

AAOIFI see Accounting, Auditing and Governance	asset-based financing 46–47
Standards for Islamic Financial Institutions	audit see sharī 'ah audit
Abdullah ibn Mas'ūd 14	Australia 279, 280
Abdullah ibn 'Umar 14	authority of SSBs 315-327
Abu-Tapanjeh, Abdussalam 65–67	bank-level arrangements 317
academic qualifications	BOD responsibilities 319–322
SSB members 289–294	conflict managemen, 315, 322-323
see also qualifications	legal infrastructure 317
Accounting, Auditing and Governance Standards for	management 323
Islamic Financial Institutions (AAOIFI)	nature of decisions 317–319
annual sharī'ah compliance report 353–355	regulatory guidelines 317
Dubai 127–128	12
fatawa inconsistency 267–268	Bahamas 106–109
fatawa issuance 347, 351	Bahrain
fatawa reversal 351–352	legal/regulatory framework 153
governance issues 71–73, 77, 82	SSBs
guidance regarding SSBs 249–250	GCC jurisdictions 272
historical aspects 257–258	member qualifications 291
internal control 186, 200, 202, 203, 205	model 80, 278
sharī'ah advisory firms 364, 369	opinion differences 350
sharī'ah board members 259	balance 29–30
SSB members	Bangladesh 153
character of 286, 287	Bank Indonesia 302, 303
opinion differences 349–350	Bank Islam Malaysia Berhad (BIMB), Malaysia
qualifications 289	132–133, 273
adverse opinions 355–356	Bank Negara Malaysia (BNM) 132-142
advisory firms see sharī'ah advisory firms	bank licensing requirements 331
aḥadīth 14–15	contract documents 341
Ahmed 40, 43	SSBs 275, 277–278
Al-Muwafaqāt (Al-Shātibi) 32	appointing members 302
al-qaṣd 30–31	authority of 316
Algeria 152	bank compliance with 336
annual <i>sharī</i> 'ah audit plan 198–199	dismissal of members 309
annual sharī 'ah compliance report 334, 352–356	disqualification of members 286-287
anthropocentricity, sharī 'ah 24, 42-43	experience of members 295
application form, external <i>sharī</i> 'ah audit office 371–372	nominating members 302
application processes, SSB members 299–303	qualifications of members 291–292
appointments, SSB members 209, 301-303	banking supervisors
Arab Emirates see United Arab Emirates	internal control 189-191, 216-217
Arabic language 293	key characteristics 119-120
asceticism, Sufi 49-50	role in governance 117–120









banks/banking see Islamic banks/banking reporting line 304 Barclays Bank 44-45 resignations 308-310 Basel Committee on Banking Supervision (BCBS) terms of agreement 304 67-68, 280 codes of ethics 200, 205, 344 bearable difficulty 20-21 see also ethics; morality BIMB see Bank Islam Malaysia Berhad "committed" governance approach 142-150 binding fatawa/resolutions 251-252, 318 common law 106-113 "black letter laws" 113 communication BNM see Bank Negara Malaysia internal control 186-188, 215-216 board of directors (BOD) ISAF findings 201-202 administrative support to SSB 321 skills of SSB members 298 assessing SSB performance 321-322 community needs 43 banking supervisors 118 company bylaws 320 company bylaws 320 compensations 308 conflict with SSB 323 competence of sharī'ah advisory firms 370 establishing governance framework 320 competence of SSB members 283-299 academic qualifications 289-294 fatawa/resolutions, abiding by 320-321 guidance from SSB 320-321 character 284-289 independence of SSB 262-263, 321 conduct 284-289 information access, SSBs 320 expected expertise study 290 internal control 181-188, 191-194, 199, 202, 204, experience 294-297 professional ethics 284-288 professional SSRs 298-299 Omani governance 144-145 skills 297-299 responsibility to SSB 319-322 compliance SGF, Malaysia 138-140 risk \$5-87 sharī'ah responsibilities 97-102 BOD see board of directors also sharī'ah compliance Brunei 154 emprehensiveness of sharī 'ah 25–26 concessionary rulings 28 conduct 284-288, 344 Canada 279, 280 confidentiality 188, 265-267, 343 causes 19, 51-52 conflict 315, 322-323 CBO see Central Bank of Oman between BOD and SSB 323 Central Bank of Malaysia Act 2009 115-116 273 between management and SSB 323 Central Bank of Oman (CBO) 142-150, 296, 366 between SSB members 322 central banks 129, 277-278 conflicts of interest 94, 146-147, 264 see also individual banks resolution of 298, 349-351 chairman of SSB 305-306, 344 consistency, SSBs 267-269 conflict resolution 349-351 contracts 47, 55, 340-341 fatawa issuance 345-349, 351 control activities 185-186, 215 fatawa reversal 351-352 control culture 182-184, 214-215 ijtihād 345-349 corporate governance 57-102 opinion differences 349-351 AAOIFI guidance 71-72 responsibilities 344-352 banking sector 67-68, 71 character of SSB members 284-288 BOD/senior management 97-102 characteristics of sharī'ah 3-56 challenges 69-70 charity accounts 93 "committed" governance 142-150 charter, SSB 303-314 definitions 58 chairman selection 305-306 developing countries 70 compensations 308 elements of good governance 59 dismissals 308-310 financial crisis 2008 69-70 executive (resident) member 305-306 gaining prominence 57-60 meetings 311 IFSB 71-73, 76-77, 79 number of members 303-304 Islamic banks, concerns 71 reappointments 304-305 Islamic perspective 60-65 remunerations 306-308 Islamic principles 65-67 replacements 310







OECD 58, 65–67, 69 organizations issuing guidance 60	SSB members 284–288, 344 see also morality
risk management 76–80, 96–102	European Commission (EC) 69–70
sharī 'ah compliance 64, 76–80	ex ante stage, supervision 329–332, 335, 340
sharī 'ah responsibilities 97–102	ex-post stage, supervision 333–335
*	
sharī'ah risk 84–102	executive (resident) member of SSB 305–306,
stakeholders of Islamic banks 73–76	344–352
credit risk 85, 87	conflict resolution 349–351
creed 27, 28, 30	executive committee 345
crises 44, 58, 69–70, 112	fatawa issuance 345–349, 351
current accounts 230–231	fatawa reversal 351–352
	ijtihād 345–349
Dar Al Sharia Legal & Financial Consultancy LLC	opinion differences 349–351
(DAS) 363	responsibilities 344–352
decisions 267–268, 312–314, 317–319	experience of SSB members 294–297
see also fatwa/fatawa	external sharī'ah audit 220–221, 366–367, 371–372
declaratory rulings 19	
degrees, doctoral 292–293	falsified information 89
deposit account 230–231	fatwa/fatawa
developing countries 70	binding fatawa 318-319
development of earth 37, 42–43, 52	BOD abiding by 320–321
DFSA see Dubai Financial Services Authority	definitions 517–318
DIFC see Dubai International Financial Centre	risk 88–89, 94
discipline of SSB members 297	inconsistency of 267–268
disclaimers of opinions 356	reversal of 351–352
disclosure 92–93, 269–271	fa:wc/fatawa issuance
dismissal of SSB members 308–310	approaches to 351
disqualification of SSB members 213, 267, 286–287	important steps 348
divinity 23–24	process 312–313
Djibouti 154	SSB chairman/executive member 345–349, 351
doctoral degrees 292–293	SSB member responsibilities 343
Dubai 125–128	financial crisis 2008 44, 69–70, 112
Dubai Financial Services Authority (DFSA) 125–128	financial products/services 331
Dubai International Financial Centre (DIFC) 125–126	Financial Services Authority (FSA), UK 120–123
	figh 8–11
earnest money example 348–349	definitions 8
EC see European Commission	ijtihād 10–11, 15–16
economics see Islamic economic system	legal capacity 9–10
Egypt 155	Malaysia legal example 115
embellishments 35	SSB members 251, 289
employees	Figh Academy, OIC 258, 260
confidential reporting 188	"fit and proper" criteria, SSB members 210–211
internal control culture 182–184	France 279, 280
ISAF 204–205, 220	FSA see Financial Services Authority
sharī'ah risk 184	fund segregation 93
sharī 'ah training 332, 342, 368–369	
"engaged" governance approach 124–131	Gambia 155
English courts 106–113	GCC see Gulf Cooperation Council
English language 293	golden age of <i>ijtihād</i> 15
equality 25	good causes 51–52
equity 52, 55–56	governance manual see
Ernst & Young 363	sharī 'ah governance manual
ethics	Guiding Principles on Corporate Governance for
ISAF 200, 204–205	Institutions offering only Islamic Financial
Omani SSB members 147	Services, IFSB 71
Omani 33D incinocis 147	Services, II'SD /1







Guiding Principles on Sharī'ah Governance Systems	bank compliance 337
for Institutions offering Islamic Financial	nominating/appointing members 302, 303
Services, IFSB 258, 333	opinion differences 350
Gulf Cooperation Council (GCC) 270–273, 291	industry
•	new developments 282
ḥadīth 7, 14, 15, 41	sharī 'ah requirements 281
"hands off" governance approach 120–123	information
harmonization process, SSBs 267–268	confidentiality 343
Haron Sudin 335–336	falsified 89
	internal control 186-188, 215-216
Higher Authority for Sharia Supervision, Oman 144	MISs 149
hisba system 60–65	SSB access to 320
definitions 60–61	information technology (IT) 93–94, 331
historical aspects 62–64	inquiries, SSB 343
objectives 61	insanity 10
ḥiyal 55–56	institutional jurisdictions 103–106
	categories of 103–105
Ibn Al-Jawzi 49–51	differences creating obstacles 104
Ibn 'Ashūr 52, 55	secular jurisdictions 105-105
Ibn Kathīr 6	y v
Ibn Rushd 13	sukuk market 105
IBRF see Islamic Banking Regulatory Framework	Institutions offering only Islamic Financial Services
IFIs see Islamic Financial Institutions	(IIFSs)
IFSB see Islamic Financial Services Board	corporate governance 71–73, 77, 79
IFSI see Islamic Financial Services Industry	jurisdictions with known IIFSs 152–178
ifta 317–318	SSB independence 263
IIFSs see Institutions offering only Islamic Financial	intellectual independence 262
Services	interest see riba
Ijara Muntahiya Bil Tamleek financing product	interests of creation" 32–33
357–361	intermediate stage, supervision 332–333, 335
Ijarah, Services Ijarah audit form 239–241	internal sharī 'ah audit function (ISAF) 181, 190–205,
Ijarah Muntahia Bittamleek audit form 235–238	217–245
11.11 = 1.10, 16, 2.45, 2.40	advisory firms 365–366
centres for 14	annual audit plan 198–199
companions of prophet 12–13	assessing sharī'ah risk 194–198
golden age 15	audit forms 223–245
history of 11–16	care of staff 204–205, 220
illustrations 11–12	communicating findings 201–202
	defining audit universe 194–195
legal schools 15	employee proficiency 204–205, 220
opinion differences 11–16  sharī'ah moderation 47	engagement program 199–201
	external assessment 203-204, 220-221
teachers of 14	governance manual 217–221
Imām Al-Shāfiʻi 16	independence 192–193
'inah transactions 262	management responsibilities 219–220
inconsistent fatawa 267–268	name of function 192
independence of SSBs 209–210, 254	objectivity 192–193
BOD honoring 321	performance of controls 191–192
character of members 288	post-engagement 202–203
governance guidelines 260–263	in practice 191–192
ISAF 192–193	professional body 205
mental attitude 288	purpose/responsibility/authority 191
shareholder appointment of members 254	quality assurance 203–204
Indonesia	recommendation follow up 202–203
legal/regulatory framework 156-157	risk assessment 194–198
SSBs 275, 276, 278, 280	
authority of 316–317	sample checklists 223–245 strategic planning 193–194
	strategic planning 175-194







see also planning for internal audit	wealth 48–50
internal sharī 'ah compliance unit (ISCU) 330	Islamic Finance Rulebook, QFCRA 131
internal sharī'ah control 98–101, 181–245	Islamic Finance in the UK (FSA report) 120–121
banking supervisors 189–191, 216–217	Islamic Financial Institutions (IFIs)
communication 186–188, 215–216	corporate governance 71–73, 77, 82
control activities 185–186, 215	inception of 251
control culture 182–184, 214–215	Malaysia 138–142
definition 181–182	<i>sharī</i> ' <i>ah</i> compliance 251, 252, 254
evaluation 189-191, 216-217	SSB models 277–280
information 186–188, 215–216	see also Accounting, Auditing and Governance
international guidance 182	Standards for Islamic Financial Institutions
ISAF 181, 189, 191–205, 217–245	Islamic Financial Services Act 2013, Malaysia
monitoring activities 188–189, 216	134–138
objectives 181–182	Islamic Financial Services Board (IFSB)
risk assessment 184–185, 194–198, 215	advisory firms 364, 369
risk identification 184–185, 215	banking supervisors 118
sharī 'ah governance manual 205, 213–221	corporate governance 71–73, 76–77, 79
system components 182–191	disclosure requirements 270, 271
internal <i>sharī</i> 'ah reviewers, Oman 148, 149	ex ante supervision stage 330, 331
investment accounts 230–234	fatawa 351, 352
Investment Dar Co KSCC v Blom Developments Bank	guidance 71–72
Sal [2009] EWHC 3545 (Ch), 4–5, 111–112	historical aspects 258
Iran 123–124, 157, 280	sharī 'ah con oliance 79
Iraq 14	SSB recubers
ISAF see internal sharī 'ah audit function	Character of 285–287
ISCU see internal sharī'ah compliance unit	experience 295
Islamic Banking Act 1983, Malaysia 132–134,	nominating/appointing 301
138	qualifications 289
Islamic Banking Regulatory Framework (IBRF),	Islamic Financial Services Industry (IFSI)
	152–178
Oman 143–150 Islamic banks/banking 57–102 governance concerns 71 key stakeholders 73–76 knowledge of banking 293	The Islamic Investment Company of the Gulf
governance concerns 71	(Bahamas) Ltd v Symphony Gems N.V. & others
key stakeholders 73–76	106–109
knowledge of banking 293	Islamic jurisprudence see fiqh
Law for Usury-Free Banking, Iran 123	Islamic jurists 251
market segments 78–79	see also sharī 'ah jurists
mission statements 77–78	Islamic sharī 'ah 6–7
sharīʻah risk 85–86	Istisna'a transaction audit form
see also central banks; corporate governance;	242–245
individual banks	
Islamic economic system 3, 36–51	Jordan 157
anthropocentricity 42–43	jurisprudence see fiqh
asset-based financing 46-47	juristic opinions, sharī 'ah 11–16
characteristics 36–51	jurists see sharī'ah jurists
community needs 43	J
definitions of economics 38–39	Kahf, Monzer 46–48
developing the earth 37	Koran 3–8
moderation 47–48	Kuwait
morality 43–46	
political governance role 37–38	legal/regulatory framework 158
property 48–51	Shura Sharia Consultancy 365, 366
realism 46–47	SSBs
riba 40–42	GCC jurisdictions 271 member qualifications 291
roots of 3–56	*
scope of 39–40	opinion differences 350–351 SSB model 279, 280
vicegerency 36–37	·
- ·	Kyrgyz Republic 158







language fluency 205, 293	SSBs
Law Harmonising Committee, Malaysia 116–117	model 277–278, 280
Law for Usury-Free Banking 1983, Iran 123	opinion differences 350
lease ending with ownership financing instrument	regulation 273–274
357–361	status 275–276
Lebanon 159–160	titles 252–253
legal capacity 9–10	see also Bank Negara Malaysia
legal documents 368	management
legal maxims 65	conflict with SSB 323
legal risk 85–87	ISAF 219–220
legal schools 15	responsibility to SSB 213, 319-322
legal/regulatory aspects 103–179	see also board of directors; senior management
advisory firms 369–370	Management Information Systems (MISs) 149
banking supervisors 117–119	maqāṣid 30–36, 52–56
character of SSB members 288	classifications 33
"committed" governance 142–150	"interests of creation" 32–33
"engaged" governance 124–131	micro/macro/universal 33-36, 52
English courts and sharī 'ah 106–113	objectives 30–36
governance approaches 119–150	property 52–56
"hands off" governance 120–123	market risk 86–87
institutional arrangements 103–106	market segments of banking 78–79
jurisdictions with known IIFSs 152–178	marketability 52-53
Malaysia 113–117	marketing material SSBs 331
"nominal" governance 123–124	marriage 17
"proactive" governance 132–142	maṣāliḥ marsalah 32–33
secular interpretation of <i>sharī</i> 'ah 112–113	maslan in mursalah 347–349
SSBs 270–275	Al. 1awardī 61–62
authority of 317	neetings of SSBs 212, 311–314
independence 262	attendance of members 343
internal regulation 283–314	decision-making 312–314
supervisory characteristics 119–120	frequency 311
liability, advisory firms 370	minutes 314
LIBOR (London Interbank Offered Rate) scandal	quorum 312
44–45	micro magāṣid 52
licensing, Malaysian banks 331	minors, legal capacity 9–10
loan contracts 47	miscommunication 91
London Interbank Offered Rate (LIECR) scandal	MISs see Management Information Systems
44–45	mission statements 77–78
<b>Y</b>	models of SSBs 276-280
macro magāṣid 33–34	moderation 29-30, 47-48
Malaysia 113–117, 132–142	Mohammed, Mahathir 132
case examples 114–115	monitoring 188–189, 216, 370
compliance audits 138, 141	see also supervision
confidentiality 266	morality 26–28, 43–46, 64–65
governance model 142	Muʻādh ibn Jabal 11–12
history of banking 132–133	muamalah bench, Kuala Lumpur 114
'inah transactions 262	<i>mufti</i> jurists 318, 345–346
Islamic Financial Services Act 2013 134–138	Muhammad see prophet Muhammad
Law Harmonising Committee 116–117	al-muhtasib 61–63
legal/regulatory aspects 113–117, 161–162	mukallaf/mukallafūn
operational governance 136–137	acts of 19–23
"proactive" governance 132–142	conditions establishing obligation 20–21
SAC 114–116, 133–134, 136, 139–140, 273–274,	figh 8–10
350	obligation-creating rulings 16–18
SGF 138–142	rights for acts 21–23
sharī 'ah compliance 136–137, 140–141	murabaha transactions
siuri un compnance 150–157, 140–141	









audit forms 223–229	Pakistan
English courts 106–111	advisory firms 368
internal control 186	legal/regulatory framework 163-164
Musawama sales 223–229	SSBs 253, 274, 276, 278, 280, 350
	see also State Bank of Pakistan
Nakajima Chizu 41	Palestine 164
Nakajima, Chizu 41 National Commission on the Causes of the Financial	people risk 88–91, 95
	disorganization 91
and Economic Crisis, USA 70	falsified information 89
National <i>Sharī</i> 'ah Board, Indonesia 316–317	fatwa risk 88–89
necessities 34	guideline violations 90
needs 34–35, 43	loss of key players 91
negligence 90–91	miscommunication 91
"nominal" governance approach 123–124	negligence 90–91
nominating members, SSB 301–303	resources, insufficient 90–91
North Sudan 275	training, inadequate 90–91
	unapproved matters 90
objectives of <i>sharī</i> 'ah 3, 30–36, 51–56	un-segregated duties 91
contemporary jurists 35–36	performance 321–322, 3.25–327
embellishments 35	pernosible actions 17 -18
maqāsid 30–36, 52–56	*
necessities 34	Philippines 165
needs 34–35	planning for internal audit 193–200
property 51–56	annual audit plan 198–199
1 1 2	assessing sharī 'ah risk 194–199
objectivity ISAF 192–193	defining audit universe 194–195
	e. gagement program 199–201
SSB members 209–210, 263–264, 288	strategic planning 193–194
obligation-creating rulings 16–18	planning skills, SSBs 297
OECD see Organization for Economic Cooperation	policy development 331
and Development	political governance, role of 37–38
OIC see Organization of Islamic Conference	poverty 49–51
and Development OIC see Organization of Islamic Conference Oman 142–150 CBO 142–150, 296, 366 "committed" governance 142–150	preservation 52, 54
CBO 142–150, 296, 366	principles of governance 30, 65–67
"committed" governance 142–150	"proactive" governance approach
confidentiality 266	132–142
governance aspects 144–145	processes risk 92–93, 95
IBRF 143–150, 272–273	charity account usage 93
internal sharī'ah review rs 148, 149	disclosure, insufficient 92-93
nominating/appointing SSB members 302	fund segregation 93
sharī'ah audit 149–150	inadequate governance/tools 92
sharī 'ah compliance 144, 146, 148–149	profit distribution 93
sharīʻah risk 144	transparency, insufficient 92–93
SSBs	unclear processes 92
"committed" governance 143–150	product approval 339–340
experience of members 296	product development 367–368
GCC jurisdictions 272–273	product review 331
SSB model 277, 280	professional audit bodies 205
status 276	professional conduct/ethics 284–288, 34-
operational risk 102	professional SSBs 298–299
opinions, juristic/SSBs 11-16, 342, 349-351	profit distribution 93, 232–234
opportunities (SWOT analysis) 194	promotions 122
Organization for Economic Cooperation and	property 48–56
Development (OECD) 58, 65–67, 69	good causes 51–52
Organization of Islamic Conference (OIC) 258, 260	Islamic economics 48–51
organizational independence, SSBs 262–263	magāsid 52–56
outsourcing to advisory firms 369	sharī'ah objectives 51–56
,	shart an objectives 31–30







prophet Muhammad	Haron's functions 335–336
application of sharī 'ah 7	individual responsibilities 342–344
hisba system 62-63	inquiries, reviewing 343
morality 26–28	meeting attendance 343
performing <i>ijtihād</i> 11–12	opinions on compliance 342
poverty 49	product approval 339–340
roots of sharī'ah 4–7	professional conduct 344
purchasing agent example 349	research 344
purchasing agent example 349	Salih's five functions 335
Qatar	training of employees 342
"engaged" governance 128–131	reviews see sharī'ah reviews
legal/regulatory framework 166	riba 40–42, 56
SSBs 272, 277, 280, 291	Rider, Barry 41
Qatar Central Bank (QCB) 128–131	rights for acts
Qatar Financial Center Regulatory Authority	acts of the mukallafūn 21–23
(QFCRA) 130, 131	eight segments 22
Qatar Financial Centre (QFC) 128, 131	rights of the Divine 22–23
QCB see Qatar Central Bank	rights of man 22–23
QFC see Qatar Financial Centre	risk see individual types; risk; sharīʻah risk
QFCRA see Qatar Financial Center Regulatory	ritual worship 27, 45–46
Authority	roots of sharī'ah 3–56
qualifications	RSBM see Resident Shari'ah Board Member
ISAF staff 204	rulings of shart vi. 16–23
SSB members 283–314	<b>1 1 1 1 1 1 1 1 1 1</b>
qualified opinions 355	SAC see Snariah Advisory Council
quality assurance 203–204	Salih, M. A. 335
Qur'ān 3–8	
	Sar di Arabia 167, 272, 278, 280, 291
Al-Qurtubi, Muhammad 45	SSP see State Bank of Pakistan
	SC see Shariah Committee
real estate 223–226, 242–245	secular interpretation of <i>sharī</i> 'ah 112–113
realism 28, 46–47	secular jurisdictions 105–106
reappointments, SSBs 304–305	see also United Kingdom; United States of America
recommended actions 16, 17	selection, SSB members 300–301
regulatory aspects see legal/regulatory aspects	senior management
remuneration, SSBs 306–308	banking supervisors 118
replacement, SSB members 310	internal control 181–185, 188, 191, 193, 200, 208
reporting 98–101, 304	<i>sharī</i> ' <i>ah</i> responsibilities 97–102
reprehensible actions 16, 17	see also board of directors; management
reputational risk 86, 87	Services Ijarah audit form 239–241
research 141, 344	SGF see Shariah Governance Framework for Islamic
Resident Shari'ah Board Member (RSBM), Pakistan	Financial Institutions
274	Al-Shāfi'i, Imām 16
resignation, SSB members 308–310	Shamil Bank of Bahrain E.C. v Beximco
responsibilities of SSB members 335–352	Pharmaceuticals Ltd and Others 109-111
advising on <i>sharī</i> 'ah matters 341	shareholders 58–59, 254
audit supervision 255, 337, 338	see also stakeholders
chairman 344–352	Shares Murabaha/Musawama audit form 227-229
Code of Ethics adherence 344	sharīʻah 3–56
collective responsibilities 335–342	characteristics 23–29
confidentiality maintenance 343	figh 8–11
contract documents 340–341	ijtihād 10–16
executive member 344–352	Islamic economics 36–51
	juristic opinions 11–16
fatawa issuance 343	meaning of 3–4
governance manual endorsement 339	not burdensome 5–6
governance structure reviews 338	objectives 30–36, 51–56
	00,000,000,000,000







Qur'ān 3–8	Malaysia 136-137, 140-141
revealed laws 6	Oman 144, 146, 148–149
roots of 3-56	SSB member responsibilities 342
rulings of 16–23	see also sharī 'ah supervisory boards
sunnah 3–8	Shariah Governance Framework for Islamic
worshipful acts 5	Financial Institutions (SGF), Malaysia
Shariah Advisory Council (SAC), Malaysia	136, 142
113–117	sharī 'ah governance manual 207–221
conflict resolution 349	banking supervisors 216–217
non-GCC jurisdictions 273–275	communication 215–216
"proactive" governance 133–134, 136, 139–140	control activities 215
sharī'ah advisory firms 363–370	control culture 214–215
*	employees of ISAF 220
employee training 368–369 external audit 366–367	evaluating control 216–217
	external audit 220–221
inexperienced 94	
internal audit 365–366	information 215–216
legal documents 368	internal control 206, 213–221
liability 370	ISAF 217–221
outsourcing functions 369	management audit responsibilities 219–22
product development 367–368	monitoring activities 216
regulation 369–370	risk assessmen 215
services offered 364–369	risk identification 215
sharī'ah supervision 365	SSBs 208- 213, 339
transaction structuring 367–368	sharī 'a.' g wernance model 80–81
sharīʻah audit 98–102	sharī ah internal control see internal sharī ah
advisory firms 365-366	control
ex ante supervision stage 330	<i>sharī'ah</i> jurists 121–123, 257
ex-post supervision stage 333–334	see also Islamic jurists
external 220–221, 366–367, 371–372	sharī 'ah non-compliance risk, Oman 144
forms 223–245	sharī 'ah references 212, 281–282
forms 223–245 Malaysia 137–138, 141 Oman 149–150 SSB responsibilities 255, 337, 338	sharī'ah reporting 98–101, 304
Oman 149–150	sharī'ah research team, Malaysia 141
SSB responsibilities 255, 337, 338	sharī'ah reviews
see also internal sharī 'ah audit function	Dubai 127–128
sharī'ah audit forms 223–245	Oman 148, 149
current accounts 230–231	sharī 'ah risk 84–102
deposit accounts 230–231	assessment 184-185, 194-199, 215
Ijarah Muntahia Bittamle k transactions 235–238	BOD/senior management 97–102
investment accounts 230–234	business units/lines 95–96
Istisna'a transactions 242–245	causes/events 88–96
Murabaha agreements 223–229	compliance risk 85–87
Musawama sales 223–229	corporate governance 84–102
profit distribution 232–234	credit risk 85, 87
real estate 242–245	definition 84
	external causes 94–96
Services Ijarah 238–241 Shares <i>Murabaha/Musawama</i> 227–229	identification 184–185, 215
	implications 85–87
Shariah Committee (SC), Malaysia 133, 138–142	
sharī'ah compliance	internal causes 88–94
annual report 334, 352–356	internal control 184–185, 194–199
bank mission statements 77–78	ISAF 194–199
BOD responsibility to SSB 320–321	legal risk 85–87
corporate governance 64, 76–80	management 76–80, 96–102, 141
hisba system 64	market risk 86–87
IFI need for SSB 251, 252, 254	Oman 144
Islamic Financial Services Act 2013, Malaysia	reputational risk 86, 87
136–137	senior management 97–102







snari an rulings 10–23	snart an jurists in UK 122, 123
declaratory 19	sharī 'ah references 212
obligation-creating 16–18	SSB at Central Bank and IFI model 277–278
subjects of 19–23	SSB at IFI model 277
sharī'ah secretariat, Malaysia 141–142	SSB-free model 280–282
sharī'ah supervision 83-84, 120, 144, 365	status in organization 275–276
see also banking supervisors; Basel Committee on	study on member activities 265
Banking Supervision	succession planning 299–300
sharī'ah supervision stages 329–335	supervisory characteristics 120
diagram of stages 335	titles 252–253
ex ante stage 329–332, 335, 340	transparency 269–270
ex-post stage 333–335	see also charter, SSB; competence of SSB
intermediate stage 332–333, 335	members; independence of SSBs;
sharī'ah supervisory boards (SSBs) 84, 97–98,	individual countries; responsibilities of SSB
249–327	members
application processes 299–303	sharī'ah training see training
appointments 209, 301–303	Al-Shātibi 31–32, 34
authority of 315–327	Shura Sharia Consultancy, Kuwait 365, 366
banking supervisors 118	Singapore 168–169
BOD responsibility 319–322	skills, SSBs 297–299
central authority and SSB at IFI model 279	Sri Lanka 170
composition 209	SSBs see sharī'ah supervisory boards
confidentiality 265–267	stability 52, 53
conflict management 146-147, 298, 315, 322-323,	staff see employees
349–351	stages of snarī'ah supervision 329–335
consistency 267–269	stakehouers
definitions 249–252	appointments of SSB members 254
disclosure 269–271	IFI need for SSB 254
disqualification of members 213, 267, 286–287	Islamic banks 73–76
Dubai 126–128 establishment of 299–303 ex ante supervision stage 330 "fit and proper" criteria 210–211 functions of 254–256 GCC invisions 271, 273, 203	key stakeholders 73–76
establishment of 299–303	shareholders 58–59, 254
ex ante supervision stage 330	sharī'ah governance model 80
"fit and proper" criteria 210–211	SSB-free models 281
functions of 254–256	standard-setting body for SSB-free model
OCC jurisdictions 2/1–2/3, 293	280–282
governance manual 208–213, 335	State Bank of Pakistan (SBP)
history of 256–260	advisory firms 364
importance 254–256	contract documents 341
internal control 181–188, 191–194, 199–205,	establishment of SSBs 274
208–213	SSB members 201–202, 287, 292, 295
internal regulations 283–314	titles of SSBs 253
key duties of members 211–212	Statement on Governance Principles for Islamic
key governance guidelines 260–270	Financial Institutions, AAOFFI 71–72
management responsibilities to 213, 319–322	status, SSBs 275–276
market-driven SSB at IFI model 278	strengths (SWOT analysis) 194
meetings 212, 311–314, 343	succession planning, SSBs 299–300
models 276–280	Sudan 170–171, 275, 278, 280, 350
nature of decisions 317–319	Sudin, Haron 335–336
nominating members 301–303	Sufi asceticism 49–50
non-GCC jurisdictions 273–275	sukuk 105, 123
objectivity 209–210, 263–264, 288	sunnah 3–8
performance evaluation form 325–327	supervision see sharī'ah supervision; sharī'ah
purpose of 254–256	supervisory boards
qualifications of members 283–314	SWOT analysis 194
regulation 270–275, 283–314	Syria 171
selection of members 300–301	systems risk 93–95







Takaful Act 1984, Malaysia 132, 134, 136 tawarruq transactions 349 technology 93-94, 298, 331 terms of agreement, SSB charter 303 Thailand 172-173 threats (SWOT analysis) 194 time management 297 titles for SSBs 252-253 training employee sharī'ah training 332, 342, 368-369 inadequate 90-91 SSB members 294 transaction stability 52, 53 transaction structuring 367-368 transparency 52, 53, 92-93, 269-270 tribal law 7 Tunisia 173 Turkey 174-175 UAE see United Arab Emirates UK see United Kingdom unbearable difficulty 20-21 unethical practices 44-46 unilateral promise example 348 United Arab Emirates (UAE) "engaged" governance 124-128 legal/regulatory framework 175-176

SSBs 271, 278, 280, 291, 351

"hands off" approach 120–123

United Kingdom (UK) 105–113, 177–178 English courts and *sharī* 'ah 106–113

SSBs 275, 279, 280 United States of America (USA) 105, 178, 279, 280 universal maqāșid 35 unqualified opinions 355 unrestricted interests 32-33 earnest money example 348-349 fatawa issuance 347-349 purchasing agent example 349 unilateral promise example 348 USA see United States of America uṣūl al-fiqh 8, 16 usury 40-41 vicegerency 36-37, 52 wakala agreements 111-112 weaknesses (SWOT analysis) 194 wealth 48-56 working papers, ISAF 200-201 worship morality 43 property 51 rituals 27, 45-46 worshipful acts 5 Yemen 178 Yoghourtdjian, Sarkis 46 zakāh, Islamic economics 41

institutional jurisdictions 105-106



