



**Taqwa**

Credit Co operative Society Ltd

# CORPORATE PROFILE



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### 1. Islamic Banking

Islamic Banking is founded on a few sound and time-tested principles such as Murabaha (cost-plus sale), Mudaraba (profit-sharing), Musharaka (partnership), Ijara (leasing), Istisna'a (manufacturing contract), and Bai-Salam (forward sale) and other Shari'a principles. These modes of finance ensure justice, fairness, and transparency in all transactions. Islam permits trade, commerce, and wealth creation but strictly prohibits Riba (interest) in any form, as it embodies injustice, exploitation, and economic oppression.


In the modern era, the conventional banking system evolved as a pillar of the capitalist order. While it supports trade and industry, it is built primarily on interest-based transactions that exploit individuals and communities. This system not only creates inequality and debt traps but also fuels inflation through artificial currency creation, undermining real economic stability. Such practices contradict the humanitarian and ethical injunctions of the Qur'an, which prohibit Riba and promote trade, fairness, and shared prosperity.

At the same time, banking as an institution plays a vital role in economic life. It facilitates commerce, supports industrial growth, and connects producers and consumers across international borders. These functions are essential for modern economies. For this reason, Islamic Banking emerged as a necessary alternative—retaining the useful functions of banking but restructuring them in accordance with Shari'a principles.

Today, Islamic banks operate worldwide, offering services that promote risk-sharing, asset-backed financing, ethical investment, and social justice. They link finance directly to real economic activity, making Islamic Banking a balanced and value-driven alternative for modern economies.

### 2. Taqwa Credit Cooperative Society Ltd (Taqwa) in India

Taqwa provides banking the Islamic way completely free from interest. It offers customers 12 deposit schemes and 12 financing schemes, all structured through Shari'a-approved methods, while remaining competitive with commercial banks. With the support of modern banking technologies, Taqwa meets the Islamic Banking needs of its customers at the local, national, and international levels. Its focus remains on fairness, partnership, and community welfare, helping people grow their businesses and fulfil their financial needs while staying true to Islamic values.



However, Islamic Banking operations are permissible within the scope of the Credit Cooperative Society Act, 1959/60 (Karnataka). In line with this provision, Taqwa Credit Cooperative Society Ltd. was registered at the district level in Kumta and commenced Islamic Banking operations in Bhatkal.

## 2.1 Birth of Taqwa

Taqwa Credit Cooperative Society Ltd. (Taqwa) has pioneered Islamic Banking services in India, establishing its first registered Head Office in Bhatkal and commencing operations with its inaugural branch on October 4, 2015. This marked the launch of the first Islamic Banking model in the country... India.

Following its successful operations in Bhatkal, Taqwa expanded its presence by obtaining a state-level license in Karnataka. On October 22, 2020, it inaugurated its first Corporate Office in Jayanagar, Bengaluru, along with a second branch in Shivaji Nagar, the city's main market area. Building on this growth, Taqwa has secured a No Objection Certificate (NOC) from the Registrar of Cooperative Societies (RCS), Karnataka, for a multi-state license covering six states: Tamil Nadu, Andhra Pradesh, Kerala, Goa, Maharashtra, and Telangana. The operational formalities to obtain final approval from the Central Government in New Delhi are currently underway.

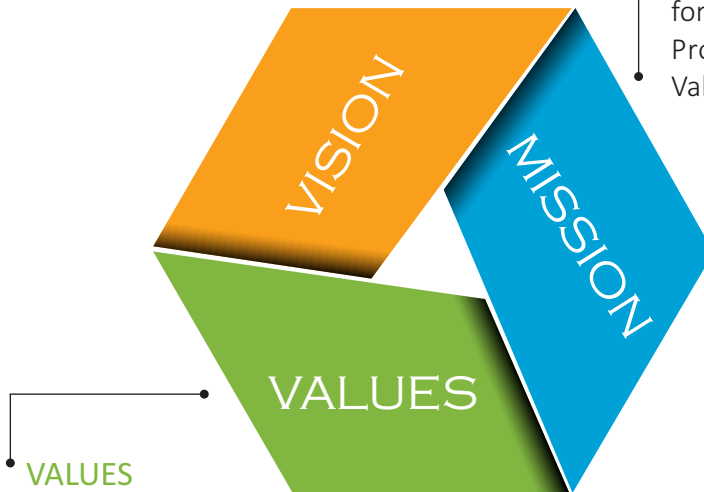
## 2.2 Vision, Mission and Values

### VISION

A Viable Islamic Financial Solution for the Benefit of all the Societies.

### MISSION

To build up a Strong Islamic Bank for delivering valuable Financial Products and Services to our Valued Communities.



### VALUES

Very transparent, Appealing to customers, Legitimate, Utility for mutual benefits, Excellent hospitality, Simple and sensible.

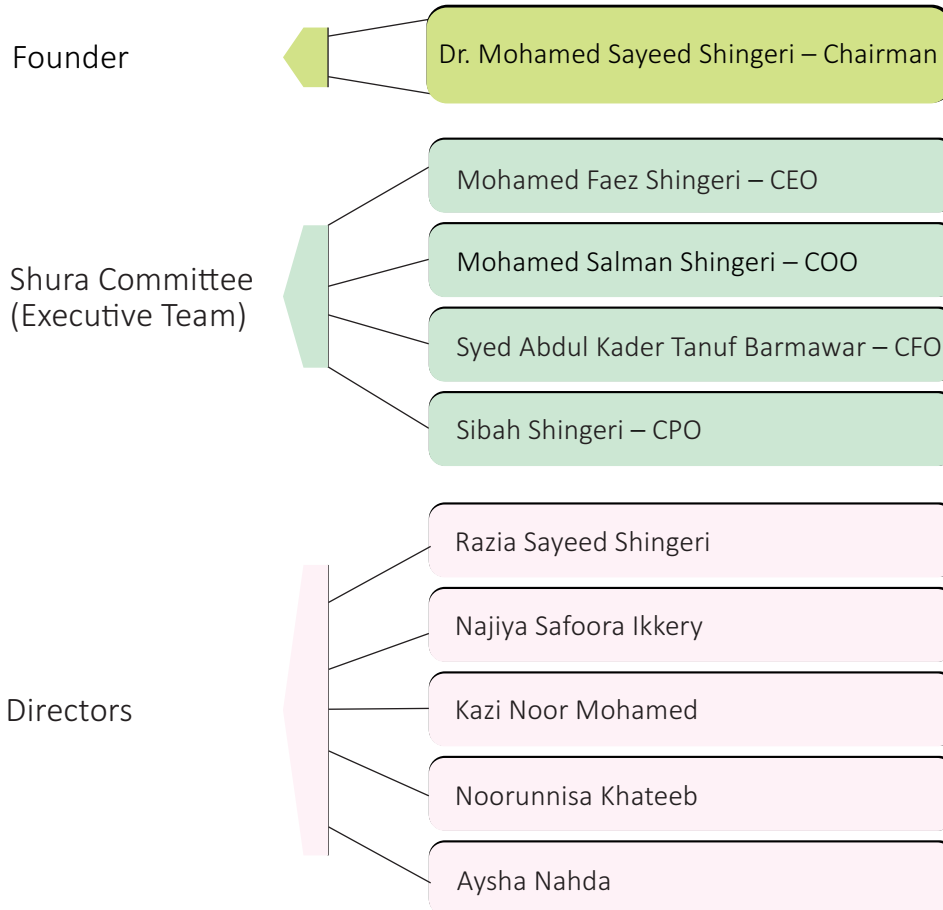
## 2.3 Objectives

To establish and provide a practical model of Islamic Banking in India and beyond, offering interest-free financial services through Shari'a-compliant deposit and financing schemes, ensuring fairness, transparency, and community welfare while integrating modern banking technologies to meet local, national, and international needs

## 2.4 Goals

The goal of Taqwa is to empower communities to independently manage their funds within a Shari'a-compliant framework, enabling them to harness their financial resources for self-reliance, economic growth, and the establishment of community-based production units.

### 3. Board of Directors



### 3.1 Founder



**Mohamed Sayeed Shingeri**

Chairman & Managing Director

Dr. Mohamed Sayeed Shingeri, MBA, Ph.D. (from Halifax University, Wyoming, USA) was born on October 1, 1955, in Bhatkal, Karnataka, India. He is the author of two books on Islamic Banking and has over three decades of expertise in the field.

Dr. Shingeri has extensive professional experience, having worked for multinational banks for more than two decades. His career includes 20 years with the Royal Bank of Canada as Head of *Unit Financial Control*, two years with the National Bank of Abu Dhabi in a senior Islamic Banking role, and three years with Abu Dhabi Islamic Bank as Head of *Policies and Procedures*.

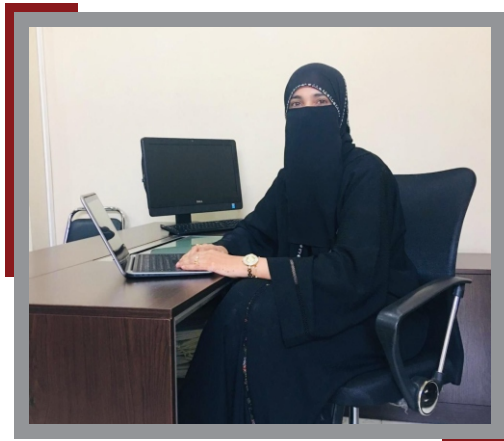
Alongside his banking career, Dr. Shingeri has been engaged in in-depth research on Islamic Banking for over 30 years. His work has been guided and endorsed by some of India's highest Shari'a authorities, including Qazi Moulana Mujahidul Islam Al Qasimi and Moulana Abul Hasan Ali

### 3.2 Shura Committee



**Mohammed Faez Shingeri**  
CEO

Mr. Mohammed Faez Shingeri is the Chief Executive Officer of Taqwa CCS Ltd. He has previously worked for almost a decade with Software giants like WIPRO Technologies, Mathworks and VMware in various technological positions with his last role at VMware as Senior Member of Technical Staff. He completed his Bachelors of Engineering in Computer Science from PESIT, Bangalore and Masters of Technology in Computer Science from BITS, Pilani. At Taqwa, his role as CEO includes, formulating operational policies, goals and setting deadlines for them. Some of his duties include monitoring the functions of all departments and ensuring that all of them are on the right track.



**Sibah Shingeri**  
CPO

Mrs. Sibah Shingeri is the Chief Product Officer of Taqwa CCS Ltd and also been a Director since 2015. She completed schooling from Anjuman Girls PU College, Bhatkal and graduated in Bachelors of Business Administration from Halifax University, USA. At Taqwa, her role as CPO is inclusive of product vision, product strategy, product design, product development, and product marketing.



**Mohammed Salman Shingeri**  
COO

Mr. Mohammed Salman Shingeri is the Chief Operating Officer of Taqwa CCS Ltd and also been a Director since 2015. He has also been the Founding Member of Taqwa CCS Ltd since October, 2015 prior to which he has also worked with Infosys Ltd for 2 years in Bangalore.

He completed his schooling from Crescent Residential Higher Secondary School, Vandalur, Chennai and graduated in Bachelors of Commerce from Anjuman Arts, Science and Commerce, Bhatkal. At Taqwa, his role as COO includes, overall direction, coordination, and evaluation of Branch Operations. Some of this duties also include supervisory responsibilities in accordance with the organization's policies and applicable laws.



**Syed Tanuf Barmawar**  
CFO

Mr. Syed Tanuf Barmawar is the Chief Financial Officer of Taqwa CCS Ltd and also been Taqwa's Bangalore branch Head since 2017. He has previously worked with one of the world's leading Financial services company, Northern Trust, as Lead Business Analyst for 3 years. He completed his Bachelors of Business Administration from Anjuman Arts, Science and Commerce, Bhatkal and Masters of Business Administration in Finance & Marketing from Garden City University, Bangalore. At Taqwa, his role as CFO includes, ensuring credibility of Finances and Accounting group by timely and accurate analysis of financial reports and forecast. Some of his duties also include analyzing cash flow, cost controls, expenses and financial statements and suggest potential areas

## 4. Shari'a Governance in Taqwa

Islamic banks are guided by their Shari'a Boards, where qualified religious scholars certify all products and services in line with Shari'a principles. However, in India, the challenge lies in the absence of a *central authority* that can both promulgate Shari'a law and align it with the requirements of modern banking practices. Additionally, the prevailing perception that modern education and religion operate in separate spheres has limited the role of Islamic scholars in offering independent interpretations of contemporary financial issues. This has made the matter sensitive and complex. Furthermore, different communities recognize different groups of Shari'a scholars, often resulting in varying certifications at the levels of villages, towns, and cities.

In this context, the deposit (liability) and financing (asset) products offered by Taqwa are strictly based on Shari'a principles as outlined in the book "*A Practical Model of Islamic Banking*" authored by Dr. Mohamed Sayeed Shingeri, MBA, Ph.D. (USA), the founder of Taqwa. The book was endorsed and certified by the late Hazrath Moulana Qazi Mujahidul Islam Al-Qasimi and Hazrath Moulana Abul Hasan Ali Nadvi. In addition to this foundation, some schemes have been adapted from leading Islamic banks operating globally.

Taqwa invites Shari'a scholars, subject-matter experts, and discerning professionals to review its operational activities and provide constructive feedback. Suggestions may be submitted directly to the Board of Directors at the Taqwa Head Office in Bhatkal or via email at [shura@itaqwa.com](mailto:shura@itaqwa.com). The Board welcomes queries and feedback in the spirit of mutual benefit for Taqwa and its valued customers.

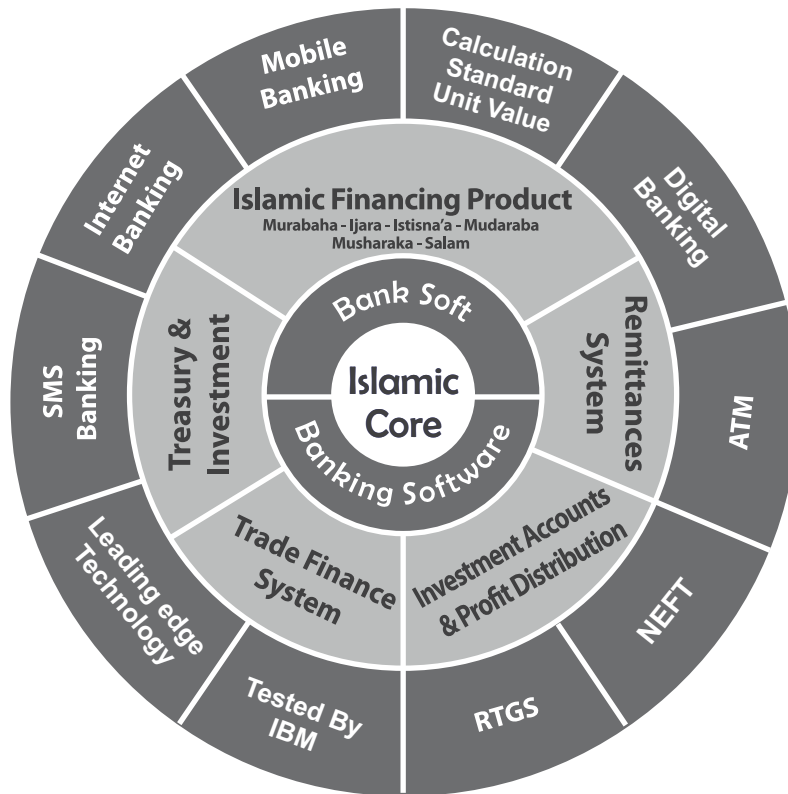
### 4.1 Suggestion and Reward Scheme

Taqwa has introduced a Suggestion and Reward Scheme to encourage valuable contributions from its stakeholders. We welcome all suggestions, observations, or feedback that may enhance the overall operations and services of Taqwa.

If any individual identifies a shortcoming in Shari'a or regulatory compliance, proposes a meaningful correction, or submits an extraordinary suggestion that benefits the institution, they will be eligible for a reward ranging from ₹1,000 to ₹5,00,000, depending on the significance and impact of the contribution. In addition, recipients will be honoured with a Certificate of Appreciation, subject to approval by the Board of Directors of Taqwa.

### 4.3 BankSoft - Islamic Core Banking Software

A Core Banking Solution, has been developed to support Islamic Banking model. It is developed using leading edge technology from Microsoft and has been stress tested by IBM for scalability. It is user friendly and supports a wide variety of delivery channels such as ATM, Branchless Banking, Mobile Banking, Online and Digital Banking.



#### 4.4 Liability Products at Taqwa - (Deposits)

1. Savings Account – *Standard savings facility with Shari'a compliance.*
2. Elite Savings Account – *Premium savings account with added benefits.*
3. Pigmy Account (Tawfeer) – *Daily/weekly small savings scheme.*
4. Recurring Deposit Account – *Regular monthly savings for a fixed term.*
5. Current Account – *For businesses and individuals requiring frequent transactions.*
6. Fixed Deposit Account – *Shari'a-compliant long-term deposit product.*
7. Ghina Fixed Deposit Account – *Specialized fixed deposit with structured returns.*
8. Mutual Fund Account – *Investment account in Shari'a-approved funds.*
9. Capital Gain Account – *Designed for reinvestment of capital gains in a halal manner.*
10. Noor Basic Income Account – *Provides steady halal income distribution.*
11. Zakat Fund Account – *Dedicated account for collection and distribution of Zakat.*
12. Takaful (Islamic Insurance) Account – *Shari'a-compliant protection and risk-sharing*

#### 4.5 Asset Products at Taqwa - (Finance)

1. Auto Finance – *Shari'a-compliant vehicle financing.*
2. Gold Finance (Gold Loan) – *Financing facility against pledged gold.*
3. Safe Keeping Certificate – *Finance based on safekeeping arrangements.*
4. Commodity Finance – *Structured finance for trade and commodity needs.*
5. Property Finance – *Financing for purchase or development of property.*
6. Lease Finance – *Shari'a-based leasing of assets.*
7. Hire Finance – *Financing under hire-purchase arrangements.*
8. Wakala Finance – *Agency-based financing structure.*
9. Micro Finance – *Small-scale financing for low-income individuals and entrepreneurs.*
10. Call Finance – *Short-term financing for immediate business needs.*
11. Revert Finance – *Finance structured for reversionary arrangements.*
12. Personal Finance – *Individual financing for personal needs.*

## 5. Business Strategies

The Taqwa system is designed with high-level security, ensuring that the risk to customers' funds remains negligible. All financing and investment activities are carefully selected and diversified across portfolios to minimize exposure to risk.

In addition, Taqwa applies strict evaluation criteria to assess the creditworthiness of borrowers, thereby preventing debt traps and ensuring financial discipline. Every financing and investment scheme is supported by a robust risk management framework, providing both safety and sustainability for our members.

## 6. Expanding Taqwa Banking Model

Taqwa aims to extend its innovative Interest-Free Islamic Banking model to all sections of society, both within India and internationally. The core objective is to partner with communities and corporate clients in order to empower them and promote fair wealth distribution—a pressing need in today's world.

Any country or community or corporate organization may adopt the complete Taqwa Islamic Banking Model, either through establishing new branches or by operating as franchisees, upon signing a Service Level Agreement with Taqwa's Head Office in Bhatkal (N.K).

The Taqwa Model is fully developed, Shari'a-compliant, and integrated with the latest banking technologies, making it practical, reliable, and accessible.

For more details, please visit our official website: [www.itaqwa.com](http://www.itaqwa.com) under Guidelines for Taqwa Offices or contact us at: +91 9945447788

## 7. Standard Operating Procedures (SOP)

Taqwa has developed policies and procedures for all their products and services. The policies and procedures of Taqwa Islamic Banking are essential because they ensure Shari'a compliance in every operation, transaction, and product, keeping the bank aligned with Qur'an, Sunnah, and rulings of the Shari'a Supervisory Board. They provide standardization across all branches, so that services remain uniform, transparent, and reliable. Policies strengthen risk management and internal control, reducing financial, operational, and reputational risks.

They also build customer trust and confidence by demonstrating fairness, transparency, and authenticity in profit-sharing and financial dealings. In addition, they help the institution comply

with both local regulations and international Islamic finance standards such as AAOIFI and IFSB. Operational efficiency is improved when staff have clear step-by-step procedures to follow, making it easier to manage complex Islamic products and services. Policies also serve as a benchmark for audit and accountability, ensuring non-compliance is quickly identified and corrected.

Furthermore, they uphold the ethical and social responsibility of Islamic Banking by ensuring funds are invested only in halal activities, promoting welfare schemes. Finally, strong policies enable strategic growth and sustainability, allowing Islamic banks like Taqwa to expand consistently across

## 7.1 Taqwa's Master Operations Policies Manual

The Taqwa Master Operations Policies Manual serves as the central guiding framework for all branches and franchises of Taqwa Credit Cooperative Society Ltd. It establishes standardized policies and procedures to ensure that every aspect of banking operations is Shari'a-compliant, transparent, and efficient. The manual comprehensively covers deposit and financing structures, investment guidelines, customer service standards, risk management practices, audit and reporting mechanisms, and governance protocols. By unifying operations across all branches, it safeguards consistency, strengthens accountability, and reinforces Taqwa's mission of delivering ethical, interest-free financial services in full alignment with Shari'a principles and regulatory requirements. In addition, the manual provides guidance to all branches and franchises for drafting, revising, or requesting approval of new product policies and procedures, thereby ensuring continuous innovation within a robust Shari'a-compliant framework.

## 7.2 Calculation Standard

The Calculation Standard used with Taqwa CCS Ltd refers to the unified method of determining profit distribution, financing charges, and other financial computations within a Shari'a-compliant framework is "Unit Value". The concept of Unit Value is introduced as a standard measure for assessing the worth of a depositor's or investor's share in the common investment pool. It works similarly to a "net asset value (NAV)" in mutual funds, but within a Shari'a-compliant framework.

### Key Features of Unit Value:

1. **Definition** – Unit Value represents the proportionate value of each unit (share) in the bank's investment pool after considering profits, losses, and expenses.

2. **Basis of Allocation** – Depositors and investors are allocated profits based on their number of units and the prevailing unit value at the time of calculation.
3. **Dynamic Adjustment** – The unit value increases or decreases depending on the performance of investments, ensuring that both gains and losses are fairly shared among participants.
4. **Transparency** – By linking customer balances to a clear unit value, the bank avoids ambiguity and provides a straightforward, Shari'a-compliant method of tracking returns.
5. **Fair Distribution** – The system ensures that all customers, regardless of entry or exit time, receive their rightful share of profits (or bear proportionate losses) without any element of *Riba*.

The Unit Value system ensures consistency, fairness, and clarity in Islamic Banking operations, strengthening depositor confidence and aligning with the principle of *profit and loss sharing*

## 8. Letters of Credit (LC) in Islamic Banking

A Letters of Credit (LCs) are adapted into a Shari'a-compliant structure to facilitate international and domestic trade without involving interest (*Riba*). The LC serves as a guarantee by the bank on behalf of its customer (importer) to ensure payment to a supplier (exporter) once the agreed conditions are fulfilled.

### Key Features of Islamic Lcs:

1. **Underlying Shari'a Principle** – The transaction is based on contracts such as *Wakala* (agency), *Murabaha* (cost-plus sale), or *Musharaka* (partnership) or *Murabaha* as applicable, depending on the arrangement. Interest-bearing charges are strictly avoided.
2. **Process Flow** –
  - The importer appoints the bank as an agent (*wakeel*) to facilitate payment.
  - The bank issues the LC in favor of the exporter, ensuring payment upon submission of required shipping and commercial documents.
  - Depending on the arrangement, the bank may purchase the goods and resell them to the importer (*Murabaha* LC) or simply act as an agent and charge a fee (*Wakala* LC).
3. **Risk Management** –
  - The LC provides security for the exporter, ensuring payment once terms are met.
  - The importer gains confidence that payment will only be made if documents are accurate and goods are shipped as per the agreement.

4. **Fee & Charges** – The bank charges a permissible service fee (*Ujrah*) for issuing and handling the LC, avoiding any interest-based charges on delayed payments.

5. **Shari'a Compliance** –

- No financing is linked to interest.
- Payments are tied to real trade transactions backed by goods and services.
- Transparency in cost and profit margins maintains fairness.

**Purpose:**

Islamic Letters of Credit support smooth trade financing by providing trust, security, and Shari'a-compliant guarantees while protecting both importer and exporter from risks inherent in cross-border or large-scale domestic trade.

## 9. Letters of Guarantee in Islamic Banking

A Letter of Guarantee (LG) is described as a commitment issued by the bank on behalf of its customer to a third party, assuring that the bank will fulfill the customer's financial or performance obligations if the customer fails to do so. It is widely used in trade, construction, and service contracts.

**Key Features of Islamic LGs:**

1. **Shari'a Basis** –

- The LG is structured under the principle of *Kafalah* (guarantee), where the bank becomes a guarantor (*kafil*) for its client.
- No *Riba* (interest) is charged; only an administrative/service fee (*Ujrah*) may be taken for processing and documentation.

2. **Types of LGs** –

- Bid Bond Guarantee – assures that the contractor will honor their bid.
- Performance Guarantee – ensures completion of the project or service as per contract.
- Financial/Payment Guarantee – secures payment obligations of the client.

3. **Process Flow** –

- The customer requests the bank to issue a guarantee in favor of a beneficiary (e.g., project owner, supplier).
- The bank evaluates the customer's credibility and issues the LG.

- If the customer defaults, the bank honors the commitment and later recovers the amount from the customer.

#### 4. Risk Management –

- The LG protects the beneficiary from losses due to the client's non-performance or default.
- The bank ensures that adequate collateral or security is maintained to safeguard against risk.

#### 5. Shari'a Compliance –

- The guarantee is not a profit-generating tool; the bank cannot charge interest.
- Only actual service-related expenses can be recovered as *Ujrah*.

#### Purpose:

Islamic Letters of Guarantee provide trust, security, and credibility in commercial dealings by ensuring obligations are met, while adhering to the principles of *Kafalah* and maintaining fairness and transparency.

## 10. Shari'a Inter-bank Placement

The Interbank Placements refer to the short-term deployment of surplus liquidity by one Islamic bank with another financial institution in a Shari'a-compliant manner. Unlike conventional placements, which are based on interest-bearing deposits, Islamic placements are structured around permissible contracts.

#### Key Features of Islamic Interbank Placements:

##### 1. Shari'a Basis –

- Structured on contracts such as Mudarabah (profit-sharing), Wakala (agency), or Commodity Murabaha (cost-plus sale).
- On the basis “Interim Services Cost” (Refer to the above book for details) with sister institutions.

##### 2. Purpose –

- To manage liquidity between Islamic banks.
- To optimize short-term use of funds while maintaining compliance with Islamic principles.

### 3. Process Flow –

- Bank A (placing bank) has surplus liquidity.
- Bank B (receiving bank) accepts funds under an agreed contract.
- Profits or returns are shared as per the agreed ratio or structure, and the principal is repaid at maturity.

### 4. Risk Considerations –

- Credit risk of the counterparty is assessed before placement.
- Contract terms are clearly defined to avoid ambiguity (Gharar).  
Profit-sharing ratios or mark-up structures are pre-agreed to maintain fairness.

### 5. Transparency –

- Documentation must specify the contract type, investment purpose, risk allocation, and return mechanism.
- Returns are based on actual outcomes or trade transactions, not fixed interest.

#### Purpose:

Islamic Interbank Placements provide a Shari'a-compliant mechanism for liquidity management, ensuring that Islamic banks can support one another while avoiding interest-based dealings. They help maintain stability, efficiency, and cooperation in the Islamic financial system.

## 11. Treasury (Foreign Exchange Transactions)

The Foreign Exchange (FX) Transactions are defined as the exchange of one currency for another in a manner consistent with Shari'a principles. Unlike conventional FX markets, which often involve speculative trading and interest-bearing settlements, Islamic FX transactions are carefully regulated to eliminate Riba (interest), Gharar (excessive uncertainty), and Maisir (gambling). Islamic Foreign Exchange Transactions facilitate international trade and cross-border financial dealings in a transparent, asset-backed, and Shari'a-compliant manner, ensuring that currency exchange serves real economic needs while avoiding speculation and interest. The book affirms

- Spot FX Transactions — where currencies are exchanged and settled immediately — are fully Shari'a-compliant under the rules of *Sarf* (currency exchange).
- Trade-Related Forward FX Transactions — contracts directly linked to genuine import or export activities — are also permitted, provided they are executed in accordance with Shari'a requirements and free from speculative intent.

This framework ensures that FX dealings in Islamic Banking remain transparent, trade-driven, and compliant with Shari'a, thereby supporting international commerce without compromising Islamic ethical standards.

### 1. Islamic Banking Migration

The migration from conventional banking to Islamic Banking provides a Shari'a-compliant alternative to the interest-based system. It ensures fairness, risk-sharing, and ethical financial practices, fostering a more balanced and socially responsible financial environment.

Conventional banking system shifting to Islamic Banking not only ensures compliance with Shari'a principles but also promotes financial inclusion, social justice, and equitable wealth distribution, thereby aligning finance with both ethical values and community welfare.

### 2. Migration Framework for Afghanistan

A strong regulatory and legal framework is vital for Afghanistan's transition to Islamic banking. The Central Bank of Afghanistan, in coordination with the government, must establish clear policies, licensing procedures, and supervisory mechanisms to ensure Shari'a compliance and protect depositors.

### 3. Shari'a Governance & Audit

A robust Shari'a governance system is essential to ensure compliance and build public trust in Afghanistan's Islamic Banking migration.

- Central Shari'a Supervisory Board – To provide authoritative guidance on Shari'a compliance for all financial institutions.
- Internal Shari'a Audit – Dedicated in-house units to review contracts, products, and operations.
- External Shari'a Audit – Independent auditors to conduct annual reviews and enhance transparency.
- Governance Structure – Clear reporting lines and accountability mechanisms to strengthen confidence and integrity in the system.

### 4. Financial, Risk Management & Others

Effective financial and risk management is crucial for Afghanistan's transition to Islamic banking.

- **Capital Adequacy** – Maintain sufficient capital reserves in line with local standards to ensure stability.
- **Shari'a-Compliant Deposits** – Mobilize funds through profit-sharing models such as Mudarabah to provide fair, interest-free returns.
- **Islamic Financing & Investments** – Provide Shari'a-compliant products as detailed in Taqwa's booklet *“Products and Services”*, which includes references from the Qur'an, Hadith, and the four schools of thought—Hanafi, Shafi'i, Maliki, and Hanbali—along with insights from modern Fiqh.
- **Global Standards** – Adopt AAOIFI standards to enhance consistency, transparency, and international credibility.
- **Others – Technology Systems** – Shari'a-compliant IT, accounting, and reporting tools.
- **Human Resource Development** – Training for staff, Shari'a scholars, and regulators.
- **Awareness Campaigns** – Educating customers, businesses, and investors.
- **Economic & Social Benefits** – Enhances stability, reduces inequality, and promotes inclusive growth.
- **Phased Migration** – Start with pilot projects and hybrid banking models.
- **Gradual Expansion** – Transition to full-scale Islamic Banking system.
- **Vision Ahead** – Position Afghanistan as a leader in ethical, Shari'a-compliant finance for sustainable growth.

## 5. Operational Infrastructure – Migration Framework:

5.1 A comprehensive migration framework is required whereby:

- Liabilities (deposits, savings, current accounts, fixed/term deposits) are transitioned in accordance with Taqwa Islamic Banking, using various Shari'a-compliant deposit contracts as applicable.

- Assets (loans, advances, investments) are migrated into Wakala-based financing structures.

## 5.2 Concept of Wakala in Migration:

- Wakala (Agency): Under this arrangement, the customer (*Muwakkil*) appoints the bank (*Wakeel*) as an agent to manage and invest funds on their behalf, for a pre-agreed agency fee.
- In the migration process, all contracts previously based on a fixed rate of interest in conventional banking will be replaced by contracts structured on *expected profit rates*.
- Unlike predetermined interest, returns are derived from actual investments and financing activities after migration, ensuring Shari'a compliance.
- Flexibility can be applied to both deposits (liabilities) and financing (assets).

## 5.3 Liability Side Migration (Deposits)

Conventional Asset	Islamic Conversion	System Explanation
Current Accounts	Mudaraba-based Qard/Deposit	Customer places funds under Mudaraba. Percentage of profit is fixed. Bank acts as Mudarib and customer as investors.
Savings Accounts Pigmy/NBI/Fixed etc.	Mudaraba-based	Customer places funds under Mudaraba. Percentage of profit is fixed. Bank acts as Mudarib and customer as investors.
Wakala Deposits / Term Deposits	Wakala Deposit with Expected Profit Rate	Customer places funds under Wakala where expected profit is fixed. Bank acts as agent and customer as investors.
Certificates of Deposit	Wakala or Fixed Deposit or Investment Certificates	Represent as applicable investment pools based on specific deposits or projects.

#### 5.4 Asset Side Migration (Loans/Advances → Wakala Finance)

Conventional Asset	Islamic Conversion	System Explanation
Personal Loans	Other Financing	Bank acts as Wakeel to use funds in Shari'a-approved financing (e.g., Murabaha for goods, Ijarah for assets). Customer pays cost + profit for Murabaha transaction.
Business Loans	Wakala Business Financing	Bank invests funds as agent in business activities, sharing actual profits base on expected profit rates
Housing Loans	Diminishing Musharaka (under Hire Finance)	Bank purchases property jointly, customer buys shares gradually that governs ownership management and profit distribution.
Corporate Loans	Sukuk (Islamic Bond) Project Finance	Large corporate loans migrated to Sukuk-based or structured finance with bank as agent managing investments.
Investments	Manage Investment Portfolios	Instead of interest-bearing bonds, funds placed in halal ventures (trade finance, equities, leasing).

#### 5.5 Operational Framework

##### 1. Customer Onboarding

- New Wakala deposit agreement signed.
- Old conventional contract terminated.

##### 2. Deposit Pooling

- Funds categorized into investment pools (e.g., short-term trade Murabaha pool, long-term Ijarah pool etc. will be categorize under deposits).

### 3. Asset Matching

- Loans restructured into asset-backed Islamic contracts.
- Each pool allocated to specific financing types.

### 4. Profit Distribution

- Actual profits calculated periodically.
- Depositors get share as per pool performance.
- Bank gets fixed agency fee + share (if agreed as incentive).

## 6. Shari'a Internal Audit Program

### 6.1 Objective:

To ensure that all banking operations, products, contracts, and processes are fully compliant with Shari'a principles, as derived from the Qur'an, Sunnah, and the rulings of the Shari'a Supervisory Board (SSB).

### 6.2 Scope of Work:

Ongoing review of transactions, product structures, and documentation. Verification of contracts (e.g., Murabaha, Ijara, Musharaka, Mudaraba) for Shari'a compliance. Monitoring income sources to prevent involvement in interest (Riba), excessive uncertainty (Gharar), and prohibited activities (Haram sectors). Ensuring fair and Shari'a-compliant profit distribution to depositors and shareholders. Reports directly to the Board of Directors and the Shari'a Supervisory Board. Identifies non-compliance issues and recommends corrective actions. Serves as the first line of defense in maintaining Shari'a compliance. Enhances customer trust and confidence in the authenticity of Islamic Banking practices. Shari'a External Audit Function is to provide independent assurance that the bank's operations and financial statements conform to Shari'a principles as well as relevant accounting standards (e.g., AAOIFI).

#### Scope of Work:

- Annual review of the bank's financial activities, contracts, and policies.
- Assessment of the effectiveness of Shari'a internal controls and audit systems.
- Verification of income purification (removal of non-Shari'a-compliant earnings).
- Issuance of an independent opinion on the bank's financial statements with respect to Shari'a compliance.

- Provides an annual Shari'a Compliance Report to shareholders, stakeholders, regulators, and the public.
- Offers recommendations to strengthen the Shari'a governance framework.

Ensures transparency and credibility with stakeholders and regulators. Reinforces depositor, investor, and community confidence in the institution's commitment to Shari'a

6.3 The Internal Shari'a Audit Program is a structured plan designed to continuously monitor and evaluate the bank's compliance with Shari'a principles in day-to-day operations.

**Key Components:**

1. Risk-Based Audit Planning
  - Identify high-risk areas (financing, investments, treasury operations, profit distribution).
  - Prioritize audits according to Shari'a-sensitive exposures.
2. Transaction Testing
  - Sampling and reviewing contracts such as Murabaha, Ijara, Musharaka, and Mudaraba as applicable.
  - Ensuring contracts match Shari'a-approved templates and structures.
3. Process & Policy Review
  - Examining policies for product development, marketing, and execution.
  - Verifying whether procedures follow Shari'a Supervisory Board (SSB) guidelines.
4. Income & Expenditure Analysis
  - Confirming that income sources are free from Riba (interest) or prohibited sectors.
  - Ensuring Zakat obligations and purification of non-permissible income.
5. Corrective Action Monitoring
  - Issuing audit observations and recommendations.
  - Following up on rectification measures taken by management.

## 6. Reporting

- Submitting audit findings to the Board of Directors and SSB.
- Maintaining working papers and evidence for accountability.

## 7. Shari'a External Audit Program

The External Shari'a Audit Program is an independent annual review that provides assurance to stakeholders that the Islamic bank operates in compliance with Shari'a rules.

### Key Components:

#### 1. Annual Audit Planning

- Developing an audit plan in consultation with the Shari'a Supervisory Board.
- Covering all products, financial statements, and governance mechanisms.

#### 2. Financial Statement Verification

- Checking that accounting records comply with Shari'a standards (AAOIFI where applicable).
- Verifying proper disclosure of Islamic contracts and revenue recognition.

#### 3. Shari'a Compliance Testing

- Reviewing samples of contracts, financing agreements, and investment portfolios.
- Ensuring avoidance of impermissible elements (Riba, Gharar, Haram sectors).

#### 4. Zakat and Purification Review

- Confirming the correct calculation and distribution of Zakat.
- Ensuring purification of any non-permissible income before distribution.

#### 5. Evaluation of Internal Controls

- Assessing the adequacy of the internal Shari'a audit system.
- Testing whether previous audit recommendations were implemented.

#### 6. Issuance of External Shari'a Report

- Providing an independent Shari'a Compliance Report to shareholders, regulators, and the public.
- Giving recommendations for improving governance and Shari'a compliance culture.

In short, Internal Audit Program = Continuous, detailed, operational-level review. External Audit Program = Periodic, independent, financial and governance-level assurance

## 8.About President of Taqwa CCS Ltd in Afghanistan



**Mohammad Omar Omarzay**  
President

Taqwa Credit Cooperative Society Ltd.

A Legacy of Leadership, A Vision for the Future.

Inspired by the pioneering leadership of Haji Payenda Mohammad Omarzay, the Omarzay family has contributed to Afghanistan's economic and community development for generations. This enduring legacy began in 1938 with the development of 1,300 jeribs of land in Deh Sabz, demonstrating a deep and lasting commitment to national progress. Building on this strong foundation.

The family's commitment to structured and sustainable development was further reinforced with the establishment of Omarzay Company Ltd. in Kabul in 1984. Mohammad Omar Omarzay served as Vice President of the company for over three decades, providing consistent strategic guidance and responsible leadership. Together, these milestones reflect an unwavering dedication to national development, institutional strength, and principled leadership.

Mohammad Omar Omarzay, in partnership with Taqwa Credit Cooperative Society Ltd. (India), is introducing the Taqwa Islamic Banking Model in Kabul. This initiative marks Taqwa's first international expansion and aims to deliver Shari'a-compliant, technology-driven (fintech) financial services to support Afghanistan's economic reconstruction and promote financial inclusion.

## 9.About Vice President of Taqwa CCS Ltd in Afghanistan



**Mr. Mohammad Adil Khan**  
Vice President

Taqwa Credit Cooperative Society Ltd.

Mr. Mohammad Adil Khan, an Indian national residing at 171 Qanoon Goyan, Patthar Wala Kuwan, Hapur, Uttar Pradesh, India, is a hospitality professional with a strong background in hotel management in the United Arab Emirates (UAE). In addition to his career in the hospitality sector, he has expanded into international business, establishing ventures in Iran, Oman, and Kenya. His career reflects a blend of professional expertise in hotel operations and entrepreneurial initiatives across multiple regions. He is now actively engaging in the Islamic Banking and Finance industry in Kabul, Afghanistan.



Taqwa Credit Cooperative Society Ltd.'s office in Kabul. Afghanistan

Taqwa is fully committed to extending its proven model, operational systems, Core Islamic Banking Software, and Shari'a governance framework to Afghanistan. Together, with our Afghan partners, we are dedicated to building a modern, ethical, and people-focused financial ecosystem that contributes to Afghanistan's stability, prosperity, and Islamic values.



# Taqwa

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