

Cabinet Resolution No. (65) of 2023
Concerning the Internal Sharia Control Committee and Sharia Controller for
Commercial Companies Undertaking their Activities in Accordance with
Islamic Sharia

The Cabinet:

- Upon reviewing the Constitution; and
- Federal Law No. (1) of 1972, Concerning the Competencies of Ministries and the Powers of Ministers, as amended; and
- Federal Law No. (4) of 2000, Concerning the Emirates Securities and Commodities Authority and Market, and any amendments thereto; and
- Federal Decree-Law No. (14) of 2018, Concerning the Central Bank and Regulation of Financial Institutions and Activities, and amendments thereof; and
- Federal Decree-Law No. (32) of 2021, Concerning Commercial Companies; and
- Federal Decree-Law No. (37) of 2021, Concerning Commercial Registry; and
- Federal Decree-Law No. (46) of 2021, Concerning Electronic Transactions and Trust Services; and
- Federal Decree-Law No. (50) of 2022, Concerning the Commercial Transactions Law; and
- Cabinet Resolution No. (31) of 2017, Concerning the establishment of the UAE Council for Fatwa, as amended; and
- Based on the presentation of the Minister of Economy; and approval of the Cabinet,

Has Resolved:

Article (1)

Definitions

In the application of the provisions of this Resolution, the following words and expressions shall have the meanings indicated opposite each of them unless the context requires otherwise:

State	: United Arab Emirates.
Ministry	: Ministry of Economy.
Minister	: Minister of Economy.
Company	: The commercial enterprise established in the State and carries on any of its activities in accordance with the provisions of Islamic Sharia.
Board of Directors	: The Company's Board of Directors or equivalent.
General Assembly	: The General Assembly of the Company or equivalent.
Committee	: Internal Sharia Control Committee.
Sharia Controller	: The natural person appointed by the General Assembly to perform the tasks referred to in Article (14) of this Resolution

Article (2)

Scope of Application

1. The provisions of this Resolution shall apply to companies established in the State that conduct any of their activities in accordance with the provisions of Islamic Sharia.
2. Companies licensed by the Central Bank of the United Arab Emirates whose activities are subject to the direct control of the Bank shall be excluded from the application of the provisions of this Resolution.
3. For the purposes of this Resolution, the activities carried out in accordance with the provisions of Islamic Sharia shall be determined by a resolution of the Minister, upon coordination with the relevant local authorities.

Article (3)

Formation of the Committee

1. A committee called the "Internal Sharia Control Committee" shall be formed within the company by a resolution of the General Assembly, based on a nomination by the company's Board of Directors. The resolution shall specify the Chairman of the committee and the Vice-chairman.
2. The committee shall consist of an odd number of members that is not less than (3) three members and not more than (7) seven members.
3. The tenure of membership for the committee shall be (3) three years. When this tenure expires, the General Assembly may decide to reconstitute the committee or extend the period of the current committee members for a similar period.
4. Members of the committee shall sign an undertaking and declaration, in the format approved by the company, affirming that all the conditions specified in Article (4) of this Resolution are met.

Article (4)

Membership of the Committee

A member of the committee shall meet the following conditions:

1. He shall be a natural Muslim person.
2. He shall hold at least a bachelor's degree in Islamic Sharia, specializing in Islamic jurisprudence.
3. He shall be qualified to issue fatwas in accordance with Islamic Sharia provisions and licensed by the UAE Council for Sharia Fatwa.
4. He shall have a practical expertise of no less than (7) seven years in issuing Sharia fatwas (rulings) related to financial, commercial and banking transactions, and shall be knowledgeable about the company's activities from both a legal and Sharia perspective.
5. He shall maintain independence and avoid any conflict of interest as stated in Article (16) of this Resolution.
6. He has not been convicted of a penalty in a crime against honour and trust, even if he has been rehabilitated.

Article (5)

Duties of the Committee

The Committee shall perform the following duties:

1. Issuing fatwas and setting Sharia guidelines and standards for the activities carried out by the company in accordance with Islamic Sharia provisions, in consistency with the fatwas and Sharia standards approved in the State.
2. Independently supervising the company's transactions and activities carried out in accordance with Islamic Sharia, to ensure compliance with such provisions. For this purpose, the Committee is entitled to communicate with any employee or different entities.
3. Supervising and controlling the company's activities from a Sharia perspective to ensure their compliance with the fatwas issued by the Committee and the provisions and rules of Islamic Sharia. The committee shall submit reports thereto to the Board of Directors, and may present objections in writing to the Board of Directors and the General Assembly regarding any actions that are non-compliant, if any.
4. Reviewing contract and agreement templates that relate to the company's activities carried out in accordance with Islamic Sharia, to ensure their compliance with Sharia provisions.
5. Publishing and making available relevant fatwas that relate to the company's activities, including publishing them on the company's website.
6. Interpreting the fatwas the Committee issues to the company and answering any inquiries regarding such fatwas.
7. Communicating with official agencies specialized in Sharia fatwas in the State if there is an approved fatwa in the State does not exist about a particular activity or action presented to the Committee, to ascertain its compliance with Islamic Sharia provisions.
8. Receiving reports on any violations with respect to the company's non-compliance with Islamic Sharia in its activities and submitting its Sharia opinion and recommendations on such violations to the Board of Directors and the General Assembly.

9. Submitting an annual report to the General Assembly, outlining the work the Committee has undertaken during the ended financial year and the extent to which the company's activities comply with Islamic Sharia provisions.

Article (6)

Committee Meetings

1. The committee shall hold its regular meetings at least twice a year and may convene exceptional or emergency meetings as needed for business interests.
2. An invitation shall be sent to the Committee members with a sufficient time prior to the meeting upon approval of the agenda by the Chairman of the Committee.
3. Committee meetings shall be held at the company's headquarters, unless the committee decides otherwise. Meetings may be held in full or in part through using digital meeting platforms and technologies.
4. The meeting shall not be valid unless there is the majority of members in attendance, provided that the Chairman or Vice-chairman are among them.
5. The Committee may invite any person the Committee deems suitable to attend its meetings when necessary, and may seek external advisory entities. However, attendants who are not members shall not have voting rights when the Committee makes decisions or issues fatwas.

Article (7)

Committee Work System

1. The committee shall review the works and topics presented to the Committee. In doing so, the Committee may require any additional information or hold a meeting with any persons or entities to review the necessary details.
2. The Committee shall issue its decisions and fatwas unanimously or by majority of the members in attendance. In case of equal votes, the side of the meeting chairman or the vice-chairman shall prevail.

3. The Committee may make decisions by circulation in exceptional cases, provided that such decisions shall not exceed (4) four decisions per year. Different topics may not be included in the same decision if the minimum number of meetings is exceeded.
4. If the Committee issues a fatwa that differs from a previous fatwa issued by the Committee, even with different members, the Committee may justify the new fatwa and support it with an external fatwa from a qualified fatwa authority.
5. If it is found, through communication with the official fatwa authorities in the State, that no approved fatwa exists for the subject presented to the Committee, the latter may adopt the standards and decisions issued by Sharia councils recognized by the State.
6. if there are different opinions among Committee members concerning any of the matters presented to the Committee, the latter may refer the matter to a specialized technical agency asking for its advisory opinion.
7. A member may record any comments or different opinions in the meeting minutes or upon signing the minutes.
8. The minutes of the Committee meetings, its decisions, and fatwas shall be documented by the Secretary of the Committee and signed by the committee members.
9. The committee may approve its own work system, provided it does not contradict the provisions stipulated in this Article and such work system shall be approved by the General Assembly.

Article (8)

Expiration of Committee Membership

1. Membership of the Committee shall expire in the following cases:
 - a. Resignation.
 - b. Death or disability preventing the performance of membership tasks.
 - c. Loss of any the requirements stated in Article (4) of this Resolution.
 - d. Expiration of the period set for the Committee.
2. The General Assembly may terminate the membership of the Chairman or any Committee member if they repeatedly violate the Committee's work system and meeting regulations. This shall be upon sending a warning.

3. The General Assembly shall be responsible for approving the termination of membership for any of the reasons mentioned in Paragraph (1) of this Article.

Article (9)

Vacancy of One or More Committee Member Positions

1. If a position of one or more Committee members becomes vacant at any time for the reasons stated in Article (8) of this Resolution, and such vacancy results in a failure to meet the legal quorum (more than half members), the Board of Directors shall nominate another member to replace them and obtain the approval of the General Assembly.
2. Notwithstanding the provisions of Paragraph (1) of Article (3) of this Resolution, if a position of a Committee member becomes vacant at any time without affecting the legal quorum, the Board of Directors may appoint a replacement member who meets the requirements stated in Article (4) of this Resolution for the remaining term of the Committee. This is provided that the Board shall present the appointment decided to the General Assembly at its first meeting for final approval.

Article (10)

Suspension of Committee Membership

1. The General Assembly, based on the recommendation of the Board of Directors, may temporarily suspend the membership of any Committee member from performing their duties for a specified period if such members are found to have violated any provisions of this Resolution. Upon the expiration of the suspension period, the General Assembly may decide whether to continue or terminate their membership in the Committee.
2. The Board of Directors of the company or its delegate shall notify the Committee and the member of the suspension decision and its reasons or such decision.

Article (11)

Access to Books and Records

The Committee shall be entitled to access all books, records, and documents of the company at any time and to require any data the Committee deems necessary. The Committee also may verify the company's assets and liabilities. If the Committee is unable to fulfil its duties, it must document this in writing in a report to be submitted to the Board of Directors.

Article (12)

Remunerations of Committee Members

Committee members shall receive an annual remuneration as decided by the General Assembly in accordance with the regulations set forth by the General Assembly.

Article (13)

Secretary of the Committee

1. The Board of Directors shall appoint a Secretary for the Committee from among the company's employees or from outside the company.
2. The Secretary of the Committee shall perform the following tasks:
 - a. Prepare the Committee's agenda and obtain its approval from the Chairman of the Committee.
 - b. Send invitations to the Committee members to attend meetings at least one day prior to the meeting date, accompanied by the agenda and all relevant reports, documents, and studies.
 - c. Prepare and keep minutes of meetings in a professional and sequential manner, ensuring that the minutes will include as minimum the following formal details:
 - Number and date of the meeting.
 - Names of attendees and absentees.
 - The agenda.
 - Proceedings of the meeting, discussions that took place, and decisions taken.
 - Notes of any Committee member, if any.

- d. Follow up the implementation of the Committee's recommendations, directives, and decisions.
- e. Update the Committee regarding the implementation of its decisions and activities in general at each meeting.
- f. Distribute the minutes of the meeting to Committee members within one week from the meeting date.
- g. Present the minutes of the previous meeting at the start of the next meeting for approval, and the minutes shall be available for the concerned parties to review.
- h. Inform the company's management of the decisions and fatwas of the Committee.

Article (14)

Subordination of the Sharia Controller and His Duties

- 1. The company shall have a Sharia Controller, to be appointed by a decision of the General Assembly and shall report to the Board.
- 2. The Sharia Controller shall perform the following duties:
 - a. Monitor the company's compliance with the Sharia fatwas issued by the Committee regarding the Islamic activities the company undertakes.
 - b. Report to the Committee any activities where the company does not comply to implement the Committee's fatwas and decisions for consideration and deciding.
 - c. Submit bi-annual reports to the Board of Directors including the company's compliance with the implementation of the Committee's fatwas and decisions, accompanied by the relevant fatwas and decisions issued thereto for execution.

Article (15)

Requirements for Appointing the Sharia Controller

The "Sharia Controller" of the company shall meet the following requirements:

- 1. He shall be a natural Muslim person.
- 2. He shall have full legal capacity.
- 3. He shall hold at least a bachelor's degree in Islamic Sharia.

4. He shall possess a professional certificate in Sharia audit or internal audit issued by an accredited body or authority in the State.
5. He shall have at least five (5) years of experience in the field of Sharia audit for the Islamic activities undertaken by companies.
6. He shall maintain independence and avoid any conflict of interest as stated in Article (16) of this Resolution.
7. He has not been convicted of a penalty in a crime against honour and trust, even if he has been rehabilitated.
8. Any other requirements approved by the Minister or the Board of Directors of the company as the case may be.

Article (16)

Lack of Independence and Conflict of Interest

1. The independence of a Committee member and the Sharia Controller shall be deemed absent and a conflict of interest shall arise if either of them is:
 - a. Contracted directly or indirectly with the company.
 - b. A relative by blood up to the second degree to any member of the Board of Directors or the executive management of the company.
 - c. An owner or shareholder in the company.
 - d. An employee or a member of the Board of Directors of the company.
 - e. A provider of professional or consulting services to the company.
2. The Board of Directors shall, before recommending the appointment of any member to the General Assembly, ensure his independence.
3. The Committee member or the Sharia Controller shall promptly, if any of the cases referred to in Clause (1) of this Article are established, disclose such case in writing to the Board of Directors, in order to present the matter to the General Assembly to take the necessary decision. Until a decision is taken by the General Assembly, the Committee may approve attendance of such member at its meetings without the right to express an opinion or issue a Sharia fatwa on the matters presented to the Committee.

Article (17)

Confidentiality and Non-Disclosure of Information

1. All deliberations and activities of the Committee and the Sharia Controller shall be confidential.
2. Committee members, the Sharia Controller, and the Secretary shall not to disclose or make available any written or verbal information obtained during the performance of their duties, unless such disclosure is required by law.

Article (18)

Duties of the Board of Director

The Board of Directors shall:

1. Present the activities the company will carry out in accordance with the provisions of Islamic law to the Committee in order to issue the necessary approvals thereto before the company undertakes those activities.
2. Enable the Committee and the Sharia Controller to perform their duties in accordance with the provisions of this Resolution.

Article (19)

Repeals

Any provision that violates or contradicts the provisions of this Resolution shall be repealed.

Article (20)

Publication and Enforcement

This Resolution shall be published in the Official Gazette and shall enter into force as of the day following the date of its publication.

Mohammed Bin Rashid Al Maktoum

Prime Minister

Issued by Us,

On: 03 July 2023 AD

Corresponding to: 15 Dhu al-Hijjah 1444 A.H.