3.7 **Exposure Draft on Guidance Paper for Resolvability Assessment - Islamic Finance Specificities in Resolution**

Respondents generally provided constructive views on the Shariah principles that may be appropriate to facilitate transfers in resolution, for PIDM's consideration. Feedback focused primarily on areas where further clarification would support implementation, including transfer mechanisms, the treatment of Investment Accounts ("IAs"), operational readiness requirements and the role of the Shariah Committee in supporting resolution actions.

a. Transferability of Contracts in Resolution

Feedback Received
Respondents generally supported the use of appropriate Shariah principles to facilitate transfers during resolution. Respondents also supported, in principle, the bundling of certain assets and/or liabilities of an Islamic DTM in a single transaction, provided that the relevant Shariah requirements of the bundled assets and/or liabilities are satisfied. In operationalising such a transaction, some respondents suggested using a master agreement on the commercial terms, supplemented by Shariah contract-specific transfer documentation to address the requirements of the underlying Shariah contracts. Some respondents also sought additional guidance on transfer mechanisms to promote greater consistency, support operational readiness and facilitate timely execution during a resolution.

Preliminary Response by PIDM
PIDM acknowledges that Islamic DTMs are best placed to assess the operational, contractual and Shariah considerations relating to their respective products, services and portfolios. PIDM will take into account the feedback received when reviewing and finalising the guidance paper on IFSIR for issuance at a later date, including practical considerations relating to the transfer of Islamic assets, liabilities and business in a resolution scenario.

b. Resolvability of Investment Account in Resolution

Feedback Received
Industry feedback largely focused on the need for greater clarity on the treatment of IAs in a resolution scenario, including Shariah compliance considerations, communication of potential transfer arrangements, the distinction between deposits and IAs, circumstances in which redemption restrictions may apply, and expectations relating to liquidity constraints, profit and loss allocation, proportionality and communication protocols with Investment Account Holders ("IAHs"). Some respondents also suggested greater emphasis be placed on operational readiness, including capabilities to segregate IA assets and distinguish between unrestricted IAs, restricted IAs and intra-group IA arrangements, to support effective resolution planning and execution.

Preliminary Response by PIDM
PIDM notes the feedback received. PIDM recognises that the treatment of IAs in resolution may involve operational, contractual, Shariah and stakeholder communication considerations, including matters relating to asset segregation, consent requirements and communication with customers, counterparties and IAHs. PIDM also notes that these considerations are best addressed as part of BAU operations, as much as possible. In particular, any consent requirements that may arise in a resolution scenario should, where possible, be identified and addressed in advance through appropriate planning and preparedness measures. As the guidance paper on IFSIR will be issued at a later date, PIDM will take into account the feedback received when reviewing and finalising the guidance, including practical considerations relating to the treatment and transfer of IAs, asset segregation, stakeholder communication and Shariah-compliant execution of resolution actions.

c. Others – The Role of Shariah Committee in Resolution

Feedback Received
Respondents sought clarification on the role and authority of the Shariah Committee during resolution, including its role in providing views, advice, consultation or approvals in relation to the implementation of resolution actions, as well as the determination of the appropriate Shariah principles.

Preliminary Response by PIDM
PIDM notes the feedback received. Where an Islamic DTM is assessed to be non-viable, PIDM may assume control of the Islamic DTM and appoint an appointed person to manage its affairs or facilitate its transfer to an acquirer. Upon PIDM assuming control, responsibility for the management and administration of the Islamic DTM would vest in PIDM or the appointed person, as applicable. Shariah compliance would remain an integral component of the management and administration of the Islamic DTM in resolution. Accordingly, PIDM will determine the continued involvement of the existing Shariah Committee, or the involvement of any of its members, as is necessary for ensuring the DTM's business, affairs and activities comply with Shariah.