



Bank Negara Malaysia (BNM): Shariah Governance Framework

- the evolution (2011 – 2019)



Market maturity demands re-lensing

2011 SGF...

Compliance-focused

Comprehensive compliance with Shariah requirements was the central focus of Shariah Governance.

...Expectation

Impacting strategy

Shariah Governance will require greater alignment of organisational strategic direction and risk management with Shariah requirements. This strengthens public confidence in the role, governance and integrity of Islamic financial institutions.

Process-driven

Shariah Governance requirements focus on product development processes to ensure end-to-end Shariah compliance solutions are provided to the customers.

Driving innovation

Islamic financial institutions and their key functions will need to have a sound understanding on the specificities of different Shariah contracts to deliver products and services that meet intended value propositions of Islamic finance, without prejudice to prudential integrity.

Institutionalised structures

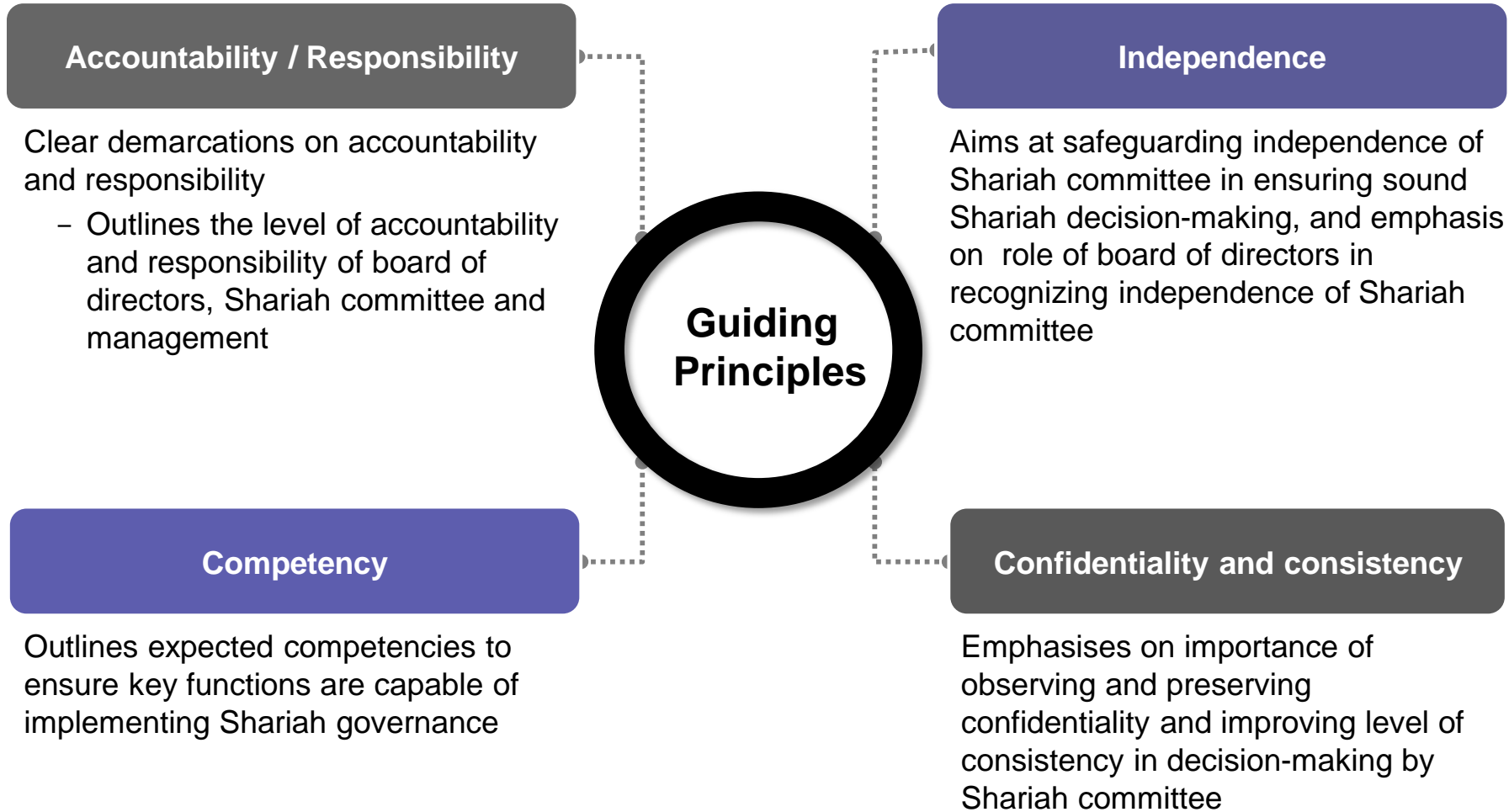
Regulatory expectations primarily relate to governance structures and processes, independent reporting lines of the control functions, and the allocation of suitably qualified resources to perform Shariah review.

Effective implementation

Shariah Governance is envisaged to be well-integrated within governance and risk cultures, with equal emphasis placed on 'soft' behavioral factors that determine the effectiveness of Shariah governance implementation.



Specific principles worth re-visiting...



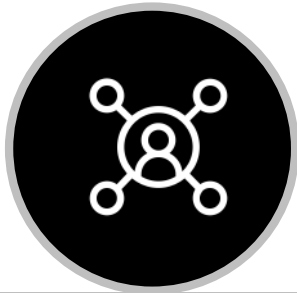


Shariah Governance 2019: Key organs



Control functions

Effective risk management of SNC



Management

Compliance with Shariah at all times



Board

Ultimate accountability



Shariah committee

Accountable for quality, accuracy and soundness of ruling



Secretariat

Operational support

Shariah risk management

Shariah review

Shariah audit

- Independent from business lines
- Direct access to Shariah committee and all business lines

- Establish management structure that provides clarity between roles of business lines and internal control functions
- Implement effective Shariah governance policies

- Ensure institutionalisation of a robust Shariah governance
- Ensure integration of Shariah governance considerations within business and risk strategies
- Promote sound Shariah compliance culture

- Provide objective and sound Shariah decision / advice
- Establish a robust methodology for decision-making process
- Exercise professional objectivity and consistency in providing views

- Perform in-depth research and studies on Shariah issues
- Provide day-to-day Shariah advice



Thank you