



PAKISTAN STOCK BROKERS ASSOCIATION

(A company setup under section 42 of the Companies Act 2017)

Regd Office: Mezzanine Floor, Trading Hall, Stock Exchange Building, Stock Exchange Road,
Off I.I. Chundrigar Road, Karachi.

Tel: 021-32401278, E-mail: secretariat@psba.pk, Web: www.psba.pk, Fax: 021-32401279

PSBA/Notice-260

September 28, 2026

NOTICE FOR MEMBERS

STRATEGIC ACTION PLAN 2027 - 2032 FOR DEVELOPMENT OF ISLAMIC FINANCE IN THE NON-BANK FINANCIAL SECTOR

This is in reference to the notification dated September 28, 2026 (attached), whereby the comments have been invited by the SECP:

In this regard, the members are hereby requested to kindly submit your comments, if any, at psamail024@gmail.com latest by **October 02, 2026**, so that a consolidated response is submitted to the authorities for their consideration.

Sd
Akber Ali
Officer - Secretariat

Copy to:

1. PSBA Website

SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
Islamic Finance Department

STRATEGIC ACTION PLAN
2027 – 2032

FOR DEVELOPMENT OF ISLAMIC FINANCE IN THE NON-BANK FINANCIAL SECTOR
*Consolidating Reforms, Completing the Legal Architecture, and Building a Resilient Riba-Free
Financial Ecosystem*

Building on the Strategic Action Plan 2024–26 and the Post-2027 Strategic Framework for SECP in a
Riba-Free Economy

DRAFT FOR INTERNAL REVIEW — AUGUST 2026

Table of Contents

Table of Contents	2
1. Executive Summary	3
2. Strategic Context and Legislative Mandate	4
2.1 The Constitutional and Judicial Mandate	4
2.2 From SAP 2024–26 to SAP 2027–32	4
3. Sector Snapshot	6
4. Lessons Learned from SAP 2024–26	7
5. Vision, Mission and Strategic Objectives (2028 Onwards)	7
5.1 Vision	7
5.2 Mission	7
5.3 Strategic Objectives	8
6. Strategic Pillars 2027–2032	8
7. Implementation Roadmap and Phasing	20
8. Governance, Monitoring and Review	20
Annex: Acronyms and Abbreviations	22

1. Executive Summary

This Strategic Action Plan for Islamic Finance (SAP) 2027–2032 sets out the Securities and Exchange Commission of Pakistan's (SECP) second-generation roadmap for the development of Islamic finance across the securities market, non-bank finance companies (NBFCs), the Takaful sector, Islamic social finance and corporate sector. It succeeds the SAP 2024–26, and operationalises the vision and strategic objectives articulated in the Strategy Paper issued by Government of Pakistan on Post-2027 Financial System in Pakistan.

The SAP 2027–32 is also anchored in a binding constitutional and judicial mandate: Federal Shariat Court's judgment of 28 April 2022 requires the elimination of Riba from Pakistan's financial system by 1 January 2028, a mandate reinforced by the 26th Constitutional Amendment to Article 38(f) in October 2024. Within this mandate, SECP's regulatory ambit, capital markets, NBFCs, Takaful, pensions, and the corporate sector, must complete an orderly, stability-preserving transition, while noting the clarity provided by the Government of Pakistan that the foreign-held entities excluded from mandatory conversion.

Under the outgoing SAP 2024–26, SECP substantially delivered on its first-generation agenda: of 40 initiatives, 22 were fully completed and a further 13 were broadly achieved, with 5 facing continued legal or operational constraints, principally the absence of a primary Islamic finance law, Tier-I and Tier-II capital structures for deposit-taking Modarabas, and a deep Islamic liquidity market. Over the period, the Islamic capital market has grown to PKR 21 trillion; Shariah-compliant securities represent two-thirds of Pakistan Stock Exchange (PSX) market capitalisation; and Islamic NBFC and Takaful assets have grown to represent 13.4% and 7.3% of their respective industries. This progress, and the gaps that remain, define the starting point for the present plan.

The SAP 2027–2032 directly targets the structural gaps identified within SECP's regulated sectors by mapping each of its ten strategic pillars to a specific constraint: Legal & Regulatory Transformation closes the absence of a comprehensive primary Islamic finance law that has long created legal uncertainty in insolvency, taxation, and dispute resolution; Islamic Capital Market Development and Capital Market Infrastructure & Innovation address the limited availability of sovereign Sukuk and shallow liquidity and risk-management instruments by expanding hybrid Sukuk structures, commodity Murabaha, and Shariah-compliant trading platforms; NBFC Sector Growth & Transformation and Takaful Sector Development & Expansion tackle legacy conventional contracts, re-Takaful capacity shortages, and the absence of participating and endowment Takaful products through phased institutional conversion and product innovation; Corporate Sector Transition enables corporates to transition their financing and investment portfolios from conventional to Shariah-compliant alternatives, supported by appropriate conversion frameworks, products, and market infrastructure; Governance, Supervision & Coordination narrows jurisprudential divergence and strengthens Shariah-risk oversight in coordination with SBP; Capacity Building & Awareness and Taxation, Incentives & Structural Reforms build the human capital and fiscal-neutrality foundations needed for market-driven (not merely mandated) adoption; and

Strategic Transition Management sequences the overall glide-path, licensing policy, legacy-contract conversion, and sector-wise milestones, needed to manage Pakistan's persistent dual financial system in an orderly manner. By assigning each action a named owner, measurable KPI, and identified risk-mitigation pathway across the Foundation (2027–28), Acceleration (2029–30), and Consolidation (2031–32) phases, the plan converts these previously open-ended challenges into a time-bound, accountable execution framework through 2032.

Delivered in full, this plan is intended to close the primary legal gap that has constrained Islamic finance since 2022, deepen Sukuk and Islamic liquidity markets, complete institutional conversion across capital-market intermediaries, NBFCs, and Takaful operators, and embed Shariah-compliance risk into SECP's core supervisory toolkit, positioning Pakistan's non-bank financial sector as a credible, resilient, and internationally benchmarked Islamic finance ecosystem by 2032.

2. Strategic Context and Legislative Mandate

2.1 The Constitutional and Judicial Mandate

The amended Article 38(f) of the Constitution of the Islamic Republic of Pakistan directs the State to eliminate Riba completely before the 1 January 2028, while Article 227 requires all existing laws to be brought into conformity with the injunctions of Islam. The Federal Shariat Court (FSC), in its judgment dated 28 April 2022, held that any transaction involving an additional amount over and above the principal constitutes Riba and is therefore prohibited. The FSC, inter alia, directed the federal and provincial governments to complete the necessary legislative amendments to ensure the full transformation of the economy by 31 December 2027.

Under Section 20(4)(x) of the SECP Act, 1997, the SECP is mandated to regulate and promote Shariah-compliant financial products and services within the non-bank financial sector, excluding those regulated by the State Bank of Pakistan (SBP). This plan operationalises that mandate for the period 2027–2032.

2.2 From SAP 2024–26 to SAP 2027–32

The SAP 2024–26 organised the SECP's first-generation reform agenda around four strategic verticals: accelerating growth in regulated sectors, achieving greater standardisation, improving the quality of institutional operations, and strengthening the legal and regulatory framework.

Under the SAP 2024–26, the SECP delivered a broad set of accomplishments across all four regulated segments. In the capital market, the SECP intensified engagement with capital market infrastructure institutions through dedicated Islamic finance teams, enhanced Shariah disclosures through amendments to the Fourth Schedule of the Companies Act, 2017 and PSX regulations, and promoted innovative sovereign and corporate Sukuk structures through concept papers and streamlined listing and approval processes. The Shariah stock-screening process at the PSX was revamped to enhance

transparency and efficiency, complemented by an alternate screening mechanism using the latest financial data. Shariah-compliant brokerage was fully enabled, with the first Shariah-compliant broker licensed as an independent subsidiary in the trading only category, a second full-fledged broker converted to trading and self clearing status, and approximately 33 Islamic windows established by the conventional brokers. In addition, a framework for Shariah-compliant trading at PSX was developed to pave the way for a dedicated Islamic securities market, alongside comprehensive non-binding guidelines for the provision of Islamic financial services.

On the NBFC front, the SECP achieved the first-ever green Modaraba listing on PSX's Growth Enterprise Market Board (GEM Board), modernised the Waqf company concept through proposed amendments to the Companies Act, enabling Waqf companies to be licensed as microfinance institutions and other NBFCs, and developed Pakistan's first Shariah-compliant P2P financing model, Shariah-compliant microfinance product and Shariah-compliant credit guarantee product. It also launched a comprehensive product structuring guidebook; licensed two Islamic Buy-Now-Pay-Later platforms; one Islamic housing finance company; and one Shariah-compliant microfinance institution; formalised Islamic crowdfunding for social finance with proposed Securities Act amendments for commercial crowdfunding, and harmonised the regulatory framework for Islamic collective investment schemes (CIS) with standardised offering documents and trust deeds.

In Takaful, SECP revitalised industry potential through a detailed stakeholder-driven action plan, established a framework enabling the licensing of the first digital-only Takaful operator, expanded product offerings to include Hajj and Umrah-linked investment products, introduced Takaful-specific web aggregators and digital savings products, and enhanced distribution through mobile network operator platforms.

On standardisation, the SECP notified all applicable AAOIFI standards under a tiered approach (seven mandatory, seven on a comply-or-explain basis, and 54 as non-binding guidelines), formed a joint SECP-SBP task force to build consensus on Islamic accounting standards, and voluntarily participated in the IFSB's Implementation Guidelines project, finalising Pakistan's country report for approval by the IFSB ahead of a planned self-assessment.

Industry quality was strengthened by introducing Islamic finance as a dedicated focus area under the Regulatory Sandbox's fourth cohort, formulating a comprehensive development strategy for awareness and capacity building in collaboration with JamaPunji and leading universities, conducting nationwide HEC-partnered webinars for ORICs and university incubation centres, integrating Shariah oversight into offsite supervision and inspections, introducing mandatory certification for Islamic finance officers and Shariah advisors, and organising two international conferences and five expert-led international workshops.

Finally, on the legal and regulatory front, SECP proposed amendments to the Modaraba Ordinance, 1980 to strengthen certificate-holder oversight and ease of doing business, drafted an Islamic Financial Services Bill now under internal legal review, revamped the NBFC framework for Islamic CIS, developed

a tailored Alternate Dispute Resolution (ADR) framework for Islamic finance being integrated into the Companies Act, 2017 ADR regime, and amended key subsidiary regulations, including the Securities Brokers Regulations, 2015, Public Offering Regulations, 2015, and REIT Regulations, 2022, to harmonise treatment of Islamic financial services across segments.

The challenges remain in developing an Islamic liquidity market at the Pakistan Mercantile Exchange (PMEX), enhancing the Electronic Warehouse Receipts framework to facilitate commodity Murabaha transactions, introducing Tier-I and Tier-II structures for deposit-taking Modarabas to support business growth, and strengthening the legal and regulatory framework for Islamic financial services across sectors regulated by the SECP.

The SAP 2027–2032 does not restart this agenda; it consolidates what has been achieved, carries forward the unfinished initiatives, and, critically, front-loads the legal architecture (Pillar SP-1) that the FSC's 2028 deadline now makes urgent. It also introduces new work-streams not present in the 2024–26 plan: institutional conversion planning for capital-market intermediaries, NBFCs, Takaful operators and corporate sector transition; a formal transition-management pillar (licensing policy, legacy-contract conversion); and fiscal and taxation reforms needed to make conversion commercially, and not merely regulatorily, viable.

3. Sector Snapshot

The following figures, drawn from SECP's most recent published data (as of 30 June 2026 unless otherwise noted), establish the baseline against which this plan's targets are set.

3.1 Islamic Capital Market

SHARIAH MARKET CAP

PKR 13.2tn

65% of PSX total market cap

COMPLIANT SECURITIES

309 / 537

57.5% of listed securities

ISLAMIC BROKERAGE

2 + 30

Full-fledged / windows

SOVEREIGN SUKUK (O/S)

PKR 5.3tn

190 issuances, PKR 5.97tn raised

CORPORATE SUKUK (O/S)

PKR 0.2tn

228 issuances, PKR 1.33tn raised

ISLAMIC MUTUAL FUNDS

PKR 2.1tn

47% of AUM, 194 funds

3.2 NBFC Sector

ISLAMIC NBFC ASSETS

PKR 393.3bn

23.1% of total NBFC industry assets

CERTIFIED ENTITIES

5 + 16

Fully compliant NBFCs / Islamic windows

4. Lessons Learned from SAP 2024–26

Three lessons from the outgoing plan directly shape the design of this one:

- a) **Legal enablement is the binding constraint.** Reforms delivered through guidelines and regulations (Shariah Governance Regulations 2023, Islamic Financial Services Guidelines, revised Modaraba Regulations) achieved rapid market uptake, but structural gaps, insolvency treatment, tax neutrality, enforceability of Islamic contracts persisted because they require primary legislation. SP-1 is therefore sequenced first and treated as a critical-path dependency for the pillars that follow.
- b) **Market-development initiatives outpaced institutional conversion.** Growth in Shariah-compliant securities such as Sukuk, and Islamic funds significantly outpaced the actual conversion of intermediaries and institutions themselves, most capital-market and NBFC entities still operate hybrid conventional/Islamic models. Similarly, corporate reforms, which were not focused earlier, are proposed to enable transition of corporate sector. SP-3, SP-4, SP-5 and SP-6 introduce explicit, time-bound conversion targets to close this gap.
- c) **Coordination mechanisms need to be formalised, not ad hoc.** The Apex Committee, Shariah Advisory Committee, and CEIF Alliance proved effective as consultative bodies, but cross-regulatory coordination with SBP, and Shariah-risk integration into day-to-day supervision, remained largely informal. SP-6 formalises these mechanisms, including a joint SECP–SBP supervision framework and an annual Islamic Financial Stability Report.

5. Vision, Mission and Strategic Objectives (2028 Onwards)

5.1 Vision

A stable, resilient, inclusive, and innovation-friendly financial sector, fully compliant with Shariah principles, capable of supporting sustainable economic growth, and recognised, alongside Malaysia and the GCC markets, as a credible regional hub for Islamic finance.

5.2 Mission

To complete the legal, regulatory, and institutional transformation of SECP-regulated sectors to Shariah-compliant operations in an orderly, phased, and market-confidence-preserving manner, while deepening Islamic capital markets, expanding Takaful and Islamic NBFC penetration, and building the human capital and supervisory capacity required to sustain the ecosystem beyond 2032.

5.3 Strategic Objectives

- a) Strengthen Legal and Regulatory Frameworks — reduce legal risk and provide a stable statutory foundation for the Islamic finance transition.
- b) Expand Shariah-compliant Securities — grow sovereign and corporate Sukuk issuance, listing and trading to enhance liquidity and investor confidence.
- c) Support Transformation of Intermediaries — guide NBFCs, Asset-Management Companies (AMCs), Takaful operators, and capital-market intermediaries through phased, market-ready Shariah adoption.
- d) Foster Innovative Shariah-compliant Products — encourage new Shariah-compliant solutions across regulated sectors to improve inclusion and system resilience.
- e) Develop the Islamic Finance Ecosystem — grow and diversify Islamic institutions and markets, integrating banking, non-bank, and social finance.
- f) Enhance Stakeholder Coordination — strengthen collaboration with industry, Shariah boards, international standard-setters, and regulators.

6. Strategic Pillars 2027–2032

The following ten pillars translate the strategic objectives above into specific, time-bound, owned actions. Each pillar carries forward relevant unfinished initiatives from SAP 2024–26 and introduces the additional reforms required to meet the 2028 Riba-elimination deadline and the post-2027 vision.

SP-1 Legal & Regulatory Transformation

The most consequential structural gap identified across the SECP's regulatory review is the absence of a comprehensive, dedicated primary law for Islamic financial services. With the FSC's elimination deadline of 1 January 2028 now imminent, this pillar front-loads the legislative architecture, a primary Islamic Financial Services Law, a modernised Modaraba framework, harmonised subsidiary regulations, and a dedicated dispute-resolution mechanism, that all other pillars depend upon for legal certainty and enforceability.

#	Key Action	Target / KPI	Responsibility	Timeline Risk & Mitigation
1.1	Enact the Modaraba Law to modernise the 46-year-old legacy legislation, enhance certificate-holder empowerment and business flexibility.	Law enacted and notified	IFD, PLAD, MoF, MoL	2026 – 2027 <i>Risk: Legislative delays</i> <i>Mitigation: Senior-level engagement with, MoF, MoL, Cabinet and Parliament</i>
1.2	Enact a dedicated Islamic Financial Services Law providing overarching statutory recognition for Shariah-compliant contracts, instruments, and institutions across SECP-regulated sectors.	Law enacted and notified	IFD, PLAD, MoF, MoL	2027 – 2028 <i>Risk: Legislative delays</i> <i>Mitigation: Senior-level engagement with, MoF, MoL, Cabinet and Parliament</i>
1.3	Harmonise all subsidiary regulations (capital markets, public offerings, NBFCs, Takaful) with Shariah principles following passage of the primary laws above.	All relevant regulations aligned	All Policy Departments, IFD, PLAD	2027 – 2029 <i>Risk: Fragmentation across departments</i> <i>Mitigation: Central coordination led by IFD</i>
1.4	Institute a specialised ADR mechanism for Islamic finance contracts, integrated within the Companies Act, 2017 ADR regime.	ADR framework operational	CRD, IFD, PLAD, OIC Arbitration Centre, IICRA	2027 – 2028 <i>Risk: Insufficient institutional arrangements</i> <i>Mitigation: Coordination with judiciary and industry stakeholders</i>

SP-2 Islamic Capital Market Development & Promotion

Deepening the Islamic capital market, equity, Sukuk, Islamic liquidity instruments, and Islamic social finance, is essential to narrowing the structural distance to more mature markets such as Malaysia, and closing Pakistan's liquidity-management gap.

#	Key Action	Target / KPI	Responsibility	Timeline Risk & Mitigation
2.1	Expand sovereign Sukuk issuance through the PSX, including asset-light structures, to widen the pool of Shariah-compliant government securities.	Sovereign Sukuk share of government securities raised toward 20–25% by 2027 and 50%+ by 2032	MoF, DMO, SECP, PSX	2027 – 2032 <i>Risk: Asset constraints for asset-backed structures</i> <i>Mitigation: Asset-identification frameworks; hybrid Sukuk structures</i>

#	Key Action	Target / KPI	Responsibility	Timeline Risk & Mitigation
2.2	Increase retail participation in corporate and sovereign Sukuk through digital and fractional-ownership platforms, including telecom/mobile-wallet distribution.	Sustained growth in retail Sukuk investor base	IFD, PMADD, PSX, CDC, NCCPL, fintech's	2027 – 2029 <i>Risk: Low retail adoption</i> <i>Mitigation: Targeted awareness campaigns</i>
2.3	Deepen the Shariah-compliant corporate debt market by facilitating listing of corporate Sukuk	Sustained growth in listing of corporate Sukuk by introducing a streamlined, single-window issuance mechanism	IFD, PMADD, PSX, CDC, NCCPL, Issuer of Sukuk	2027-2032 <i>Risk: Limited awareness among corporates</i> <i>Mitigation: targeted awareness and outreach initiatives for corporates</i>
2.4	Facilitate an Islamic liquidity-management market - Shariah-compliant commodity Murabaha via PMEX or PSX and an expanded Electronic Warehousing Receipt framework.	Islamic liquidity instruments introduced and trading	CRDD, IFD, PMEX, PSX	2028 – 2032 <i>Risk: Limited product innovation</i> <i>Mitigation: Regulatory sandbox framework</i>
2.5	Develop Islamic social finance by integrating Waqf into formal financial markets, including enabling legal recognition of Waqf Management Companies.	Enabling legal and regulatory framework issued	IFD, PLAD, Policy Departments	2027 – 2032 <i>Risk: Jurisdictional constraints (provincial Auqaf laws)</i> <i>Mitigation: Legal innovation; federal-provincial coordination</i>
2.6	Undertake a formal self-assessment of SECP-regulated sectors against IFSB and AAOIFI global standards and principles.	Assessment reports published	IFD, International Relations Department	2029 – 2032 <i>Risk: Dependency on external standard-setting bodies</i> <i>Mitigation: Enhanced coordination with IFSB/AAOIFI</i>

SP-3 NBFC Sector Growth & Transformation

The NBFCs are the principal channel for extending Shariah-compliant financing to underserved retail, SME, and agricultural segments, apart from Shariah-compliant investments through AMCs. This pillar drives phased conversion of the sector while using digital rails and product innovation to widen inclusion.

#	Key Action	Target / KPI	Responsibility	Timeline Risk & Mitigation
3.1	Facilitate the conversion of the mutual fund sector	100% domestic AMCs and funds converted - At least one Islamic funds offered by foreign-owned AMCs	FMD, IFD	31 December 2027 for domestically-owned AMCs Voluntary conversion for foreign-owned AMCs <i>Risk: Resistance from conventional firms</i> <i>Mitigation: Facilitation support with firm deadlines</i>
3.2	Implement phased conversion plans for lending NBFCs.	100% domestically-owned lending NBFCs converted - At least one Islamic product offered by foreign-owned lending NBFCs	LPFD, IFD	31 December 2027 for domestically-owned lending NBFCs Voluntary conversion for foreign-owned lending NBFCs <i>Risk: Resistance from conventional firms</i> <i>Mitigation: Facilitation support with firm deadlines</i>
3.3	Prioritize conversion of wholesale lending NBFCs and Credit Guarantee Institutions (CGIs)	50% of financing converted to facilitate PMIC, NCGCL, and Infrazamin for conversion	LPFD, IFD	2026-2027 <i>Risk: Delays in conversion due to readiness constraints</i> <i>Mitigation: Establishing a structured conversion roadmap with clear milestones and timelines</i>
3.4	Establish clear regulatory guidance on product structures, risk allocation, and supervisory expectations to enable NBFC product innovation.	Shariah structures of all lending NBFC products made available	LPFD, IFD, NBFCs	2026 – 2027 <i>Risk: Limited market expertise</i> <i>Mitigation: Technical guidance and capacity support</i>
3.5	Develop a public repository of approved Shariah structures, contract templates, and disclosure frameworks, particularly for agri-financing.	Repository created and made accessible	IFD, LPFD	2027 – 2028 <i>Risk: Divergence across Shariah models</i> <i>Mitigation: Guidance issued by the Shariah Advisory Committee (SAC)</i>

#	Key Action	Target / KPI	Responsibility	Timeline Risk & Mitigation
3.6	Promote Islamic fintech for innovative agri-SME financing solutions.	Digital financing platforms operational	LPFD, fintechs, UNIDO	2026 – 2029 <i>Risk: Regulatory gaps for new digital models</i> <i>Mitigation: Sandbox testing combined with licensing pathway</i>
3.7	Establish an inter-agency coordination framework for Islamic digital finance, spanning SBP, NADRA, and PTA.	Formal coordination framework introduced	SECP, SBP, NADRA, PTA	2027 – 2029 <i>Risk: Processing and approval delays</i> <i>Mitigation: Regular inter-agency follow-up</i>
3.8	Standardise disclosure formats, terminology, and communication practices across digital Islamic finance platforms.	Standardisation guidance issued	IFD, LPFD, NBFCs	2027 – 2029 <i>Risk: Divergence of Shariah models across platforms</i> <i>Mitigation: Inter-departmental coordination</i>
3.9	Support transition of conventional foreign funding lines toward Shariah-compliant structures.	25% of relevant foreign funding transitioned to Shariah-compliant structures	LPFD, MoF, EAD	2028 – 2032 <i>Risk: Investor / lender reluctance</i> <i>Mitigation: Structured alternative financing instruments</i>
3.10	Establish an Islamic microfinance linkage with the Pakistan Poverty Alleviation Fund (PPAF) for Shariah-compliant microfinance rollout.	Measurable growth in microfinance clients reached	LPFD, PPAF, IFD	2027 – 2030 <i>Risk: High operational cost per client</i> <i>Mitigation: Digital onboarding and agent-banking models</i>

SP-4 Takaful Sector Development & Expansion

Takaful remains the least-penetrated SECP-regulated segment relative to its conventional counterpart. This pillar addresses institutional conversion of major state-linked insurers, re-Takaful capacity constraints, and the long-standing product gap in participating/endowment-type coverage.

#	Key Action	Target / KPI	Responsibility	Timeline Risk & Mitigation
4.1	Enable institutional conversion of conventional insurers, including major state-linked entities to Takaful operations.	100% domestic Insurers Reinsurance converted - Takaful operations offered by foreign-owned Insurers	LPAD, NPAD, MoC	31 December 2027 for domestically-owned Insurers

#	Key Action	Target / KPI	Responsibility	Timeline Risk & Mitigation
				Voluntary conversion for foreign-owned Insurers <i>Risk: Legacy policy liabilities</i> <i>Mitigation: Gradual portfolio migration approach</i>
4.2	Build domestic and international re-Takaful capacity to support risk diversification and sectoral expansion.	Demonstrated capacity growth	LPAD, NPAD	2026 – 2030 <i>Risk: Global re-Takaful capacity constraints</i> <i>Mitigation: Regional re-Takaful partnerships</i>
4.3	Introduce participating / endowment-type Takaful products to replace the conventional endowment segment (≈31% of life-insurance premiums historically).	Products launched	LPAD, NPAD, Industry	2027 – 2028 <i>Risk: Low market awareness</i> <i>Mitigation: Targeted awareness campaigns</i>
4.4	Implement a risk-based capital / solvency regime for Takaful operators.	Risk-based capital framework implemented	LPAD, NPAD	2026 – 2028 <i>Risk: Compliance burden on smaller operators</i> <i>Mitigation: Phased adoption timeline</i>

SP-5 Capital Market Infrastructure & Innovation

Building on the launch of Shariah-compliant brokerage windows and the KMI screening framework, this pillar completes the market-infrastructure layer, dedicated trading platforms, tokenised securities, warehousing, and Islamic REITs for Waqf-property monetisation, needed for a fully self-sustaining Islamic secondary market.

#	Key Action	Target / KPI	Responsibility	Timeline Risk & Mitigation
5.1	Enable phased conversion of capital-market infrastructure institutions (CMIs) and intermediaries to Shariah-compliant operations.	100% domestic intermediaries converted - At least one Islamic product offered by foreign-owned Intermediaries	PRDD, IFD	31 December 2027 for domestically-owned Intermediaries Voluntary conversion for foreign-owned Intermediaries <i>Risk: Resistance from firms</i>

#	Key Action	Target / KPI	Responsibility	Timeline Risk & Mitigation
				<i>Mitigation: Facilitation support with firm deadlines</i>
5.2	Launch a dedicated Shariah-compliant trading counter at PSX.	Counter operational	PRDD, PSX, NCCPL	2026 – 2027 <i>Risk: Low adoption</i> <i>Mitigation: Broker incentive schemes</i>
5.3	Facilitate instant settlement of trades conducted in Shariah-compliant securities	Operationalization of a mechanism for instant settlement of trades in Shariah-compliant securities	PRDD, PSX, NCCPL, CDC, IFD	2028 – 2030 <i>Risk: Technology and infrastructure constraints</i> <i>Mitigation: Phased rollout of the mechanism with clear milestones and timelines</i>
5.4	Issue guidelines for establishing Shariah-compliant brokerage windows, building on the two full-fledged Islamic brokerages and Islamic windows already operating.	Guidelines issued	IFD	2026 – 2027 <i>Risk: Differing brokerage business models</i> <i>Mitigation: Guidance from the Shariah Advisory Committee</i>
5.5	Expand the range of Shariah-compliant leveraged market products (e.g., Margin Trading / Musharakah-based financing).	Product rollout completed	PRDD, IFD, NCCPL	2026 – 2028 <i>Risk: Shariah structuring complexity</i> <i>Mitigation: Scholar engagement</i>
5.6	Introduce a regulatory framework for tokenised Islamic securities in capital markets.	Framework issued	PMADD, IFD	2027 – 2029 <i>Risk: Legal and technological uncertainty</i> <i>Mitigation: Pilot programmes under regulatory sandbox</i>
5.7	Expand physical delivery and warehousing infrastructure to support the commodity Murabaha ecosystem.	Contracts launched on expanded infrastructure	CRDD, PMEX	2026 – 2030 <i>Risk: Infrastructure gaps</i> <i>Mitigation: Public-private partnership investment</i>
5.8	Improve Shariah screening criteria and thresholds, building on the revised debt-to-asset threshold (37%→33%) and the new Alternate Shariah Screening Regime.	Screening improvements implemented; automated data collection operational	PSX, IFD, PRDD	2026 – 2028 <i>Risk: Operational implementation challenges</i> <i>Mitigation: Gradual, phased implementation</i>

#	Key Action	Target / KPI	Responsibility	Timeline Risk & Mitigation
5.9	Launch Islamic REITs (I-REITs) dedicated to the commercial development of Waqf lands under a leaseback model.	I-REITs listed	PSX, SECP, IFD, provincial Auqaf departments	2028 – 2032 <i>Risk: Waqf-related legal constraints</i> <i>Mitigation: Waqf amendment legislation</i>
5.10	Pilot smart-contract-based Waqf property management and distribution using blockchain infrastructure.	Waqf properties digitised	IFD, provincial Auqaf departments, fintechs	2029– 2032 <i>Risk: Lack of digitised land records</i> <i>Mitigation: Partnership with Land Revenue Authorities</i>
5.11	Revamp the Asset Backed Securitization Rules, 1999 to enable securitization of real assets for issuance of Sukuk	Amendments introduced to the Rules	IFD, PMADD, PLAD	2028-2030 <i>Risk: Delayed promulgation of amendments</i> <i>Mitigation: Effective coordination with MoF and MoL</i>

SP-6 Corporate Sector Transition

This pillar focuses on facilitating the transition of the corporate sector towards a Riba-free and Shariah-compliant operating framework through legal and regulatory reforms, institutional support, and practical transition mechanisms.

#	Key Action	Target / KPI	Responsibility	Timeline Risk & Mitigation
6.1	Facilitate the full transition of registered companies towards Riba free operations and Shariah compliance.	Guidelines issued to assist companies in navigating the transition and provide practical mechanisms for achieving Shariah compliance.	IFD, PLAD, CRD	2026-2027 <i>Risk: Significant variation in the size, complexity, and nature of corporates</i> <i>Mitigation: Adopt a proportionate approach that allows transition requirements and timelines to be tailored</i>
6.2	Propose amendments to enable conversion of provident fund under Companies Act, 2017	Amendments to the “Employees Contributory Funds (Investment in Listed Securities) Regulations, 2018”	IFD, PLAD	2027-2028 <i>Risk: legacy contract and trust structures</i> <i>Mitigation: Grandfathering provisions for existing contracts.</i>

#	Key Action	Target / KPI	Responsibility	Timeline Risk & Mitigation
6.3	Guidance on conversion of existing corporate contracts from conventional to Shariah-compliant status	Issuance of Shariah guidelines for the conversion of existing corporate contracts to Shariah-compliant arrangements	IFD, PLAD	2026-2030 Risk: Legal and operational challenges due to existing conventional contracts Mitigation: Grandfathering provisions for existing contracts and facilitation for entering Shariah-compliant contracts
6.4	Guidance on conversion of existing loans and investments from conventional to Shariah-compliant status	Issuance of Shariah guidelines for the conversion of existing conventional loans and investments into Shariah-compliant arrangements	IFD, PLAD	2026-2030 Risk: Legal, contractual, and operational complexities in restructuring existing conventional loans and investments. Mitigation: Standardized conversion guidelines and transition mechanisms
6.5	Improve the Company Law provisions in line with the FSC judgment	Amendments introduced to the Companies Act, 2017 to align its legal framework with the objective of eliminating Riba from the corporate sector.	CRD, IFD, PLAD	2027-2030 Risk: Legal and operational challenges due to existing legacy interest-based financing arrangements Mitigation: Grandfathering provisions for existing arrangements while prohibiting entry into new interest-based financing

SP-7 Governance, Supervision & Coordination

As the financial system shifts from interest-based to asset-based, partnership-based, and risk-sharing structures, SECP's supervisory toolkit must be recalibrated to capture Shariah-compliance risk, asset-performance risk, and systemic interconnections, in close coordination with the State Bank of Pakistan.

#	Key Action	Target / KPI	Responsibility	Timeline Risk & Mitigation
7.1	Integrate Shariah compliance into routine offsite and onsite supervision.	Integrated supervisory framework implemented	NSD, IFD	2027 – 2028 Risk: Capacity gaps within supervisory teams Mitigation: Structured training programmes

#	Key Action	Target / KPI	Responsibility	Timeline Risk & Mitigation
7.2	Develop Islamic finance-specific stress-testing models and early-warning indicators.	Models operational	NSD, IFD	2028 – 2029 <i>Risk: Data limitations</i> <i>Mitigation: Industry data-sharing collaboration</i>
7.3	Develop a cohesive strategy to adopt accounting and auditing standards for IFIs	Strategy developed	ICAP, SBP, IFD	2027 – 2028 <i>Risk: Divergence between IFRS and Islamic standards</i> <i>Mitigation: Coordination with ICAP and stakeholder consultation</i>
7.4	Formalise cross-regulatory coordination through a joint SECP–SBP Islamic finance supervision mechanism.	Joint initiatives operating on an ongoing basis	Chairman's Secretariat, IFD, NSD, SBP	2026-2027 <i>Risk: Policy divergence between regulators</i> <i>Mitigation: Formal coordination forum / MoU</i>
7.5	Strengthen the global standing and international integration of Pakistan's Islamic finance sector	Enhanced strategic coordination and collaboration with AAOIFI, IFSB, IsDBI, OIC, and IICRA	IRD, IFD	Ongoing <i>Risk: Limited institutional coordination</i> <i>Mitigation: Structured engagement framework with clear focal points, priority areas, and regular coordination mechanisms</i>
7.6	Reduce jurisprudential divergence and standardise Shariah contracts, in coordination with AAOIFI, IFSB, and the Shariah Advisory Committee.	Standards issued	IFD, SAC	2026 – 2030 <i>Risk: Scholarly differences of opinion</i> <i>Mitigation: Alignment with international standard-setting bodies</i>
7.7	Strengthen regulatory oversight of Shariah governance through SupTech solutions.	SupTech solutions developed and deployed	IFD, SAC	2028 – 2030 <i>Risk: Technical capacity and resource constraints</i> <i>Mitigation: Support from multilateral institutions (IsDBI, ADB)</i>
7.8	Publish a joint annual Islamic Financial Stability Report covering stability, risk, and Shariah-compliance metrics.	Report published annually and made publicly accessible	SBP, IFD	2028 – 2030 <i>Risk: Data quality / integrity risk</i> <i>Mitigation: Independent data-verification mechanism</i>

SP-8 Capacity Building & Awareness

Sustained human-capital investment underpins every other pillar. This work-stream builds institutional expertise within SECP, mandates professional certification across the industry, embeds Islamic finance in academic curricula, and drives public financial literacy.

#	Key Action	Target / KPI	Responsibility	Timeline Risk & Mitigation
8.1	Train SECP staff and industry professionals in Islamic finance regulation and supervision.	Personnel trained on an ongoing basis	IFD, Investor Education Department, NIBAF	Ongoing <i>Risk: Skill gaps</i> <i>Mitigation: Certification programmes</i>
8.2	Conduct national Islamic finance literacy campaigns for the general public.	Sustained outreach growth	IFD, Investor Education Department, PSX, CMDF, IFMP	2026 – 2032 <i>Risk: Low public engagement</i> <i>Mitigation: Media partnerships</i>
8.3	Integrate Islamic finance into university curricula in collaboration with HEC and the Ministry of Education.	Curriculum adoption across partner universities	Investor Education Department, MoE, HEC	2027 – 2032 <i>Risk: Bureaucratic delay</i> <i>Mitigation: Pilot programmes with leading universities</i>
8.4	Institute mandatory Shariah certification programmes for industry professionals.	Rising compliance rate	IFMP, Investor Education Department, IFD	2026 – 2028 <i>Risk: Industry resistance</i> <i>Mitigation: Phased implementation</i>
8.5	Define cross-disciplinary competency standards spanning Shariah, finance, technology, and data governance.	Standards developed	IFMP, IFD	2029 – 2030 <i>Risk: Capacity constraints</i> <i>Mitigation: Support from multilateral institutions</i>
8.6	Deliver specialised certification for bankers, NBFCs, Takaful providers, and fintechs on Shariah-compliant agri-finance.	Personnel trained	IFMP, IFD, NIBAF	2029 – 2030 <i>Risk: Operational challenges</i> <i>Mitigation: Inter-agency coordination</i>
8.7	Design and roll out a dedicated Shariah-standards training programme with the CEIF Alliance.	Programme rollout completed	IFD, CEIF Alliance	2027 – 2028 <i>Risk: Capacity constraints</i> <i>Mitigation: Support from market players</i>
8.8	Publish Islamic finance literature and research on SECP-regulated sectors.	Publications issued on an ongoing basis	IFD, CEIF Alliance	Ongoing <i>Risk: Capacity constraints</i> <i>Mitigation: Support from market players</i>

SP-9 Taxation, Incentives & Structural Reforms

Fiscal neutrality between Islamic and conventional structures, and, where warranted, targeted transitional incentives, is a precondition for a market-driven (rather than purely compliance-driven) conversion of the non-bank sector.

#	Key Action	Target / KPI	Responsibility	Timeline Risk & Mitigation
9.1	Provide tax pass-through / neutral status to Modarabas and other Islamic structures relative to conventional equivalents.	Tax amendments notified	FBR, IFD	2028 – 2030 <i>Risk: Fiscal / revenue concerns</i> <i>Mitigation: Revenue-neutral design of proposals</i>
9.2	Reduce the cost of Sukuk issuance for corporate issuers.	Measurable reduction in issuance cost	PMADD, PSX, CDC	2027-2032 <i>Risk: Revenue loss for market infrastructure institutions</i> <i>Mitigation: Volume-based cost recovery</i>
9.3	Introduce targeted fiscal incentives for institutions converting to Islamic operations.	Conversion uptake among incentivised institutions	Chairman's Secretariat, MoF	2026 – 2032 <i>Risk: Budgetary constraints</i> <i>Mitigation: Narrowly targeted, time-bound incentives</i>

SP-10 Strategic Transition Management

This pillar provides the overarching sequencing and governance discipline for the transition itself — translating the FSC's economy-wide Riba-elimination mandate into a sector-wise roadmap, a licensing glide-path, and legacy-contract conversion mechanics, while keeping the transition anchored to Pakistan's broader development goals.

#	Key Action	Target / KPI	Responsibility	Timeline Risk & Mitigation
10.1	Monitor and coordinate a sector-wise phased transition roadmap for the elimination of Riba across all SECP-regulated segments.	Milestones achieved against roadmap	All Policy Departments, Apex Committee	2026 – 2030 <i>Risk: Systemic disruption</i> <i>Mitigation: Gradual, sequenced timelines</i>
10.2	Restrict issuance of new conventional licences post-2027, in favour of Shariah-compliant licensing.	Rising share of new Islamic entities licensed	Licensing Department	Post-2027 <i>Risk: Industry pushback</i> <i>Mitigation: Transition support and phased notice periods</i>

#	Key Action	Target / KPI	Responsibility	Timeline Risk & Mitigation
10.3	Develop standardised legacy-contract conversion frameworks for long-dated conventional exposures.	Contracts converted	IFD, PLAD	2026 – 2032 <i>Risk: Legal disputes over conversion terms</i> <i>Mitigation: Standardised conversion templates</i>
10.4	Align Islamic finance development with Pakistan's broader economic and development goals, including formal linkage to GDP-growth objectives.	Measurable contribution to GDP tracked	SECP, MoF	Ongoing <i>Risk: Policy misalignment across agencies</i> <i>Mitigation: Integrated national planning</i>

7. Implementation Roadmap and Phasing

Execution is sequenced across three phases, aligned to the FSC's 1 January 2028 deadline and the medium-term horizon needed for institutional conversion and market deepening.

Phase	Timeline	Focus
Phase 1 — Foundation	2027 – 2028	Enact Islamic Financial Services Law and Modaraba Bill; harmonise subsidiary regulations; launch Shariah-compliant trading platform; complete institutional-conversion planning for CMIs, NBFCs, and Takaful operators; facilitate corporate sector transition, integrate Shariah compliance into routine supervision.
Phase 2 — Acceleration	2029 – 2030	Scale Sukuk issuance and Islamic liquidity instruments; achieve conversion of domestically owned NBFCs and capital-market intermediaries; roll out Islamic REITs and tokenised securities pilots; operationalise stress-testing models and SupTech tools; deliver cross-disciplinary competency standards.
Phase 3 — Consolidation	2031 – 2032	Complete conversion of remaining intermediaries and Takaful operators (including major state-linked insurers); embed the annual Islamic Financial Stability Report as a standing publication; consolidate tax-neutrality reforms; conduct a full-cycle review against IFSB/AAOIFI benchmarks.

8. Governance, Monitoring and Review

Implementation will be overseen through SECP's existing multi-layered governance structure, strengthened as follows:

1. The Apex Islamic Finance Committee will retain overall strategic oversight of plan implementation and FSC-judgment compliance, reporting periodically to the Chairman SECP.
2. The Islamic Finance Department (IFD) will serve as the central secretariat, coordinating cross-departmental delivery, tracking milestone completion, and maintaining the plan's KPI dashboard.

3. The SAC will continue to provide policy guidance and resolve jurisprudential questions arising during implementation, particularly under Pillars SP-2, SP-5, and SP-6.
4. Clear milestones, measurable KPIs, and accountability mechanisms — as set out against each action in Section 6 — will be tracked through structured progress reviews, with periodic industry consultations and independent assessments to allow adaptive recalibration in response to emerging risks or market developments.
5. An annual Islamic Financial Stability Report, jointly published with SBP from 2028 onward, will provide the primary public accountability mechanism for the plan's progress (Action 7.6).

This phased, monitored approach is designed to ensure a smooth, orderly, and sustainable transformation of Pakistan's Islamic finance ecosystem, strengthening resilience, fostering innovation, and promoting inclusive growth across the capital market, NBFC, and Takaful sectors through 2032 and beyond.

Annex: Acronyms and Abbreviations

AAOIFI	Accounting and Auditing Organization for Islamic Financial Institutions	ADR	Alternate Dispute Resolution
AMC	Asset Management Company	CDC	Central Depository Company of Pakistan
CEIF	Centre of Excellence in Islamic Finance	CMII	Capital Market Infrastructure Institution
EAD	Economic Affairs Division	FBR	Federal Board of Revenue
FSC	Federal Shariat Court	IICRA	International Islamic Centre for Reconciliation and Arbitration
HEC	Higher Education Commission	IFD	Islamic Finance Department, SECP
IFMP	Institute of Financial Markets of Pakistan	IFSB	Islamic Financial Services Board
IsDBI	Islamic Development Bank Institute	MoF	Ministry of Finance
MoL	Ministry of Law and Justice	NADRA	National Database and Registration Authority
NBFC	Non-Banking Finance Company	NCCPL	National Clearing Company of Pakistan Limited
NIBAF	National Institute of Banking and Finance of Pakistan	PLAD	Prosecution and Legal Affairs Division, SECP
PMEX	Pakistan Mercantile Exchange	PPAF	Pakistan Poverty Alleviation Fund
PSX	Pakistan Stock Exchange	PTA	Pakistan Telecommunication Authority
SAC	Shariah Advisory Committee of SECP	SBP	State Bank of Pakistan
SECP	Securities and Exchange Commission of Pakistan	SupTech	Supervisory Technology
UNIDO	United Nations Industrial Development Organization	GEM Board	Growth Enterprise Market Board
ORICs	Offices of Research, Innovation and Commercialization	Islamic CIS	Islamic Collective Investment Schemes
DMO	Debt Management Office	CRD	Corporate Registry Department
PMADD	Primary Market Approvals and Development Department	CRDD	Commodities Regulation and Development Department
FMD	Fund Management Department	LPFD	Lending and Private Fund Department
ICAP	Institute of Chartered Accountants of Pakistan	CMDF	Capital Market Development Fund
MoE	Ministry of Education	MoC	Ministry of Communication
OIC	Organization of Islamic Cooperation	GDP	Gross Domestic Product

FinTech	Financial Technology	LPAD	Life Policy and Approval Department Non
NPAD	Non-Life Policy and Approval Department	NSD	NBFC Supervision Department
IRD	International Relations Department		