

Sharia Standards

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Sharia: Virtual Jurisdiction

- Sharia is set of principles and guidelines derived from the primary and secondary sources of Islam.
- Widely adhered to by vast majority of Muslims across the globe.
- Sharia transcends national jurisdictions and boundaries.
- Sharia not only governs faith and worship, but also economics, social political and cultural aspects of
- Sharia can be understood as an extra layer of jurisdiction in a multi-layered world of regulations and authorities.

Islamic Sharia Maxim

Universal principles are:

- Deployment of funds and not leaving idle
- Sharing of risks and rewards
- Fairness, justice, transparency, honesty
- Socially responsible, eco-friendly
- All useful economic activities permissible unless explicitly prohibited

Sharia Screened Investments

Prohibition of:

- Interest (*riba*)
- Ambiguity (*gharar*)
- Unfairness (*zarar*)
- Trade in sinful activities
muharramat)
- Speculation and gambling (*maisir*)
- No underlying physical assets (*la shai*)

- No tobacco, alcohol, pork, financial service, insurance companies
- No cinema, pornography, armament, or media industries
- No interest revenues shall be credited, but given to charity
- Cash, receivables, borrowings less than 30% of total assets

Islamic Investment Funds

Restricted to invest in limited number of companies

Islamic Investment Guidelines for SWIP Islamic Global Equity Fund (Example)

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Evolution of Sharia Practice

- **From individual based to institutions:**
 - Yasaar limited
 - Dar al-Istithmar limited
 - BMB Islamic - Sharia advisory services
 - IFAAS - Sharia compliance and assurance services
 - Al Qalam Shariah scholar panel
 - Professional firms of accountants and auditors
 - Central Sharia boards of central banks
 - **AAOIFI** - accounting and auditing organization for Islamic financial institutions
 - Islamic international rating agency (IIRA)

AAOIFI Sharia Board

- Harmonization and convergence of Shari'a supervisory boards
- Sharia standards in accounting, auditing and code of ethics
- Collective Ijtihad (reasoning) to settle divergent points
- Act as an Arbitrator

New Sharia'h Risk?

- Out of the Box Sukuks?
- Capital Protected Islamic Structured Products
- Sharia Money Market Product Solutions
- Equity, Commodity, or Index etc Linked Notes
- Sharia Compliant Hedge Funds
- Exchange Traded Funds (Islamic ETFs)

Where Do We Go From Here?

- Securities Commissions, Capital Markets Authorities and Central Bankers must, in cooperation with the Scholars, arrive at a clear framework of *halal* structures.
- AAOIFI must define when exceptions are allowed, and be consistent with its framework.
- Scholars and bankers require more interactive dialogue on a deeper level.

Where Do We Go From Here?

- Clear International strategy
- Clear integrated regulatory and *Sharia'a* framework.
 - *Sharia'a* harmonization at Central Banks Level
- Deepening support infrastructure.
- Defined means for global outreach

Thanks for Your Audience

Any Questions?

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