

Presented By:

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CENTRAL SHARI'AH BOARD

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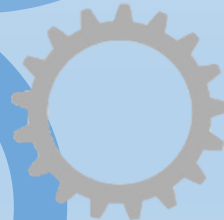
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Globally, Central Shari'ah Boards are gaining momentum.

A country-level approach to regulating the overall Islamic finance industry has become a pressing need.

A centralized model is increasingly being adopted across the global Islamic finance industry.

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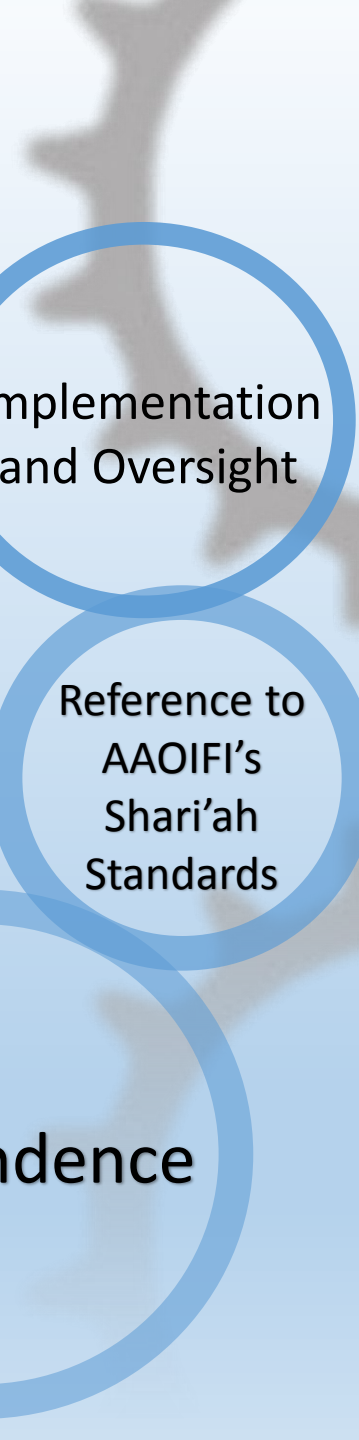
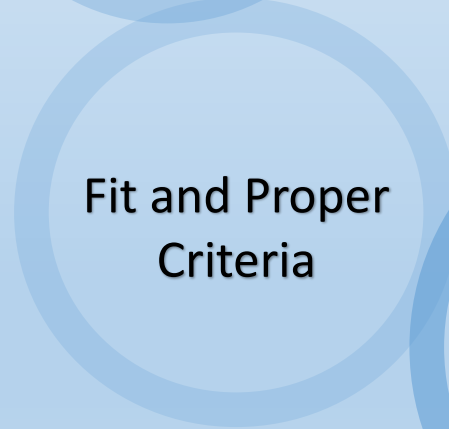
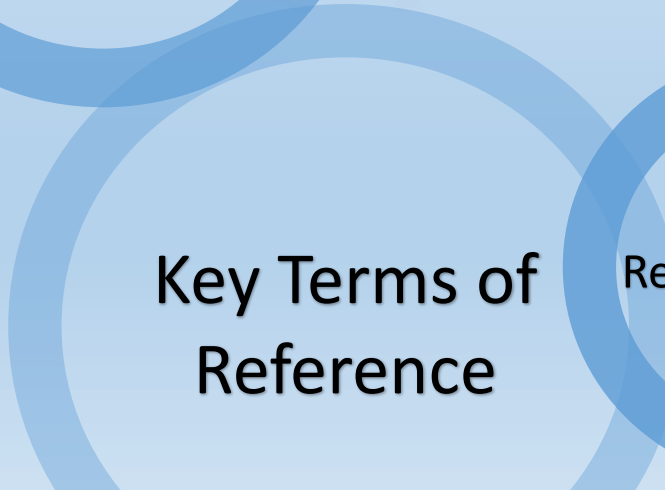
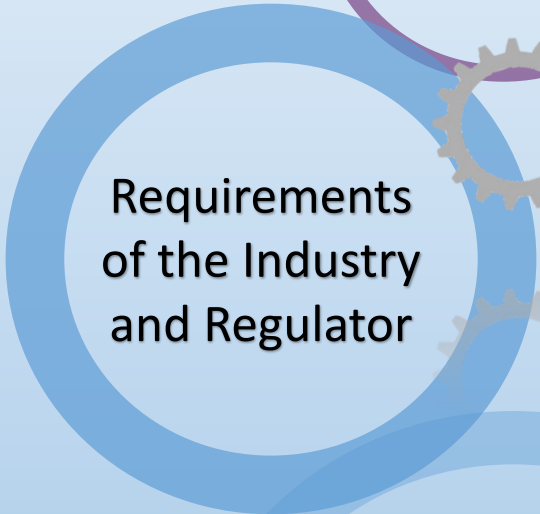
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A national-level Shari'ah advisory board of a specific country.

It can be setup for specific regulator's jurisdiction e.g. the central bank or insurance supervisor or the capital market authority

CSB

Examines and endorses the validity of application of Shari'ah in Islamic financial products which are submitted by Islamic financial institutions (IFIs) to the regulators

It has the highest Shari'ah authority in Islamic finance in that country, and has the power to issue fatwa or to decide on issues faced by the industry.

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REQUIREMENTS OF THE INDUSTRY AND REGULATOR

Providing consistency in products and services offered by IFIs

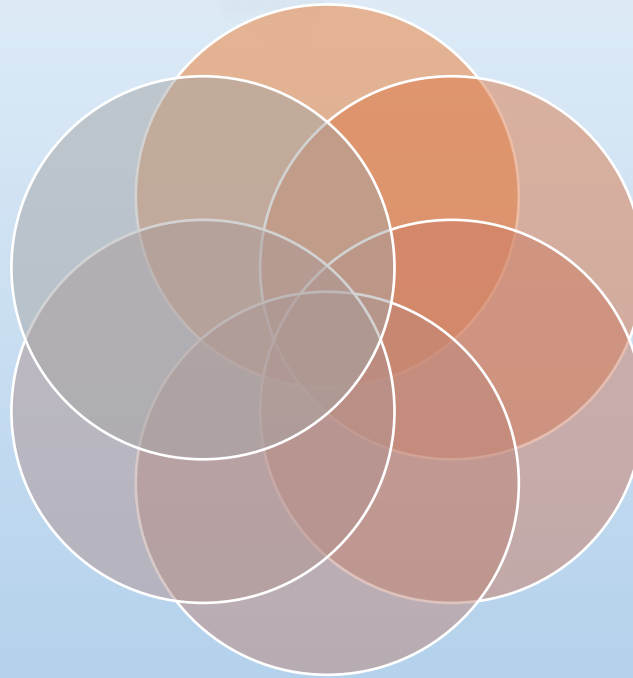
Speeding up product development and facilitating issues of sovereign Sukuk and Islamic syndicated financing

Harmonization of fatwas and resolutions issued by Shari'ah Supervisory Boards (SSBs)

Helping IFIs to be cost-effective and mitigation of reputation risk for the broader industry and for individual institutions

Mitigation of conflict of interest and promotion of standardization of practices

Increasing the credibility of the Islamic finance industry and boosting the confidence of clients and investors in its institutions and their offerings



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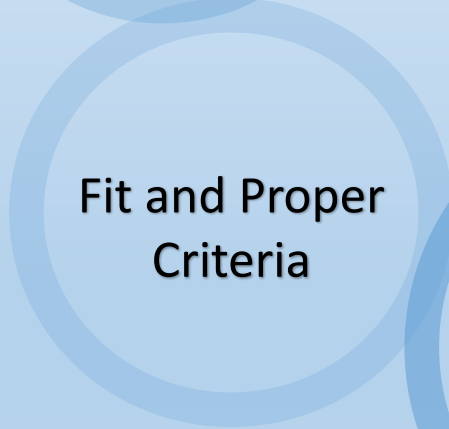
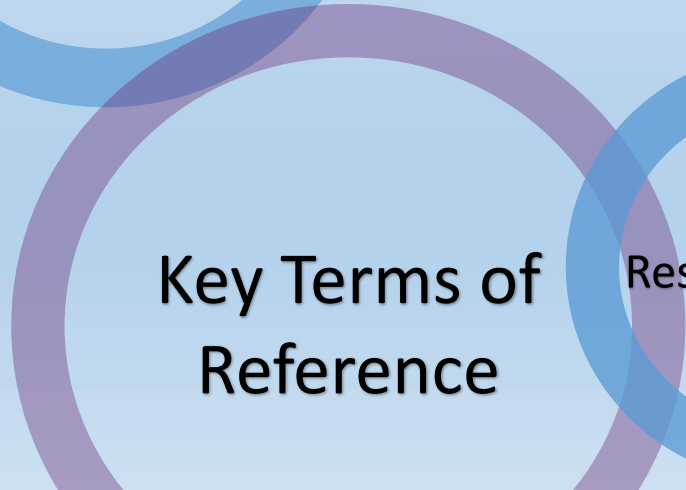
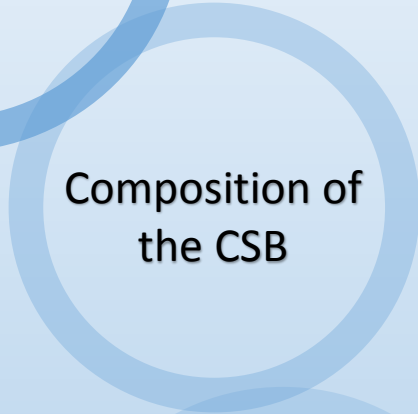
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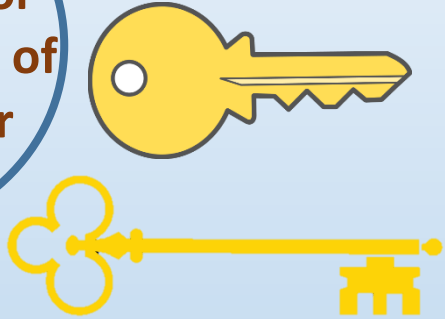
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CSB Members

No directors or staff members of the regulator

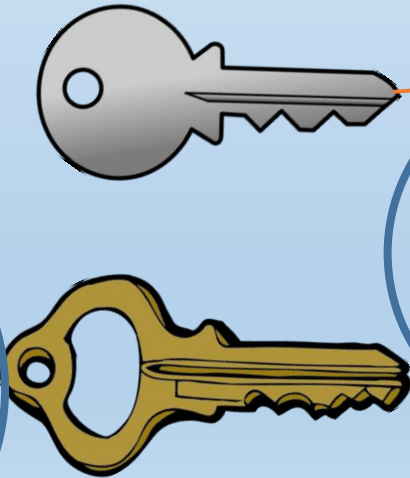


Remuneration and consultancy fee shall be fixed by the regulator according to international best practices

Appointment and dismissal requires recommendation by the regulator

Reasonable number
to enable them to discharge their function effectively and have varied views

Shari'ah secretary / Shari'ah coordinator to smoothen the functions of the CSB



Shari'ah scholars core members in the board

Expert members including accountants, lawyers, economists and industry experts

Term of the board is recommended to be 4 years, subject to renewal



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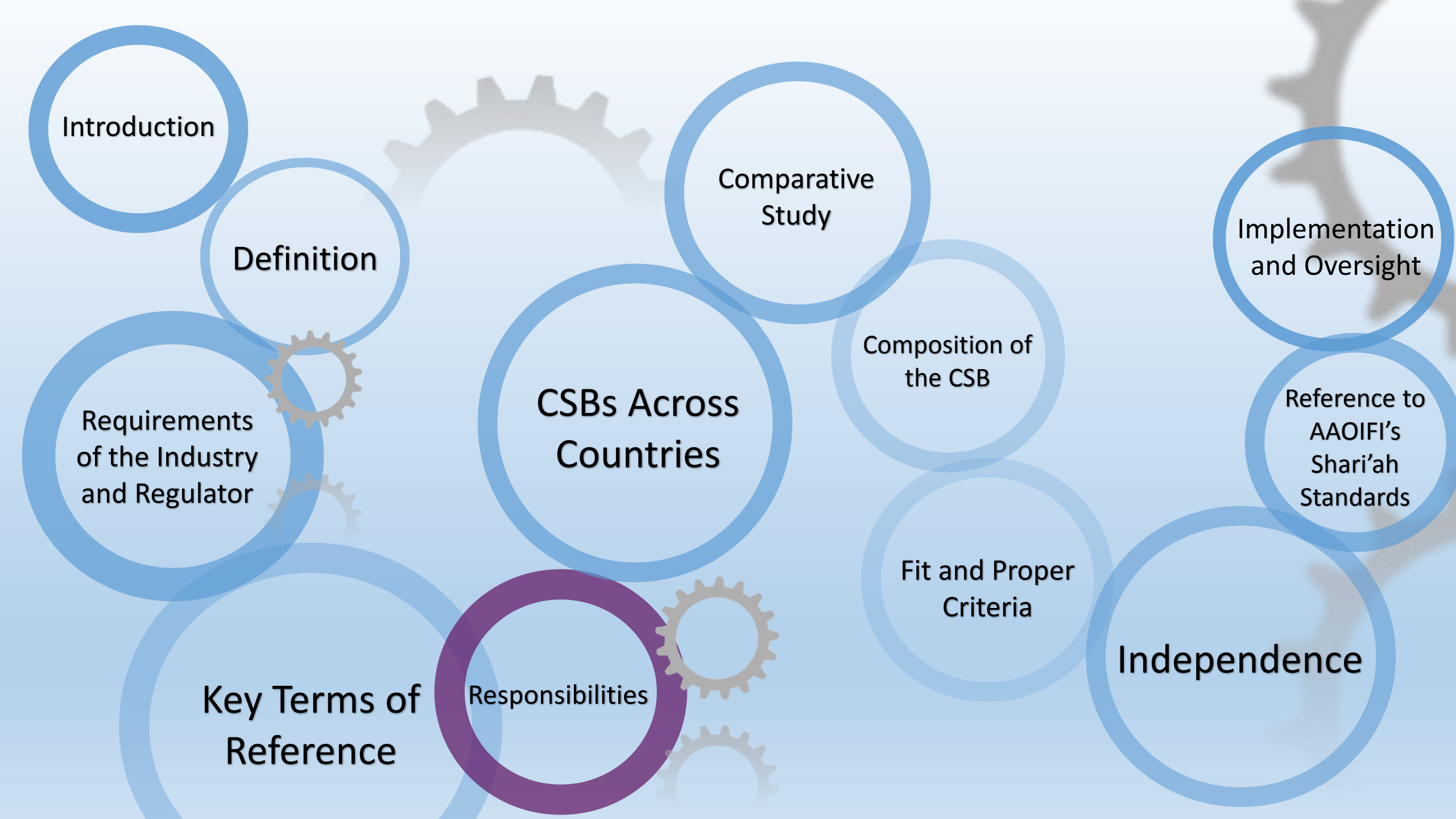
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CSB Responsibilities:

- Adopting AAOIFI and other Shari'ah Standards for the jurisdiction
- Developing national Shari'ah standards or Shari'ah regulations as applicable.
- Approving membership and dismissal criteria of Shari'ah Supervisory Boards (SSBs)
- Settling any disputes between the SSBs of IFIs
- Approving the appointment and dismissal criteria of internal Shari'ah control bodies for IFIs
- Developing / supervising and approving a comprehensive system of Shari'ah governance for IFIs
- Reviewing the minutes of SSB meetings and its resolutions
- Establishing unified by-laws for SSBs and the IFIs' executive committees and internal Shari'ah control bodies
- Supervising external Shari'ah audit for IFIs
- Providing Shari'ah consultation to the regulators, government and relevant authorities
- Reviewing and approving regulatory body's directives related to Islamic finance to ensure Shari'ah compliance
- Approving Sukuk structures and documentaries for sovereign and government Sukuk
- Reviewing annual reports of SSBs of IFIs

CSB Responsibilities:

- Determining broad bases for profit and loss calculation and distribution among investment account holders and shareholders for IFIs and approving principles thereof
- Validating new product structures and services and tools provided by IFIs
- Approving a code of ethics for IFIs (e.g. by adopting AAOIFI codes of ethics)
- Providing Shari'ah expertise to the courts of law for any issues related to Islamic finance and IFIs
- Resolving and settling complaints and issues raised by customers of IFIs to the regulator
- Setting standards to ensure that the IFI provides sufficient training of Islamic finance
- Coordinating with other national Shari'ah boards, CSBs and Higher Advisory Boards to establish best practices in the areas relating to Islamic finance
- Holding annual meetings with SSBs of IFIs on a need basis to discuss general Fiqh issues
- Recommending disciplinary measures against Shari'ah non-compliances by IFIs

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CSB Across the World

Oman

- ❑ In October 2014, Oman's central bank set up a 5 member Shari'ah board to help oversee the sultanate's Islamic banking industry
- ❑ Oman was the last nation in the six-member Gulf Cooperation Council to introduce Islamic finance
- ❑ The introduction of a CSB is aimed at speeding up product development, limiting costs for Islamic banks and facilitating issues of Sukuk

Malaysia

- ❑ Malaysia uses the two-tier centralized model with the Shari'ah Advisory Council (SAC) at the Central Bank level and SSBs at the IFI level
- ❑ SAC directs Central Bank on Shari'ah matters and is the ultimate arbiter in Shari'ah interpretation disputes
- ❑ The directives issued by Bank Negara Malaysia in consultation with the SAC have binding authority over banks and Islamic windows
- ❑ The members of the SAC are appointed by the ruling King of Malaysia

CSB Across the World

Sudan

- ❑ The Sudanese Shari'ah Advisory Council (SAC) was set up in 2003
- ❑ The SAC is responsible for fatwas, contract specimen, arbitration, consultations relating to Islamic legal aspects, training, research, lectures and seminars
- ❑ All members are appointed by the president of the country upon recommendation of the Bank Sudan's governor and minister of finance

Pakistan

- The State Bank of Pakistan and the Securities and Exchange Commission of Pakistan have their own Shari'ah Boards. SECP has another board for Modarabas sector.
- These Board approve relevant Shari'ah compliance regulations and produce specimen of permissible Islamic financial contracts
- The Shari'ah department of the Central Bank of Pakistan clearly states that they rely heavily on a suite of international standards such as AAOIFI and IFSB and corporate governance standards

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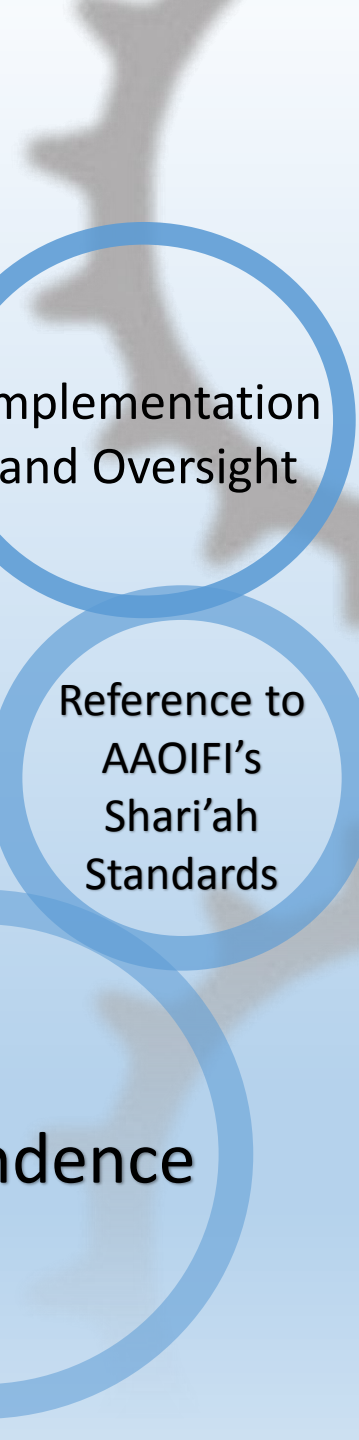
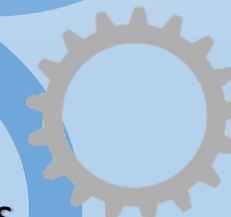
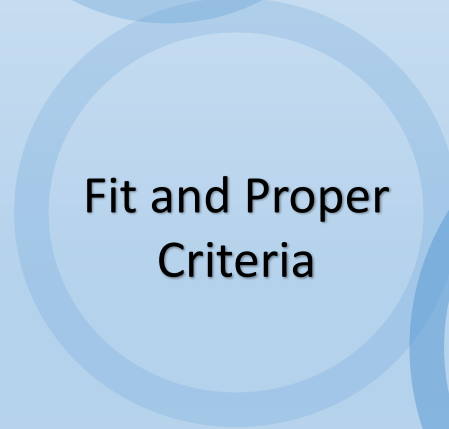
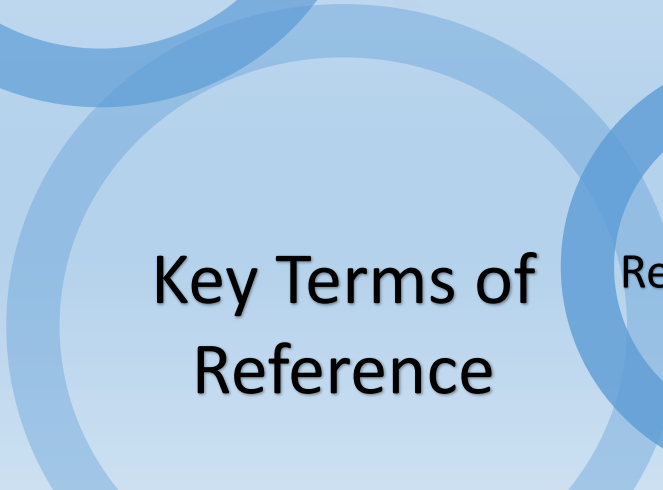
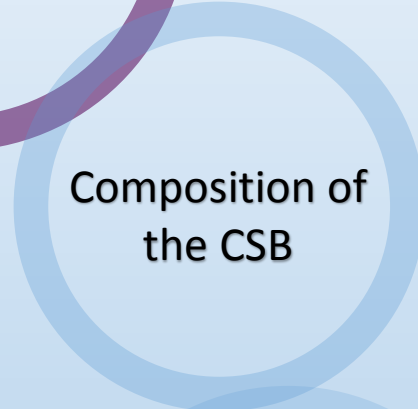
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Country	Regulator	Model	Name	Composition
Malaysia	- Central Bank (Bank Negara Malaysia) - Securities Commission	Multiple	Shari'ah Advisory Council (in both cases)	11 each
Pakistan	- Securities Commission - State Bank of Pakistan	Multiple	Shari'ah Advisory Board	4 & 9 respectively
Sudan	Central Bank of Sudan	Single	Higher Shari'ah Supervisory Board	10
Bahrain	Central Bank of Bahrain	Single	Central Shari'ah Supervisory Board	5
Jordan	Securities Depository Centre	Single	Central Shari'ah Supervisory Board	5
UAE	- Insurance Authority - Securities & Commodities Authority - DFSA	Multiple	Higher Shari'ah Authority	
Oman	- Central Bank of Oman - Capital Market Authority	Multiple	High Shari'ah Supervisory Authority	5
Bangladesh	- Bangladesh Bank - Securities and Exchange Commission	Multiple	Central Shari'ah Board for Islamic Banks of Bangladesh	3
Nigeria	- Securities and Exchange Commission - Central Bank of Nigeria	Multiple	Financial Regulation Advisory Council of Experts CBN Shari'ah Advisory Council	5 and 3 respectively
Oman	- Central Bank of Oman - Capital Market Authority	Multiple	High Shari'ah Supervisory Authority	5

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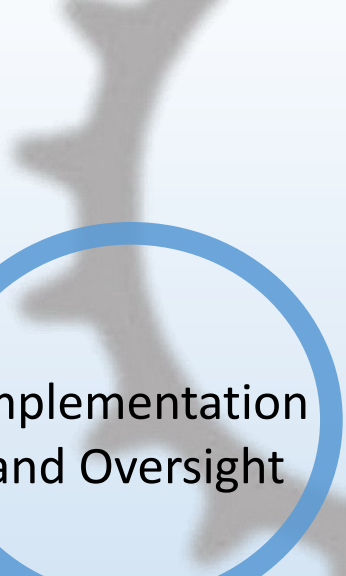
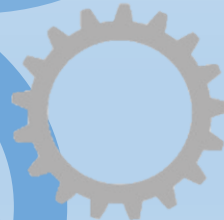
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Composition of the CSB

The CSB of any country should be composed of a reasonable number suitable enough to provide justifiable varied exposure of members



to



Core members shall be from amongst the Shari'ah scholars including the chairman.

Other members shall include the experts from accounting, law, economics, academics and industry experts. But these members shall not vote in case of a Shari'ah ruling.

There shall be a balance between Shari'ah scholars and other members.

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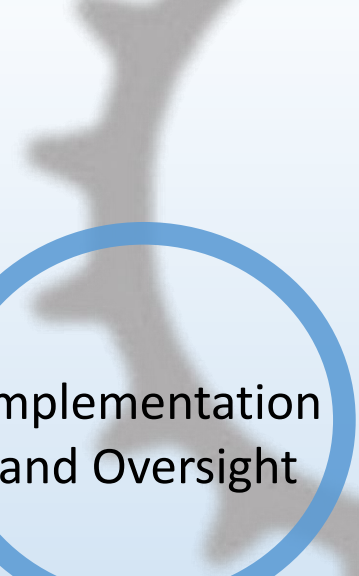
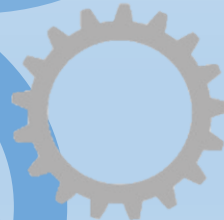
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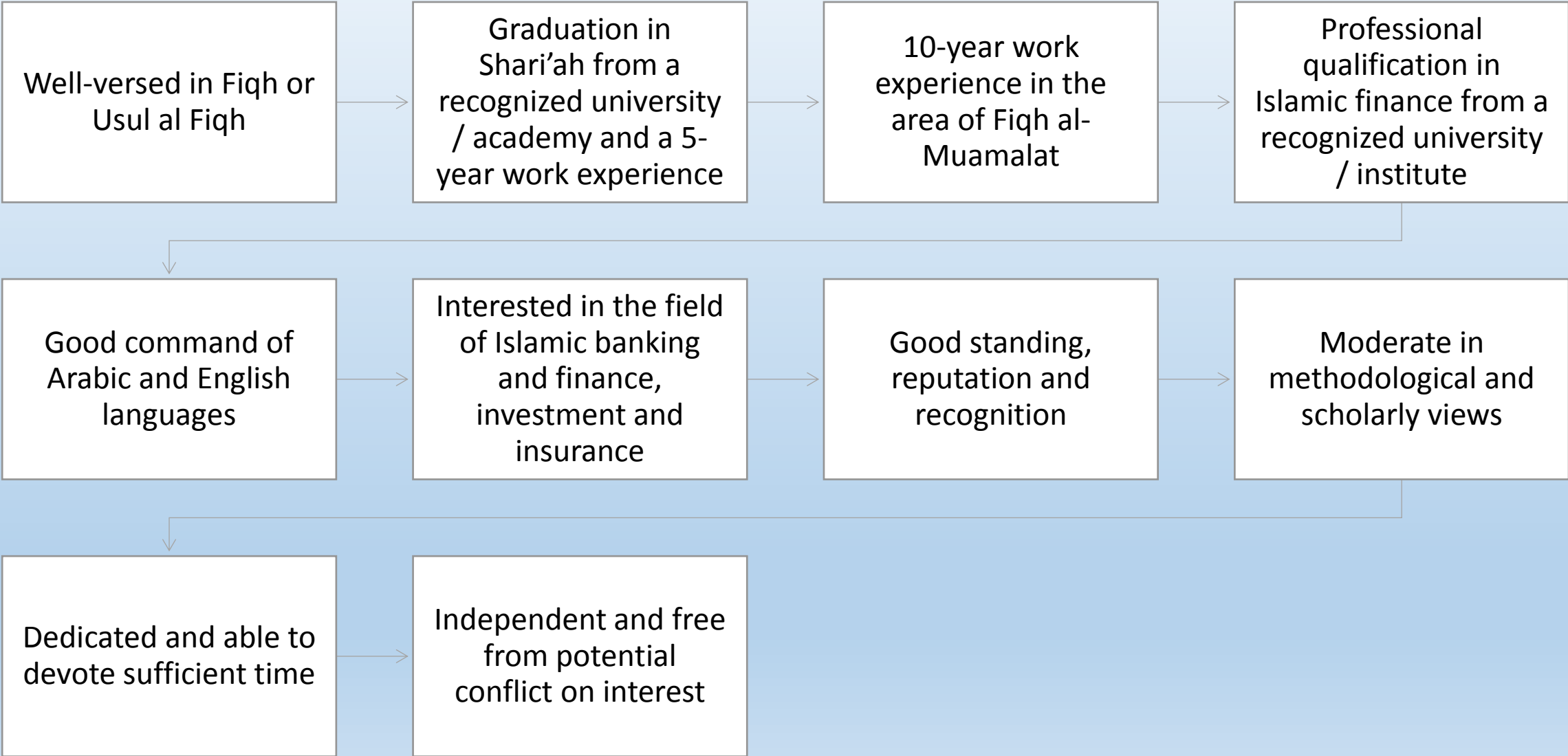
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Fit and Proper Criteria – Shari’ah scholars



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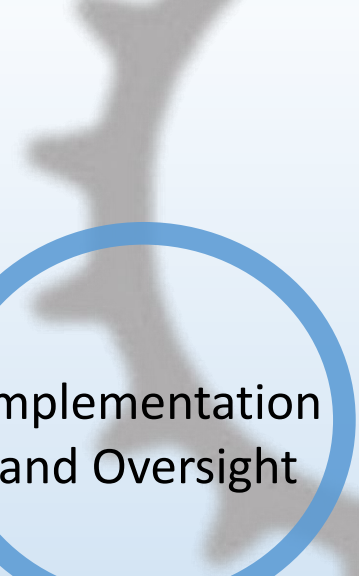
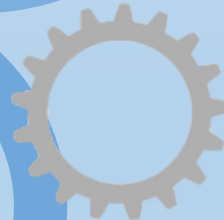
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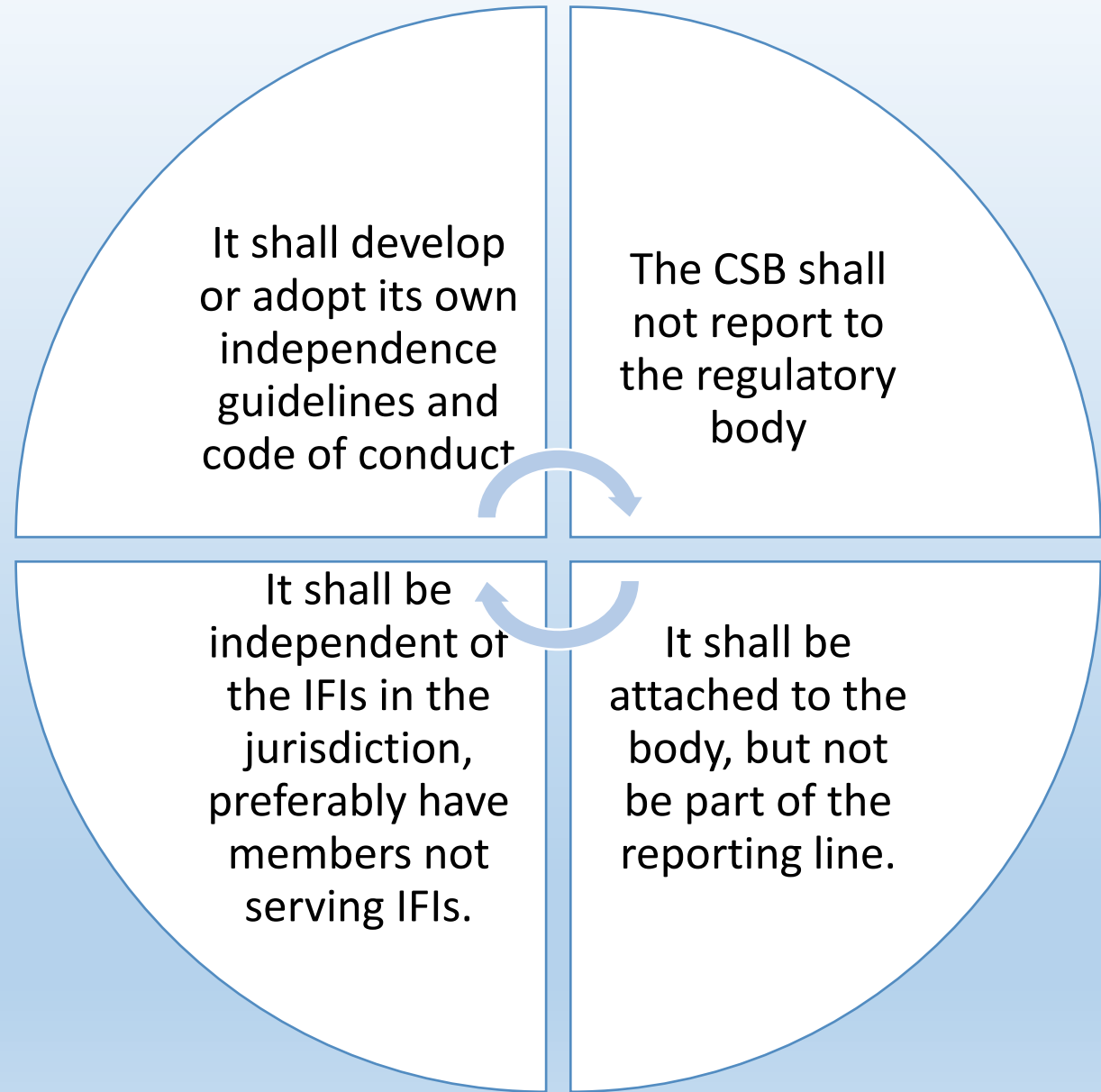
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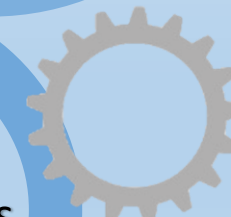
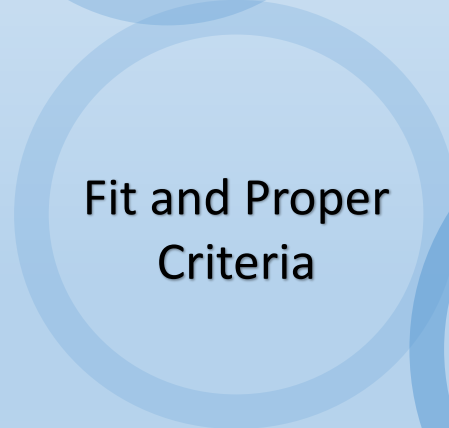
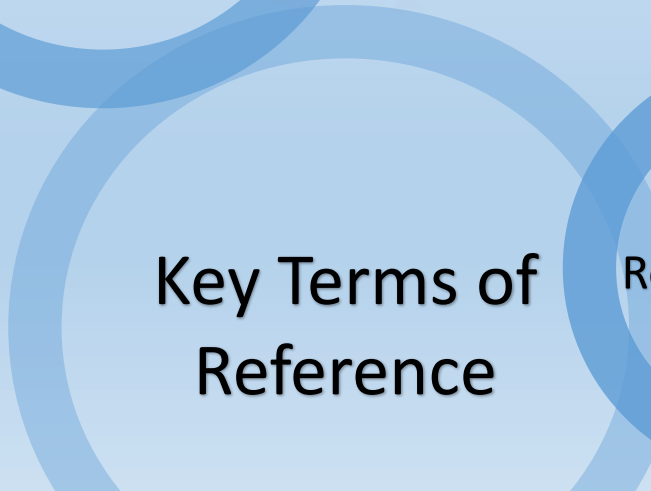
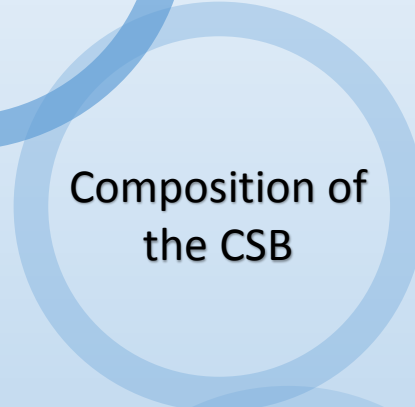
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Reference to AAOIFI's Shari'ah Standards

**CSB shall refer to AAOIFI's
Shari'ah standards in
developing its own
rulings**

**CSB shall consider
adopting (or in
some cases
adapting) AAOIFI
Shari'ah standards
for the jurisdiction**

**CSB shall consider
issuing
interpretations of
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Implementation and Oversight

CSB shall have focus on the implementation of its developed rulings and regulators i.e. its function shall not be limited only to give advice

CSB shall have on oversight on the overall functioning of the relevant Islamic finance industry in the country / jurisdiction including the key practices etc.



AAOIFI

ACCOUNTING AND AUDITING ORGANIZATION
FOR ISLAMIC FINANCIAL INSTITUTIONS

Thank You