ARTICLES OF AGREEMENT



Approved by the 48th IFSB Council on

13 July, 2026

CONTENTS

Chapter I. NAME, STATUS AND LOCATION 3
Chapter III. THE STRUCTURE OF THE IFSB 5
Chapter IV. CATEGORIES OF MEMBERSHIP 6
Chapter V. FULL MEMBERSHIP 6
Chapter VI. ASSOCIATE MEMBERSHIP 8
Chapter VII. OBSERVER MEMBERSHIP 10
Chapter VIII. THE GENERAL ASSEMBLY 11
Chapter IX. THE COUNCIL 13
Chapter X. THE TECHNICAL COMMITTEE(S) 18
Chapter XI. THE SECRETARIAT 20
Chapter XII. CAPACITY DEVELOPMENT 22
Chapter XIII. THE BUDGET 22
Chapter XIV. ACCOUNTS 23
Chapter XV. INTERPRETATION, DISPUTES SETTLEMENT 24
Chapter XVI. ADMISSION TO MEMBERSHIP 25
Chapter XVII. WITHDRAWAL AND TRANSFER OF MEMBERSHIP 25
Chapter XVIII. CANCELLATION OF MEMBERSHIP, SANCTIONS, PENALTIES . 26
Chapter XIX. AMENDMENTS 27
Chapter XX. TERMINATION 27
Chapter XXI. MISCELLANEOUS 28
Chapter XXII. EFFECTIVE DATE OF THIS AGREEMENT 28

IN THE NAME OF ALLAH, THE MERCIFUL, THE GRACIOUS

ARTICLES OF AGREEMENT OF THE ISLAMIC FINANCIAL SERVICES BOARD

WHEREAS

A. By the Grace of Allah, there has been a worldwide increase in demand for financial services based on Islamic principles.

B. There is a need for internationally recognised and unified standards for fostering effective regulation and supervision of such services.

C. The signatories to this Agreement (the “Founding Members”), being national regulators and/or supervisors and/or other interested parties, have come together with the intention of establishing a body to issue such standards.

D. The Founding Members wish hereby to establish a body for coordinating and giving guidance on good practices in the regulation and supervision of Islamic financial services and hereby set out the rules which shall govern the body.

Chapter I. NAME, STATUS AND LOCATION

Article 1

The body is hereby established and shall be known as the "Islamic Financial Services Board" (hereinafter, the "IFSB").

Article 2

The IFSB shall have separate legal personality.

Article 3

The IFSB shall be established and located in Kuala Lumpur, Malaysia which shall host the Secretariat.

The host country of the Secretariat shall ensure that the IFSB and its constituent organs (as set out in Article 5) shall be exempted from all taxes, duties, fees and levies, and shall be granted other immunities and privileges in respect of its assets, properties, incomes and operations.

Chapter II. OBJECTIVES AND MANDATE

Article 4

(a) The objectives of the IFSB are:

(i) To promote the development of a prudent and transparent Islamic financial services industry through introducing new, or adapting existing, international standards consistent with *Sharī'ah* principles, and recommending these for adoption.

(ii) To enhance and coordinate initiatives to develop instruments and procedures for efficient operations and sound risk management.

(iii) To encourage cooperation amongst member countries in developing the Islamic financial services industry.

(iv) To liaise and cooperate with relevant organisations currently setting standards for or promoting the stability and the soundness of the international monetary and financial systems and those of the member countries.

(v) To support the Islamic financial services industry by undertaking research into, and publish studies and surveys on, the Islamic financial services industry, and by establishing statistical, prudential and other relevant databases for Islamic financial institutions and markets.

(vi) Any other objectives which the General Assembly of the IFSB may agree from time to time.

(b) In pursuit of its objectives, the IFSB is entrusted with the following mandates:

(i) To develop and promote global standards and to provide guidance on the effective supervision and regulation of institutions offering Islamic financial products and to develop for the Islamic financial services industry the criteria for identifying, measuring, managing and disclosing risks, taking into account international standards for valuation, income and expense calculation, and disclosure.

(ii) To facilitate the consistent, timely and effective implementation of standards and the safe and sound development of the Islamic financial services industry by providing capacity development services to member countries.

(iii) To monitor, assess and report on current and emerging risks and potential vulnerabilities affecting the prudential soundness of the Islamic financial services industry and posing risks to its financial stability.

Chapter III. THE STRUCTURE OF THE IFSB

Article 5

The IFSB shall have a structure comprising the following constituent organs:

(a) The General Assembly;

(b) The Council;

(c) The Technical Committee;

(d) The Executive Committee, as established and determined by the Council;

(e) The Secretariat.

The constituent organs referred to above shall have the powers and duties set out in this Agreement or By-Laws.

The IFSB may make such By-Laws for the pursuance of the IFSB's objectives and concerning the operation and procedures of the IFSB and its constituent organs

as may be necessary or expedient. Such By-Laws shall be prepared by the Secretariat and approved by the Council.

Chapter IV. CATEGORIES OF MEMBERSHIP

Article 6

There shall be three categories of membership of the IFSB:

(a) Full Membership;

(b) Associate Membership;

(c) Observer Membership.

The categories of membership referred to above shall have the rights and responsibilities set out in this Agreement. All IFSB members have the responsibility to support and promote the IFSB and its objectives and are expected to adhere to the shared values of the IFSB and cooperate and assist each other in fulfilling their roles and responsibilities, including, inter alia, through mutual sharing and exchange of information on legal, regulatory, policy, and market developments in their respective countries and active participation in IFSB discussions and network activities.

Chapter V. FULL MEMBERSHIP

Article 7

Full Membership shall be available to:

(a) the supervisory and regulatory authorities that are responsible for the regulation and supervision of the following financial services -
   (i) banking industry;

   (ii) securities industry; or

(iii) insurance or *takãful* industry.

of each sovereign country that recognises Islamic financial services, whether by legislation or regulation or by established practice; and

(b) inter-governmental and international organisations that have an explicit mandate for promoting Islamic finance and markets,

upon application for membership by that authority or organisation.

The Founding Members are hereby admitted as Full Members of the IFSB.

Article 8

A Full Member shall have, *inter alia*, the following rights:

(a) To participate and vote in all meetings of the General Assembly.

(b) To participate in all meetings of the Council, and the eligibility, subject to Article 20, to be a voting member of the Council.

(c) To participate and vote in Council Committees and Working Groups.

(d) To be eligible to lead, as Chairman or Deputy Chairman, the General Assembly and Council, and Council Committees and Working Groups.

(e) To receive capacity development services (as referred to in Article 38) upon such terms as the Council shall agree from time to time.

(f) To benefit from all other services offered by the IFSB.

A Full Member shall have the following responsibilities:

(g) To promote in its own country and fully support the standards and guidance issued by the Council. Where a Full Member does not have sufficient legal powers to give effect to the standards and guidance issued by the Council, it shall take all appropriate steps to raise such matters with relevant national authorities and/or its members with a view to recommending the adoption of the same.

(h) To support the IFSB by providing the necessary expertise and by promoting the IFSB, and its Standards and Guidance, at the national and international levels.

(i) To pay promptly the annual full membership fee as determined by the General Assembly from time to time.

Chapter VI. ASSOCIATE MEMBERSHIP

Article 9

Associate Membership shall be available to any central bank, monetary authority or financial supervisory and regulatory organisation or international organisation involved in setting or promoting standards for the stability and soundness of international and national monetary and financial systems, which does not qualify for Full Member status pursuant to Article 7 (or which does not seek to become a Full Member pursuant to Article 7) upon application for membership by that central bank, authority or organisation.

Article 10

An Associate Member shall have, *inter alia*, the following rights:

(a) To be upgraded to a Full Member upon the approval of the Council provided always that the country of that Associate Member is not already represented by a Full Member in the IFSB who is the supervisory and regulatory authority for the industry in which the Associate Member is involved.

(b) To participate and vote in all meetings of the General Assembly.

(c) To attend all meetings of the Council as an observer.

(d) To participate in the Technical Committee, provided that Full Members have priority to join the Technical Committee.

(e) To be considered for participating in ad-hoc Council Committees, as the Council may decide from time to time, with the exception of an ad-hoc Governance Committee.

(f) To participate and vote in the IFSB working groups.

(g) To receive capacity development services (as referred to in Article 38) upon such terms as the Council shall agree from time to time.

(h) To benefit from all other services offered by the IFSB.

An Associate Member shall have the following responsibilities:

(i) To promote in its own country and fully support the standards and guidance issued by the Council, except where there is a Full Member representing its country in the General Assembly and that Full Member has successfully taken all necessary steps to promote and recommend for adoption such standards and guidance. Where an Associate Member does not have sufficient legal powers to adopt the standards and guidance issued by the Council, it shall:

(i) where there are Full Members representing the Associate Member's country in the General Assembly, assist those Full Members to the fullest extent possible with their efforts to adopt the standards and guidance issued by the Council.

(ii) where there are no Full Members representing the Associate Member's country in the General Assembly, it shall take all appropriate steps to raise such matters with relevant national authorities with a view to promoting and recommending adoption of the same.

The responsibility in this sub-article shall not apply to international organisations although it is expected that they will be fully supportive of the objectives of the IFSB in their discussions with relevant national authorities.

(j) To support the IFSB by providing the necessary expertise and by promoting the IFSB, and its Standards and Guidance, at the national and international levels.

(k) To pay promptly the annual associate membership fee as determined by the General Assembly from time to time.

Chapter VII. OBSERVER MEMBERSHIP

Article 11

Without prejudice to Article 51, Observer Membership shall be available to any:

(a) national, regional or international professional or industry association;

(b) institution that offers Islamic financial services;

(c) firm or organisation that provides professional services, including accounting, legal, rating, research or training services to any institution in (b) above, or;

(d) central bank, monetary authority or financial supervisory or regulatory organisation or international organisation involved in setting or promoting standards for the stability and soundness of international and national monetary and financial systems, which does not qualify for Full or Associate Member status pursuant to Articles 7 or 9 (or which does not seek to become Full or Associate Member pursuant to Articles 7 or 9) upon application for membership by that central bank, authority or organization;

upon application for membership by the entities mentioned in (a), (b), (c) and (d) above. Any institution in (b) above shall secure the approval of its relevant financial supervisory and regulatory authority to be admitted to the membership of the IFSB.

Article 12

An Observer Member shall have the following rights:

(a) To participate, but not vote, in all meetings of the General Assembly.

(b) For Observer Members qualified pursuant to Article 11(d), subject to Articles 7 and 9, and as established in the By-Laws:

(i) to be upgraded to a Full or Associate Member upon the approval of the Council provided always that the country of that Observer Member is not already represented by a Full Member in the IFSB who is the supervisory and regulatory authority for the industry in which the Observer Member is involved.

(ii) to be considered, subject to Article 29, for participating in the Technical Committee as observer, provided that Full Members followed by Associate Members have priority to join the Technical Committee, as the Council may decide from time to time.

(iii) to be considered to receive capacity development services (as referred to in Article 38) upon such terms as the Council shall agree from time to time.

(iv) to benefit from all other services offered by the IFSB.

(c) For Observer Members qualified pursuant to Article 11(a)(b)(c):

(i) to participate in IFSB-organised capacity building activities designed for these members.

(ii) to attend IFSB-organised events and access information and data provided by the IFSB to its members.

(d) An Observer Member shall have the following responsibilities:

(i) To support the IFSB by promoting the IFSB and its Standards and Guidance at the national and international levels.

(ii) To pay promptly the annual observer membership fee as determined by the General Assembly from time to time.

Chapter VIII. THE GENERAL ASSEMBLY

Article 13

The General Assembly shall be the representative body of all the members of the IFSB referred to in Article 6.

Article 14

The General Assembly shall have, *inter alia*, the following duties and responsibilities:

(a) To review and approve the final audited accounts of the IFSB.

(b) To approve the appointment of the external auditor of the IFSB.

(c) To determine membership fees for the various categories of members referred to in Article 6, including any exemptions or reductions for individual members, as determined on a case-by-case basis.

(d) To discuss issues relating to the objectives of the IFSB.

Article 15

The General Assembly shall meet annually at such time and place as the Secretariat (after consultation with the Chairman of the Council) shall determine by not less than 3 months' notice provided that no such notice shall be required in respect of the first meeting of the General Assembly which shall take place promptly after this Agreement shall have come into effect in accordance with Article 63.

Article 16

In addition to the annual meeting referred to in Article 15, three-quarters of the Full Members of the General Assembly may, by petition to the Secretariat, convene an extraordinary meeting of the General Assembly upon such terms and conditions as the Secretariat shall reasonably determine and communicate to members provided always that:

(a) there shall be not less than one month's notice of such a meeting;

(b) all the members of the General Assembly are invited to attend; and

(c) such a meeting shall be conducted in accordance with Article 17, the by-laws and the procedural rules applied at the previous General Assembly meeting.

Article 17

At any meeting of the General Assembly, whether pursuant to Article 15 or Article 16, the necessary quorum for the purposes of any meeting of the General

Assembly shall be two-thirds of all Full Members. Each Full and Associate Member shall have one vote. Resolutions of the General Assembly shall be effective with a simple majority of Full and Associate Members present, subject to Articles 53 and 54.

Article 18

No member of the General Assembly (or representative thereof) may act as a proxy for another member. Any challenge to the rights of a person to represent a member shall be determined by the Chairman of the General Assembly.

Article 19

All meetings of the General Assembly shall be presided over by a Chairman elected from the Full Members by a simple majority of all Full Members present at the end of the previous meeting of the General Assembly. If the Chairman- elect does not attend the meeting for which he has been elected Chairman, the Chairman of that meeting shall be elected from the Full Members by a simple majority of Full Members present at that meeting. The Chairman of the first meeting of the General Assembly shall be the Chairman of the Council at that time.

Chapter IX. THE COUNCIL

Article 20

(a) The Council shall be the senior executive and policy making body of the IFSB. Its membership shall consist of representatives of all Full Members, with each country represented by one Full Member according to the criteria specified in the By-Laws, or an international organisation.

(b) Each member of the Council shall be represented by its most senior executive officer or such other senior person as he or she shall nominate to represent him or her from time to time.

(c) Any member of the Council may invite another Full Member from its country to lead, participate in, or exercise its voting rights as a member of the Council at any session or meeting of the Council on matters which specifically concern the industries under supervision of the invited Full Member.

(d) Each country represented by a member of the Council shall have only one vote notwithstanding the number of Full Members from that country.

Article 21

The Council shall have, inter alia, the following duties and responsibilities:

(a) To formulate and approve the policies and strategies of the IFSB.

(b) To approve and make the by-laws of the IFSB.

(c) To adopt and approve for issuance prudential and supervisory standards and guidance on Islamic financial services on such terms as it deems fit following the advice and recommendations of the Technical Committee.

(d) To establish one or more Technical Committees and to 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.

(e) To refer technical Islamic financial services issues to the Technical Committee for its review, advice and recommendations.

(f) To constitute the Technical Committee, appoint its Chairman and Deputy Chairman, and determine its terms of reference (in accordance with Article 29).

(g) To establish and govern (including through dissolution) other standing or ad-hoc committees, as it deems it necessary from time to time, to advise or assist in the performance of the Council's duties and responsibilities.

(h) To approve the budget of the IFSB (in accordance with Article 41).

(i) To set guidelines for the maintenance, management and monitoring of funds as may be established in pursuance of the objectives of the IFSB.

(j) To appoint the Secretary-General of the IFSB and determine his terms of reference (in accordance with Article 34).

(k) To assess and approve applications for membership (in accordance with Article 51).

(l) The Council shall be the competent authority on new issues relevant to the objectives of the IFSB that are not addressed under this Agreement.

Article 22

The Council shall meet at least twice a year, at such time and place as the Secretariat (after consultation with the Chairman of the Council) shall determine, by not less than two months' notice provided that no such notice shall be required in respect of the first meeting of the Council which shall take place promptly after this Agreement shall have come into effect in accordance with Article 63.

Article 23

In addition to the meetings referred to in Article 22, three quarters of the members of the Council may require the Secretariat to convene an extraordinary meeting of the Council upon such terms and conditions as the Secretariat shall reasonably determine and communicate to members of the Council provided always that:

(a) there shall be not less than one month's notice of such a meeting;

(b) all the members of the Council are invited to attend; and

(c) such a meeting shall be conducted in accordance with Article 24, the by-laws and the procedural rules applied at the previous Council meeting.

Article 24

At any meeting of the Council, whether pursuant to Article 22 or 23, the necessary quorum for such a meeting to make valid and binding decisions shall be two-thirds of all the voting members of the Council.

Where any voting member of the Council has invited another Full Member from its country to lead, participate in, or exercise its voting rights as a member of the Council under Article 20(c) in its stead, such Full Member shall be deemed to be a voting member of the Council only for the purposes of that Council meeting.

Article 25

No member of the Council may act as a proxy for another member of the Council. Any challenge to the rights of a person to represent a member of the Council shall be determined by the Chairman of the Council.

Article 26

All meetings of the Council shall be presided over by a Chairman who shall be assisted by a Deputy Chairman. The Chairman and Deputy Chairman of the Council shall hold office for a period of one Gregorian year (1st January to 31st December).

Until 2010, the Chairman and Deputy Chairman of the Council shall be from the Founding Members and shall assume office on a rotational basis. The first Chairman of the Council shall be the representative of the member of the Council whose country is at the effective date of this Agreement (as determined in accordance with Article 63) first in (English language) alphabetical order. The first Deputy Chairman of the Council shall be the representative of the member of the Council whose country is at that date second in (English language) alphabetical order.

If the first Chairman and Deputy Chairman of the Council assume office before 1st January, their terms of office shall be deemed to have commenced on the next such 1st January notwithstanding that, by virtue of this rule, their overall period of office may exceed one year.

Upon the expiry of the terms of the first Chairman and Deputy Chairman of the Council, the Deputy Chairman of the Council shall automatically assume the office of Chairman of the Council and the representative of the member whose country is third in (English language) alphabetical order shall assume the office of Deputy Chairman of the Council.

This process shall be repeated every year until 2010 and these offices are fully rotated amongst the Founding Members, whereupon unless the Council otherwise decides in a particular year or in the case of a particular member, the Chairmanship shall from 2011 be alternated annually between members of the Council elected on a rotational basis from among the non-Founding Members from the OIC member countries (based on the date of admission into the IFSB) and the Founding Members

(based on the alphabetical order of the country in theEnglish language). Subject to any decision of the Council to the contrary in any particular year or in the case of a particular member, in the year in which the Chairman of the Council is from a Founding Member, the Deputy Chairman ofthe Council shall be elected on a rotational basis from a non-Founding Member from an OIC member country (based on the date of admission) and in a year in which the Chairman of the Council is from a non-Founding Member from an OIC country, the Deputy Chairman of the Council shall be from a Founding Member (based on the alphabetical order in the English language).

In the case of non-Founding Members elected from OIC member countries, no Full Member from a country whose Full Member has been Chairman of the Council earlier shall, unless the Council decides otherwise in the case of any particular non-Founding Member, assume the post until the other non-Founding Members from OIC member countries have all been Chairman of the Council.

Whereupon, unless the Council otherwise decides in a particular year or in the case of a particular member, the Chairmanship shall from 2027 be alternated annually between members of the Council elected in (English language) alphabetical order. Subject to any decision of the Council to the contrary in any particular year or in the case of a particular member, the Deputy Chairman of the Council shall be elected from the country that is, at that date, second in (English language) alphabetical order.

No country whose Full Member has been Chairman of the Council earlier shall, unless the Council decides otherwise in the case of any particular Member, assume the post until the other Members have all been Chairman of the Council.

Article 27

Each member of the Council shall have one vote as provided in Article 20(d). Resolutions of the Council shall be effective upon a simple majority of those members of the Council present confirming their approval. In the event of a tie, the Chairman shall cast the deciding vote.

Article 28

Without prejudice to Article 27, the Chairman shall determine the procedural rules of the meeting in accordance with the by-laws and established practice.

Chapter X. THE TECHNICAL COMMITTEE(S)

Article 29

The Technical Committee(s) shall be the body responsible for advising the Council on technical issues within its terms of reference (as determined by the Council). Such technical issues shall include the preparation of IFSB standards and guidance. The Technical Committee(s) shall consist each of up to thirty persons selected by the Council and shall have a term of office of three years. In selecting the members of the Technical Committee(s) due consideration shall be given to:

(a) the relevant technical expertise and skills of the candidates;

(b) ensuring equitable distribution between (i) the specific technical skills required by the Technical Committee(s) and (ii) geographical and industrial sector composition; and

(c) ensuring continuity of the Committee(s) work.

At least fifty per centum of the members of the Technical Committee(s) shall be representatives of the members of the Council. The other members of the Technical Committee may include persons or representatives of persons who are non-members of the Council. The Council shall designate one person representing a Full Member to act as Chairman and one person representing a Full Member to act as Deputy Chairman of the Technical Committee.

Article 30

The Technical Committee(s) shall have, *inter alia*, the following duties and functions:

(a) To present draft prudential and supervisory standards and guidance for Islamic financial services for consideration and formal adoption by the Council.

(b) To advise and make recommendations to the Council on various specific technical issues referred by the Council.

(c) To appoint and approve the work plans of specific working groups to

consider and report back on technical issues. Such working groups may include persons who are not members.

(d) To review and discuss the findings of the working groups in accordance with the guidelines and procedures set down by the Council pursuant to Article 21(d).

(e) To engage the services of an established representative body of Shariah scholars with the knowledge of industry practice approved by the Council to guide their deliberations.

(f) To assist with such other technical matters as the Council shall request from time to time as specified in Article 29

Article 31

The Technical Committee(s) shall meet at such times and in such locations as its Chairman (after consultation with the Secretariat) shall decide. No business shall be transacted at any meeting of the Technical Committee(s) unless a quorum is present. A quorum for the purpose of any meeting of the Technical Committee(s) shall be two-thirds of all member(s) of the Technical Committees.

Article 32

Each member of the Technical Committee(s) shall have one vote. Decisions of the Technical Committee shall be effective upon a simple majority of those members of the Technical Committees present. In the event of a tie, the Chairman of the Technical Committee shall cast the deciding vote.

Article 33

Without prejudice to Article 32, the Chairman of the Technical Committees shall determine the procedural rules of the meeting in accordance with the By-Laws and established practice.

Chapter XI. THE SECRETARIAT

Article 34

The Secretariat shall be the permanent administrative body of the IFSB. It shall be headed by a full-time Secretary-General appointed by the Council on such terms and conditions as the Council shall determine.

In the event of resignation of the Secretary-General or if the position of the Secretary-General becomes vacant, and prior to a successor Secretary General being appointed, the Council shall appoint an acting Secretary-General who shall assume the role of the Secretary-General on an interim basis. Upon the successor Secretary-General being appointed, the interim role of the acting Secretary-General shall be relinquished.

Article 35

The Secretary-General shall be accountable to the Council for his or her actions. The Secretary-General shall at all times act in the best interests of the IFSB in furtherance of the IFSB's objectives.

The Secretary-General shall be assisted by such other administrative and support staff as are necessary for the effective functioning of the Secretariat.

Senior Secretariat staff are appointed by the Secretary-General on such terms and conditions as the Secretary-General shall determine, subject to the approval of the Council.

The Secretary-General shall be entitled to attend and participate in (but not vote at) any meeting of the General Assembly, the Council, the Technical Committee(s) or any working group appointed by the Technical Committee(s), and other standing or ad-hoc Council committees.

Article 36

A proportion of the budget of the IFSB shall be allocated towards acquiring such premises, office facilities, and support staff as are necessary for the effective functioning of the Secretariat (as determined by the Secretary-General and the Council).

Article 37

The Secretariat shall have, *inter alia*, the following duties and responsibilities:

(a) To draft IFSB strategic plans, pursuant to Article 21(a), for Council approval.

(b) To prepare and execute operational work programs in accordance with the approved strategic plans.

(c) To manage all administrative work of the IFSB.

(d) To coordinate the work of the Council, the Technical Committee(s) and related sub-committees or working groups, and other Council Committees.

(e) To prepare the documentation needed for meetings of the IFSB.

(f) To disseminate the standards and directions issued by the Council.

(g) To prepare draft by-laws of the IFSB.

(h) To liaise with central banks, monetary authorities, international organisations and other supervisory and regulatory organisations.

(i) To act as a central information depository holding all records, standards and guidance issued by the IFSB and other relevant organisations.

(j) To organise and act as secretary of meetings of the General Assembly, the Council, the Technical Committee(s), and other Council Committees.

(k) To act as spokesperson and as representative of the IFSB at international and regional meetings and fora (and to appoint another person to act in his or her place).

(l) To deal with administrative issues arising from membership or potential membership of the IFSB.

(m) To prepare a draft budget for the IFSB in accordance with Articles 39 and 40.

(n) In accordance with guidelines established by the Council, to manage and maintain such funds as may be established in pursuance of the objectives of the IFSB.

(o) To undertake such other activities as shall be assigned to it by the Council or the Technical Committee.

Chapter XII. CAPACITY DEVELOPMENT

Article 38

Pursuant to Article 4(b)(ii), IFSB capacity development services shall include, inter alia, the following services:

(a) Technical assistance which refers to the provision of technical and policy expertise and guidance, aimed at helping members design, adopt, and implement effective policies.

(b) Training, aimed at building and strengthening the relevant technical capacity of institutions and individuals

(c) Knowledge sharing, aimed at facilitating the dissemination of relevant global and local knowledge and the peer-to-peer exchange of ideas, applications and experiences

(d) Public events, aimed at raising awareness of the IFSB and the Islamic finance industry.

Chapter XIII. THE BUDGET

Article 39

The IFSB shall have an annual budget which shall be prepared by the Secretariat and approved by the Council. The budget shall comprise membership fees, grants, contributions, donations and other funds received by the IFSB. When preparing the budget the Secretariat shall take into account the financial position of IFSB.

Article 40

The Secretariat shall submit the draft budget to the Council at its meeting prior to the beginning of the financial year of the IFSB.

Article 41

The final version of the budget shall be approved by the Council and shall be adhered to by all the bodies and individual members of the IFSB.

Chapter XIV. ACCOUNTS

Article 42

The financial year of the IFSB shall be 1st January to 31st December.

Article 43

The Secretariat shall maintain the books and records and be responsible for the preparation of the accounts of the IFSB.

Article 44

In addition to preparing annual financial statements, the Council shall determine what additional accounting information shall be provided by the Secretariat.

Article 45

The annual audited financial statements shall be prepared no later than March 31st of each year according to International Accounting Standards where relevant Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) standards do not exist.

Article 46

The Secretary-General shall establish an internal audit within the Secretariat unless otherwise decided by the Council.

The financial statements shall be audited by an internationally recognised accounting firm selected by the Secretariat and agreed by the Council and approved by the General Assembly.

The General Assembly shall approve the annual audited financial statements of the IFSB.

Chapter XV. INTERPRETATION, DISPUTES SETTLEMENT

Article 47

All issues relating to the interpretation of this Agreement, the By-Laws of the IFSB and any disputes between the IFSB and a member or between members in relation to the IFSB shall be resolved by the Council.

Article 48

Any dispute which arises should be resolved by consultation based on the spirit of Islamic brotherhood and solidarity.

Article 49

Where the parties concerned fail to resolve the dispute in accordance with Article 48, the matter should be referred to an ad-hoc Disputes Settlement Committee to be established by the Council pursuant to Article 21.

The Disputes Settlement Committee shall be empowered to hear submissions from all the parties to the dispute and others in such manner as the committee shall deem appropriate in all the circumstances. The Disputes Settlement Committee shall then issue its decision in writing and communicate the same to all the relevant parties.

Article 50

The decision of the Disputes Settlement Committee shall be binding on all the parties and there shall be no further right of appeal.

Chapter XVI. ADMISSION TO MEMBERSHIP

Article 51

Applications to join the IFSB shall be submitted to the Secretariat. The Secretariat shall then report on the application to the Council at its next meeting and make its recommendation on whether or not to admit the applicant.

The Council shall determine whether the applicant shall be admitted as a member of the IFSB and the Council may, where it deems fit, admit an applicant which qualifies as a Full Member or an Associate Member as an Observer Member notwithstanding Article 11.

Following the approval of the Council, the applicant shall formally become a member of the IFSB upon its entry into a membership agreement under which the IFSB admits the applicant as a member and the applicant agrees to be bound by and perform its obligations under this Agreement.

Notwithstanding anything to the contrary, the Council may, in such special circumstances as it may determine, admit any applicant as a member in the specific category of membership which the Council deems fit.

Chapter XVII. WITHDRAWAL AND TRANSFER OF MEMBERSHIP

Article 52

Any member may resign and withdraw from the IFSB effective upon six months' notice of intention to do so to the Secretariat. The Secretariat, acting upon the direction of the Council, may impose any such reasonable conditions upon the withdrawal as it may determine, provided that no such condition would result in the withdrawing member being required to remain a member of the IFSB for more than six months after giving notice of its intention to withdraw.

Any member may propose to transfer its membership to another entity ("transferee entity") to which such member's supervisory functions are transferred by operation of law, subject to the following:

(a) such transferee entity is proposed and designated by such member;

(b) such transferee entity is otherwise eligible under Articles 7, 9 and 11 above; or

(c) such member and such transferee entity are from the same country.

Any proposal by such member to transfer its membership to such transferee entity must be approved by the Council.

Chapter XVIII. CANCELLATION OF MEMBERSHIP, SANCTIONS, PENALTIES

Article 53

A Full Member may propose for cancellation of membership or sanction or penalty of any member:

(a) if any such member is no longer eligible to be a Full Member/ Associate Member;

(b) if any such member's continued status as a member may be detrimental to the IFSB.; or

(c) if any such member engages in any conduct that may be detrimental to the IFSB.

Provided always that:

(i) such proposal for cancellation of membership or sanction or penalty of any member shall be supported by a petition of two-thirds of the Full Members of the General Assembly; and

(ii) the types of sanctions or penalties that may apply under this Article 53 shall be resolved by the Council.

Subsequent to such proposal for cancellation of membership or sanction or

penalty of any member (supported by such petition of two-thirds of the Full Members of the General Assembly) and provided that at least all three-quarters of all Full Members have consented, the General Assembly may (i) cancel the membership of any member or (ii) impose such other sanction or penalty upon any member, each upon such terms and conditions as the General Assembly deems fit.

Chapter XIX. AMENDMENTS

Article 54

This Agreement may be amended with the consent of three-quarters of the Full Members.

Article 55

The parties to this Agreement are deemed to consent to any amendments made pursuant to Article 54 without the need for any further action on their part.

Chapter XX. TERMINATION

Article 56

This Agreement, and therefore (subject to any legal formalities required pursuant to Article 2) the IFSB, may be terminated upon the agreement of three-quarters of all Full Members.

Article 57

Upon an agreement to terminate the IFSB pursuant to Article 56, the General Assembly shall appoint a liquidator to manage the financial and legal formalities of winding-up the IFSB.

Article 58

Upon the appointment of a liquidator pursuant to Article 57, the authority of the General Assembly, the Technical Committee and the Secretariat shall cease. The

Council (or such smaller body as it may appoint) shall remain in existence to oversee the liquidation arrangements.

Article 59

Upon settlement of the liabilities of the IFSB, the remaining assets (if any) shall be distributed *pro rata* amongst all members in proportion to the last such membership fees set by the General Assembly.

Chapter XXI. MISCELLANEOUS

Article 60

This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same document.

Article 61

This Agreement shall be governed in accordance with the laws of Malaysia.

Article 62

The official language of the IFSB and this Agreement shall be English.

Chapter XXII. EFFECTIVE DATE OF THIS AGREEMENT

Article 63

This Agreement shall come into effect and (without prejudice to any legal formalities required pursuant to Article 2) the IFSB shall be formally created on the date when no fewer than five Full Members ascribe their duly authorised signatures below.

IN WITNESS WHEREOF the parties hereto set hereunder their hands at Kuala Lumpur, Malaysia on the 3rd day of November 2002:

H.E. SHAIKH AHMED BIN MOHAMMED AL KHALIFA
GOVERNOR, BAHRAIN MONETARY AGENCY

H.E. DR. SYAHRIL SABIRIN
GOVERNOR, BANK INDONESIA

H.E. DR. MOHSEN NOURBAKHSH
GOVERNOR, BANK MARKAZI JOMHOURI ISLAMI IRAN

H.E. SHEIKH SALEM ABDULAZIZ AL-SABAH
GOVERNOR, CENTRAL BANK OF KUWAIT

H.E. DR. ZETI AKHTAR AZIZ
GOVERNOR, BANK NEGARA MALAYSIA

H.E. DR. ISHRAT HUSSAIN
GOVERNOR, STATE BANK OF PAKISTAN

H.E. HAMAD AL-SAYARI
GOVERNOR, SAUDI ARABIAN MONETARY AGENCY

H.E. MOHAMMED EL FATIH ZEIN EL ABDEIN MOHAMMED
DEPUTY GOVERNOR, BANK OF SUDAN

H.E. DR. AHMAD MOHAMED ALI
PRESIDENT, ISLAMIC DEVELOPMENT BANK