars (in accordance with Article 30 (e)) for endorsement that the document complies with Shari'a rules and principles.

17. The WG shall address the remarks of the body of Shari'a scholars, if any, and ask the project manager and the consultant to revise the draft of the exposure draft accordingly. The WG shall discuss, amend and approve the revision made by the project manager and the consultant and refer the revised draft to the body of the Shari'a scholars for endorsement that the document complies with Shari'a rules and principles. The revised document shall then be referred to the TC.

18. The TC shall discuss and amend the revised draft of the exposure draft and shall approve its issuance as an Exposure Draft (ED).

Comments on and Issuance of the Exposure Draft

19. The ED shall be posted on the website of the IFSB for comments by all interested parties, including:

- a) Relevant regulatory and supervisory bodies in countries in which Islamic financial services are offered;
- b) National or international organizations involved in setting or promoting standards for the stability and soundness of international and national monetary and financial systems;
- c) National, regional or international professional or industry associations; and
- d) Financial institutions, Shari'a scholars, academics, and others.

20. In particular, the Full, Associate, and Observer members shall be asked to:

- a) Bring the ED to the attention of their respective constituents;
- b) Encourage their constituents to comment on the ED; and
- c) Send their comments to the General Secretariat.

21. In cases where it is deemed appropriate, the TC shall decide to hold public hearing(s). The WG shall attend the public hearing and receive the comments of the participants on the ED and respond to their queries.

22. The ED shall state the period that shall be allowed to receive the comments.

23. The project manager together with the consultant shall document and analyse all the comments received on the ED and present them to the WG with suggestion as to the necessary revision that should be made in the ED.

24. The WG shall discuss the comments on the ED together with the suggestions of the project manager and the consultant and revise the ED accordingly.

25. The revised ED shall be referred to the body of Shari'a scholars to endorse the compliance of the document with Shari'a rules and principles. The revised ED shall then be referred to the TC for discussion and amendment, if any.

26. The TC shall decide whether the revision made in the ED warrants that the ED should be distributed for further comments. If so, the steps mentioned above in paragraphs 17 – 23 shall be followed.

27. The TC shall present the revised ED to the Council for consideration and formal adoption (in accordance with Article 30 (a)).

28. The Council may adopt and approve for issuance the ED in the form of a standard/guideline (in accordance with Article 21 (c)).

General Provisions

29. Each member of the TC shall have one vote. Resolutions of the TC shall be effective upon a simple majority of those members of the TC present. In the event of a tie, the Chairman of the TC shall cast the deciding vote (in accordance with Article 32). The same shall apply to the WG.

30. Without prejudice to paragraph (29) above, the Chairman of the Technical Committee shall determine the procedural rules of the meeting in accordance with the by-laws and established practice (in accordance with Article 33). The same shall apply to the WG

31. At all the steps of the guidelines and procedures, the secretariat including the project managers and the consultants shall ensure that all documents and information relating to the preparation of the standards and guidelines shall be posted in the website of the IFSB and shall be made available only to all members of the TC and, where relevant, to the members of the WG, except when it is decided by the TC and/or the Council that the document(s) should be made available to the public. Members of the TC and, where relevant, members of the WG shall be notified of the posting of all documents and information.

32. All members of both the TC and WG as well as Project Manager and the consultant shall treat all the information that is presented to them during the process of preparing the standard/guideline with strict confidentiality and shall neither circulate nor make the information available to a third party.

33. Any member in the WG other than the members of the TC who does not attend three meetings without a valid excuse accepted by the Chairman and the Deputy Chairman of the relevant WG shall have his/her membership in the WG terminated after consultation with the Committee responsible for appointing the WG. The latter shall appoint another member in his/her place.