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Standing Committee  
For Economic and Commercial Cooperation  
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CAPITAL MARKET  
REGULATORS FORUM  
COMCEC

# ENHANCING INFRASTRUCTURE FOR ISLAMIC CAPITAL MARKET

September 2013



# ENHANCING INFRASTRUCTURE FOR ISLAMIC CAPITAL MARKET

Report of the Islamic Finance Task Force of the  
COMCEC Capital Market Regulator

Chair of Islamic  
Finance Task Force



Co-Chair of Islamic  
Finance Task Force



Secretariat of the  
COMCEC Capital  
Market Regulators Forum



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## LIST OF ABBREVIATIONS

AAOIFI	Accounting and Auditing Organisation for Islamic Financial Institutions
COMCEC	The Standing Committee for Economic and Commercial Cooperation of the Organization of the Islamic Cooperation
COMCEC CMR	COMCEC Capital Markets Regulators Forum
ETFs	Exchange-traded funds
FSAP	Financial Sector Assessment Programme
GCC	Gulf Council Cooperation
ICM	Islamic capital market
IDB	Islamic Development Bank
IFIS	Islamic Finance Information Service
IFSB	Islamic Financial Services Board
IFSI	Islamic financial services industry
IOSCO	International Organization of Securities Commissions
IRTI	Islamic Research and Training Institute
ISRA	International Shariáh Research Academy for Islamic Finance
OECD	Organisation for Economic Co-operation and Development
OIC	Organization of Islamic Cooperation
REIT	Real estate investment trust

## PREFACE

### (TASK FORCE ON ISLAMIC FINANCE)

COMCEC is one of the three standing committees of the OIC and monitors the decisions on economics and commercial co-operation by the OIC. In September 2011, the COMCEC Capital Market Regulators Forum (COMCEC CMR) was established as a co-operation platform for COMCEC capital market regulatory bodies. Its main focus is to support market development and to reinforce the capabilities of regulatory bodies. Four task forces were created: Capacity Building, Market Development, Financial Literacy, and Islamic Finance.

Islamic Finance Task Force aims to increase cross-border and co-operation activities in Islamic finance among the COMCEC CMR Forum Member Authorities which in turn serve to increase the economic and commercial capacity of the Member Authorities and strengthen co-operation possibilities both at global and regional levels. To this end, in leadership of Chair of the Task Force, the Securities Commission Malaysia (SC) in co-operation with Task Force Co-Chair, Capital Market Development Authority, Maldives and the CMR Forum Secretariat, Capital Markets Board of Turkey, 'Enhancing Infrastructure for Islamic Capital Market' was selected as the co-operation topic.

The proposed topic attempts to meet the following objectives:

- To examine key elements on various infrastructural developments for ICM;
- To encourage implementation of international regulatory standards and develop regulatory capabilities;
- To enable Member Authorities to review their advancement and benchmark their progress in developing ICM; and
- To address/enhance cross-border activities among the Member Authorities in Islamic Finance.

The mandate of the Islamic Finance Task Force is essentially to publish a report on 'Enhancing Infrastructure for Islamic Capital Market'. Given the broad areas under the ICM infrastructure, the following sub-topics will be covered in the report:

- Legal, Tax and Regulatory Framework;
- Shari'ah Governance;
- Talent Development; and
- Products and Services.



# FOREWORD



## EXECUTIVE SUMMARY

ICM is now gaining the momentum to grow into a vibrant marketplace, especially for emerging market borrowers in the regions of the Middle-East, South-East Asia, South Asia and North Africa. The volume of Islamic investments with a preference for Shariáh compliant instruments have grown to form a critical mass that can support a well-functioning and efficient capital market. A robust financial infrastructure plays an important role in the successful development of ICM in any country or jurisdiction. In order to strengthen and promote a resilient and efficient ICM, there are four components that act as a backbone to ICM: Legal, Regulatory and Tax Framework; Shariáh Governance; Talent Development; and Products and Services.

A facilitative and clear legal, regulatory and tax framework is essential in promoting orderly growth of the ICM. The issue found in the survey is that different countries apply different legal systems, either common law or civil law, and only a minority have a Shariáh legal system. Indeed, the pace of development of the ICM is dependent on having a facilitative legal and regulatory framework. In this regard, it is imperative for the countries to consider developing a comprehensive and harmonised legal, regulatory and tax framework that specifically cater for ICM. One way of creating this harmonious interface is to promote greater harmonisation of regulatory standards in relation to ICM.

ICM products must also be backed by sound legal documentation to protect the interests of all parties,

and appropriate sanctions should be enforceable in the ordinary courts of law. Therefore, the choice of governing law for the transaction documentation in each type of jurisdiction is a critical factor in effecting these transactions. In addition, the legal mechanism should work in a manner to resolve all disputes effectively and expeditiously. The disputes can be settled either by court proceedings or arbitration.

The majority of the respondents also stated that as for tax framework, they do not have the tax benefits accorded to the development of ICM. A comprehensive tax treatment needs to be provided for Islamic securities to address tax neutrality issues, enhance certainty and transparency, and to ensure that the development of ICM is not impeded with unnecessary infrastructure issues. The provision of the tax incentives is mainly to encourage innovation and development of new products, which will not only provide the opportunity to widen the scope of their prospective investors but also help broaden the range of Islamic financial instruments.

A robust Shariáh governance framework represents another key element of an orderly ICM as the requirement for its products and services need to adhere to Shariáh principles. It is noted from the survey that Shariáh governance system varies from one jurisdiction to another, depending on the types of structures adopted by the IFSI as permitted by the authorities. A majority of IFSI have established their own Shariáh board and some of them have set up a dedicated internal Shariáh review unit

or department to support the Shariáh board in performing its function.

In order to give effect to a proper Shariáh governance framework, it is vital to incorporate Shariáh governance principles into the domestic law and to ensure the Shariáh rulings are binding and mandatory upon the IFSI, the arbitrator and the court of justice. Furthermore, it is necessary for the Shariáh governance system to have sound legal framework to resolve the issue of conflict of laws. Furthermore, to avoid the conflict-of-interest situations arising from sitting in multiple numbers of Shariáh advisory bodies, it is important to find a way to properly disclose the conflict-of-interest situation. This may include a need to establish fit and proper criteria for Shariáh adviser as IFSI in different jurisdictions adopt various processes, criteria and compositions in the appointment of Shariáh adviser.

Continuous professional development for Shariáh advisers is also essential for the continuous growth of their knowledge and skills. This can be achieved through workshops specific to them, dialogue with market practitioners, and intellectual discourse from across the globe to discuss pertinent issues related to Islamic finance. Another important aspect of continuous professional development for Shariáh advisers is mentoring and coaching for aspiring Shariáh practitioners to learn from the established scholars. New Shariáh scholars need to be provided with adequate knowledge and exposure on the practical side of Islamic finance.

The availability of preserving a large skilful and educated workforce is critical in the sustainable development of the global Islamic financial industry. ICM being a new financial segment poses few issues and challenges such as getting the right skills and knowledge, as well as the mismatch of demand and supply

in the workforce. This issue is evidenced by the survey finding which states that the majority of the countries experience shortage of talents in the Islamic finance industry. All respondents unanimously agreed that there is a necessity to develop human capital through the right academic or professional qualification in Islamic finance as well as through trainings.

The issues in talent development programmes/initiatives can be resolved by ensuring the existence of a comprehensive talent development that meets the requirements for all levels. The comprehensiveness should include the process of attracting, developing and retaining talents with required skills and expertise. In addition to that, there must be continuity to prove effectiveness at all levels, from pre-employment stage to leadership positions. Talent development solutions must also go beyond the circle of the financial services community. A method for realising a comprehensive talent development solution is to create a fool proof competency assessment on the talents to gauge the level of knowledge and of the talents.

In order to ensure the existence of a comprehensive talent development at the tertiary level, the process of implementing syllabus and curriculum must meet a certain benchmark or standard. While at the training institution level, the institution should ensure that its programmes are in collaboration with the industry. Furthermore, research should be a priority. Greater participation between among in conducting the research is needed to produce solutions and perspective to implement research output, which in turn can reduce limitations on cross-border ICM activities arising from any differences across jurisdictions.

Product and services are two of the important factors in the development of capital markets. Continuous product innovation is crucial to sustain

the supply of ICM products and services as well as future expansion of ICM. From the survey conducted, the majority agreed that in order to better facilitate cross-border relationships; there is a need for a more intensive international co-ordination of regulatory approaches and supervisory oversights that will enable accessibility and offering of investment products across jurisdictions.

As there are enormous opportunities to finance the expanding trade between regions, through Islamic trade instruments, Member Authorities may start using the ICM products and services in available countries as an alternative towards existing conventional investment and financing. This would strengthen the business ties and integrate the Islamic finance into the global financial system. In pursuance of expanding, countries involved in the industry should also ensure that they are in compliance with internationally-accepted standards by supporting organisational efforts such as IOSCO and AAOIFI. In addition, the presence of independent assessor would provide independent assessment of the financial practice, thereby it gives better rating and profile for the assessed countries.

There is also a need for a more intensive international co-ordination of regulatory approaches and supervisory oversights to facilitate cross-border relationships. Meeting cross-border needs also calls for a system of regulatory mutual recognition that will enable accessibility and offering of investment products across jurisdictions. In addition, it has been highlighted that high impact promotional activities may also convince relevant authorities to further develop their ICM.

In the concluding section, the report presented 12 recommendations for developing the infrastructural components of the ICM. Out of these recommendations, the report has identified six recommendations that the Member Authorities may co-operate and collaborate in pursuing the development agenda for ICM to spur greater cross-border financial and investment activities that support economic, trade and business linkages. Participants in the Islamic finance industry are urged to foster greater collaboration and seek ways to overcome significant disparities across jurisdictions to create an effectively borderless environment for Islamic finance.



## PART A

# ISLAMIC FINANCE AND ICM

### 1. INTRODUCTION

ICM can be defined as a market where the capital market transactions, operations and activities are carried out according to Shariah principles and requirements. ICM is a vital part of the overall Islamic financial system as it provides liquidity to otherwise non-liquid assets.<sup>1</sup> Initially, ICM was established to resolve the liquidity management problems faced by the Islamic banks, takaful companies and other Islamic financial institutions. In addition, the lack of investment avenues and the struggle of creating investment products, which are Shariah compliant, led to the introduction and development of ICM.

Compared to Islamic banking and takaful, ICM is still a novel concept. Not many countries have developed ICM. Its introduction and the successful development, in most cases, depend on its inception, developmental work and growth of Islamic banking and takaful industry. At present, most countries are attempting to introduce Islamic banking in their respective countries, while others are struggling to maintain it. The world's Muslim population is approximately one-fifth of the global population and it is expected to increase by about 35%, from 1.6 billion in 2010 to 2.2 billion by 2030.<sup>2</sup> In comparison, the size of Islamic finance is

less than 1% of global financial assets and this presents real opportunity for ICM to achieve sustainable growth in future.

Islamic banking assets globally grew to \$1.3 trillion in 2011, suggesting an average annual growth of 19% over past four years (2011: 24%). The Islamic banking growth story continues to be positive, growing 50% faster than the overall banking sector. High potential international markets include Saudi Arabia, Malaysia, Qatar, Turkey and Indonesia – each in different stages of development and therefore requiring different penetration strategies.<sup>3</sup> Chart 1 illustrates growth of global Islamic finance assets and the percentage of global Islamic finance share in 2012.

One of the major impediments to the growth of Islamic finance industry is the weak Islamic finance enabling infrastructure in many OIC countries, as shown in Figure 1. Enabling infrastructure would include, among others, legislative, regulatory, legal, accounting, tax, human capital, and Shari'ah business frameworks. Although OIC member countries such as Bahrain, Malaysia and United Arab Emirates are among the major Islamic finance centres with their developed infrastructures, in many others an enabling environment is still not in place<sup>4</sup>.

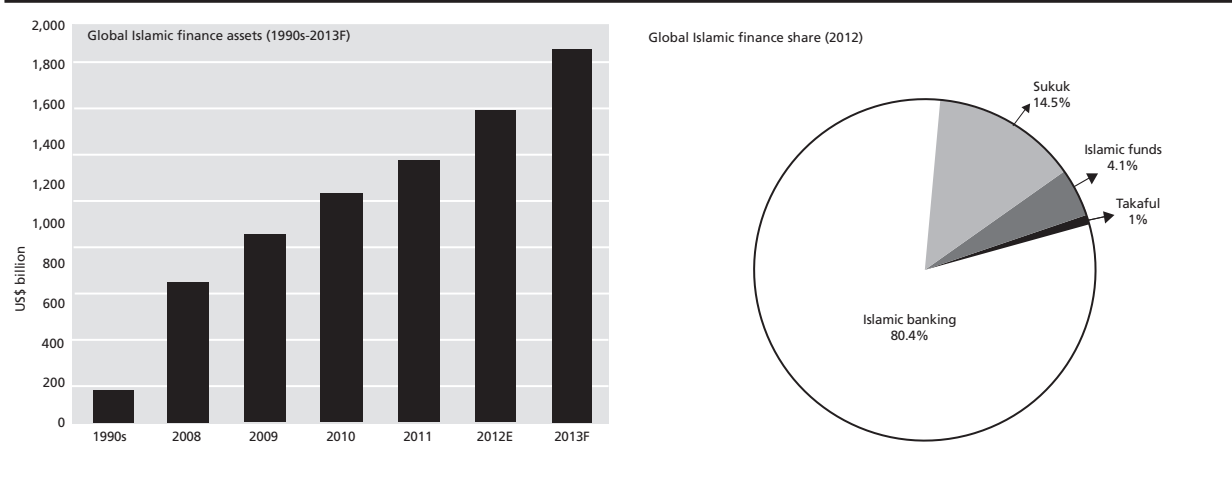
<sup>1</sup> Asyraf Wajdi Dusuki and Nurdianawati Irwani Abdullah, *Fundamentals of Islamic Banking*, (Kuala Lumpur: IBFIM), 10

<sup>2</sup> Pew Research Center's Forum on Religion and Public Life, *The Future of the Global Muslim Population: Projections for 2010–2030*, (Washington: Pew Research Centre, 2011), 13–14.

<sup>3</sup> World Islamic Banking Competitiveness Report 2012–2013, Ernst and Young, Dec 2012.

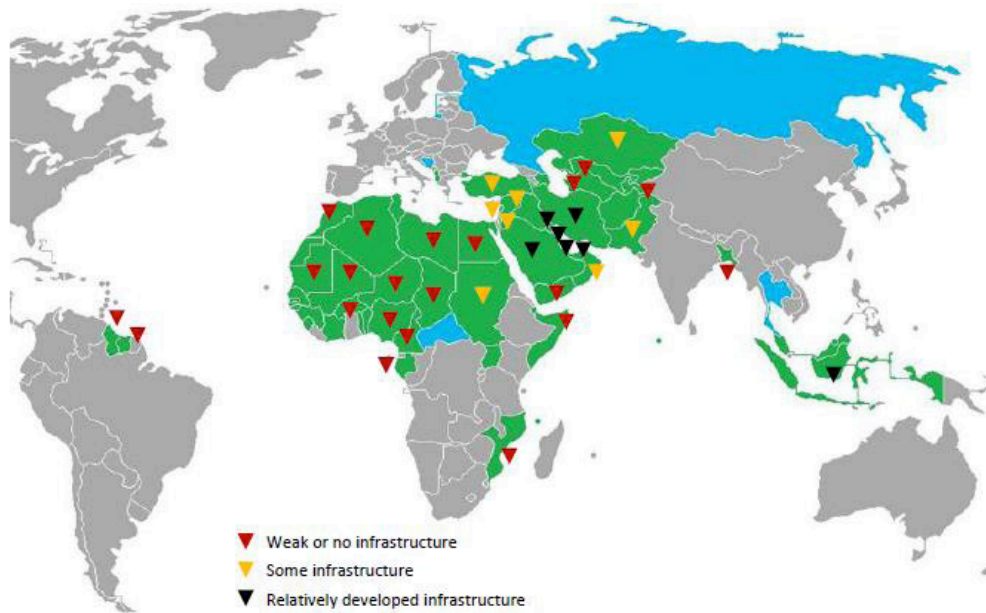
<sup>4</sup> Islamic Finance in OIC Member Countries, SESRIC, OIC Outlook Series, May 2012

**Chart 1**  
Global Islamic finance assets and global Islamic finance share



Source: Bloomberg, IFIS, KFHR

**Figure 1**  
Islamic Finance Infrastructure in OIC Member Countries



Source: Ernst and Young World Islamic Banking Competitiveness Report 2011–2012

## 2. EMERGENCE OF ICM

ICM is a market that emerged as the direct result of expansion of Islamic finance industry. The growth of Islamic banking and takaful industry created the need and demand for Islamic liquidity management instruments that adheres to the principles of Shariáh and the effort to create such instruments has led to the establishment of an ICM. The emergence of ICM is a natural phenomenon which did not happen spontaneously but it is the outcome of a series of developments in Islamic banking and takaful industry.

Much of the efforts were initially driven by the specific requirements to address liquidity needs of Islamic institutions such as Islamic banks and takaful, and through proliferation of ICM products in all segments of the ICM such as Islamic equity, Islamic funds, Islamic structured products and sukuk. Today, not only has this effort been attained, ICM products and services have also become part and parcel of the broader capital market landscape. They offer viable and competitive alternatives to conventional products and services, hence reflecting their popularity and acceptability both as financing and investment tools that are accepted by Muslim and non-Muslim investors.

One of the first ICM instruments was sukuk. Countries like Malaysia, Bahrain, Kuwait, Sudan and Iran, where Islamic financial institutions were growing at a rapid pace, were facing liquidity management issues. This was the driving force behind the creation of a sukuk market. Indeed, sukuk using various underlying Shariáh principles has experienced considerable growth. The wide acceptability of sukuk underscores the fact that it is relevant, dynamic and universal. For example, non-Islamic investors are interested in sukuk because it provides another new asset class to their investment portfolios as part of diversification. Through right

strategies, it would also enhance their investment yield. Further, due to strong demand from fixed income investors who are looking for a new asset class, sukuk provides more competitive pricing to issuers.

After the introduction of sukuk market, ICM expanded to the equity markets whereby Shariáh screening methodologies were formulated by the Shariáh scholars to determine the Shariáh-compliance status of a company. The disclosure on the status of listed securities is made to accommodate and fulfill the needs of Muslim investors who wish to invest their money only in the company or security that is permissible under Shariáh. This development has contributed to the broadening of the Islamic equity market, especially in respect of Islamic fund management activities and expansion of the investor base. Today, investors have access to an extensive selection of securities across diversified industries for broader and deeper investment portfolios. Individual and institutional investors seeking Shariáh-compliant investments can, therefore, access these companies through investing in the stock exchange.

The availability of Shariáh-compliant securities has also boosted the development of the Islamic fund management industry. The Islamic fund management industry constitutes one of the fastest growing segments of ICM. Greater cross-border linkages and connectivity, a growing need for alternative instruments for cross-border fund raising and investments, and an increasingly conducive and enabling environment collectively provide the base on which the ICM is expected to build its next phase of growth.

## 3. IMPORTANT ASPECTS OF ICM

ICM has evolved into an integral component of the



global Islamic financial system. The growing significance of ICM is witnessed through its role in bridging economies by mobilising and channeling funds into productive investment activities across borders while providing investment opportunities. A robust financial infrastructure plays an important role in the successful development of ICM in any country or jurisdiction.

Therefore, the purpose of this report is to examine four building blocks aimed at strengthening the Islamic financial infrastructure for ICM so as to promote a resilient and efficient Islamic financial system.

#### **(a) Legal, Regulatory and Tax Framework**

Legal, regulatory and tax framework are the backbone of ICM. A facilitative and clear legal, regulatory and tax framework are essential in promoting an orderly growth of the ICM. It provides a conducive and sound foundation for product development and service intermediation, while ensuring a robust market supervision regime to sustain investor confidence and encourage broader market participation. The regulatory framework for ICM products and services is based on two approaches to achieve disclosure and transparency. The first is based on a market approach and relies solely on market disclosure with no specific guidelines. The second is based on a facilitative approach whereby specific rules and guidelines exist to provide guidance and facilitate disclosure.

For ICM products and services to be acceptable to all investors and issuers, it is vital that they comply with universally-accepted principles of securities regulation, i.e. they must provide the same level of

protection for investors; be offered within markets that are fair, efficient and transparent. The IOSCO objectives of securities market regulation stipulate (i) investor protection, (ii) transparency and disclosure, and (iii) avoidance of systemic risk.<sup>5</sup>

A key aspect of regulatory approach is to ensure that investors in ICM receive the same degree of clarity, certainty and protection as investors in the conventional market and a common regulatory approach to regulating ICM based on IOSCO's objectives and principles of regulation. In July 2004, the IOSCO Task Force on ICM released a report on the state of development and regulation of the ICM globally. The report concluded that ICM constitutes a segment of the wider securities market, and that the conventional securities regulation framework and principles apply equally to the ICM with additional Shari'ah approval or certification processes. This finding is significant as the IOSCO Task Force on ICM postulated that ICM products and services may be introduced and developed within any existing well-structured securities market.

Subsequently, in September 2008, a follow-up report entitled *IOSCO Islamic Finance Report: Analysis of the Application of IOSCO's Objectives and Principles of Securities Regulations for Islamic Securities Products* was published to assess the compatibility of IOSCO's core principles with the products and practices of Islamic finance. The analysis of the report has not identified any concerns with respect to the compatibility of the IOSCO core principles with the Islamic securities market. The overall findings are broadly consistent with the findings of the 2004 report that there is no need to formulate separate regulatory principles as IOSCO's objectives and principles of securities regulation can be applied to ICM.

<sup>5</sup> Salman Syed Ali, ed., *Islamic Capital Markets: Products, Regulations and Developments* (Jeddah: Islamic Development Bank, 2008), 11.

The pace of development of the ICM is also dependent on having a facilitative legal framework. In this area, the laws must be reviewed for the purpose of introducing legislative changes to remove legal impediments to Islamic financial transactions and to achieve greater certainty and enforceability in respect of Islamic finance contracts. ICM products must be backed by sound legal documentation to protect the interests of all parties, and appropriate sanctions should be enforceable in the ordinary courts of law, as ICM transactions involve both Shariáh and secular jurisdictions. In this respect, the choice of governing law for transactional documentation in each type of jurisdiction is a critical factor in effecting these transactions and the growth of these markets as it establishes the rights and obligations of the parties, and the system under which such rights and obligations could be enforced in a lawful manner. In addition, the legal mechanism should work in a manner to resolve all disputes effectively and expeditiously. In this case, disputes can be settled either by court proceedings or arbitration. Various arbitration centres are being established to offer the best available resolution outside of court.

A comprehensive tax treatment also needs to be provided for Islamic securities to address tax neutrality issues, enhance certainty and transparency, and to ensure that the development of ICM is not impeded with unnecessary infrastructure issues. In addition to addressing the tax neutrality for the ICM, there is also a need to provide appropriate tax incentives to further accelerate its development. The provision of the tax incentives is mainly to encourage innovation and development of new products, which will not only provide the opportunity to widen the scope of their prospective investors but also help broaden the range of Islamic financial instruments.

## (b) Shariáh Governance

A Shariáh governance system established in IFSI adds an additional layer of governance to the existing corporate governance structure. It is the way in which the Shariáh compliance of an ICM transaction is adhered to. In order to give effect to a proper Shariáh governance framework, it is vital to incorporate Shariáh governance principles to the domestic law of the specific jurisdiction. Otherwise, practical implementation of Shariáh governance mechanism might become impossible. This makes Shariáh governance principles with no enforcement powers. For financial transactions to be Shariáh compliant, there needs to be a credible assurance mechanism.<sup>6</sup>

According to the IFSB's *Guiding Principles on Shariáh Governance Systems*, "Shariah Governance System" refers to structures and processes adopted by stakeholders in the IFSI (from financial regulators to market players) to ensure compliance with Shariáh rules and principles (IFSB-10). The IFSB-10 aims to highlight to supervisory authorities in particular, and the industry's other stakeholders in general, the components of a sound Shariah governance system, especially with regards to the competence, independence, confidentiality and consistency of Shariáh boards.

This framework requires IFSI to attain the following:

- (i) A structured institutional and organisational arrangement among the important organs of the bank: especially the board of directors, Shariáh Supervisory Council, management, Shariáh review, Shariáh non-compliance risk management and Shariáh audit; and
- (ii) Effective and independent oversight on Shariáh compliance within the organisation.

<sup>6</sup> Rodney Wilson, *The Development of Islamic Finance in the GCC*, (UK: Centre for the Study of Global Governance, 2009), 7.

This includes ex-ante and ex-post aspects of the bank's operation to achieve the ethically and socially responsible banking.

Shari'ah governance plays an exclusive role in ensuring that the operation of the IFSI complies with the prescribed rules and principles of Shari'ah including validity of the products. However, it is noted that the Shari'ah governance system may vary from one jurisdiction to another, depending on the types of structures adopted by the IFSI as permitted by the authorities. A majority of IFSI have established their own Shari'ah board and some of them even have set up a dedicated internal Shari'ah review unit or department to support the Shari'ah board in performing its function. This indicates a positive development in the aspect of the Shari'ah governance system in IFSI.

In a nutshell, Shari'ah governance plays an important role in ensuring that the operation of the IFSI complies with the prescribed rules and principles of Shari'ah including validity of products and constant enhancement is necessary to ensure the optimal Shari'ah governance takes place in a proper framework.

### (c) Talent Development

The availability of preserving a large, skillful and educated workforce is critical in the sustainable development of the global Islamic financial industry. Human intellectual capital is the defining factor in maintaining the performance and competitiveness of this industry. Expansion of Islamic finance around the world has created a crucial need for a pool of talent trained in Islamic finance.

A survey conducted by Deloitte in 2010 among the leaders of Islamic finance in the Gulf area demonstrates a very worrying trend. The findings

suggest that more than 60 per cent of Islamic finance professionals and practitioners require further training and skills development. The findings also suggest that only 18.5 per cent of the respondents believe that the Islamic finance institutions in the GCC are properly staffed with people that have the depth and experience to cope with the challenges ahead in the industry. This provides room for educational providers to embark on Islamic finance training, courses, or programmes that lead to degrees or professional qualifications.

Understandably, ICM being a new financial segment poses few issues and challenges. Some of these issues and challenges are:

**(i) Demand and supply mismatch** – The rapidly growing industry of Islamic finance, like in any other industry, is trapped in the classic case of demand and supply mismatch. Since the industry is growing above the conventional financial industry average across the globe, competition for talent between and within the industry is very stiff and it is a natural thing to happen. This mismatch may be attributed to several factors:

- university curricular on Islamic finance have very little or no relevance to the ever-changing needs of the industry because the industry was not consulted in the design of these curricular; and
- the number of universities that offers Islamic finance-related courses throughout the world is still relatively small compared to the number of talents required by the industry.

**(ii) Getting the right skills set and competencies** – Islamic finance is a very specialized field, thus getting the right competencies to match the specificities of the industry is of paramount importance. Many of the skills set and competencies

required in the IFSI overlap with the conventional finance. Analytical thought process, credit evaluation and analysis, accounting and auditing, risk management and the like are common to both Islamic and conventional environments.

However, even within the subset of say, risk management, there is a specific competency that is required for those who are involved in the IFSI. One of these competencies is the ability to identify and flag the risk of Shariáh non-compliance, either in the day-to-day operation of the Islamic financial institutions or in the structure of the end products marketed to their consumers. Only those who are equipped with knowledge of the Shariáh and/or Islamic jurisprudence can detect the divergence from what was approved to what was implemented.

To anticipate a critical shortage of available talents in this rapidly growing global industry, strong focus need to be placed on the development of human capital through training, education and research initiatives. Based on the observation, the development of human capital is conducted through the following mediums:

**(i) University programmes focusing on Islamic finance** – There is a proliferation of programmes, offered by universities and institutions of higher learning professional entities that focuses on Islamic finance. Available courses include accounting treatments for Shariáh-compliant financial transactions, Shariáh law and jurisprudence, economics and business studies incorporating Shariáh theories and principles in Islamic finance. Besides theoretical knowledge, there are practical experience programmes for talents to gain work experience in their chosen fields within this industry.

**(ii) Training institutions and certifications programmes** – Tertiary education centers and training institutions offer a wide range of courses and programmes that address the intricacies of Islamic finance. For those building a career in this industry, they can select among recognised and reputable practical training programmes, vocational courses and business training. Senior leaders, who are often the drivers of continuous improvement within a company, can develop leadership skills, corporate governance programmes and others through courses designed for the financial industry.

#### **(d) Products and Services**

Products and services are another critical area in the development of ICM. The range of Shariáh-compliant products has broadened from those introduced simply to address the issue of *riba* or interest, to instruments that have been developed to cater to differing needs and users, such as Islamic investment funds and participatory instruments. Typically, Islamic financial products and services are developed using two approaches. The first approach is by replicating and adapting conventional products and services that are generally acceptable to Islam and modifying the products' structure by removing any prohibited elements so that they are able to comply with Shariáh principles. The second approach involves the application of various Shariáh principles to facilitate the development, origination and innovation of new products and services.

Historically, development of ICM products and services accelerated after the success in developing Islamic banking and takaful as both institutions need basic ICM products and services such as sukuk and Shariáh-compliant equities by managing

their balance sheet liquidity, assets and liabilities (see Table 1). As ICM developed, more innovative products and services were launched, such as ETFs, REITs, structured products to cater to various demand and needs across the sectors. Having this breadth and depth of ICM products and services helps the industry in terms of providing financing and investment options for financial and investment institutions according to their risk-return profile as well as to act as a tool for risk management.

Moving forward, continuous product innovation is crucial so as to sustain the supply of ICM products and services as well as future expansion of ICM. Such innovation may include the whole new breed of ICM products without adaptation to the conventional one. With distinct differentiation between Islamic and conventional capital market

products, it could encourage further demand as well as attract a wider range of investors towards the ICM.

Nevertheless, efforts for such product innovation require similar concerted efforts on building better awareness and acceptance among market participants as these products are typically new to the market. Investors in particular should also set reasonable expectations in terms of the timing and quantum of returns when investing in such products.

The following factors may also be considered while structuring ICM products and services:

**(i) Shariáh Compliance** – It is undoubtedly pertinent for each jurisdiction to ensure that Shariáh standards and governance are in place so as to provide assurance that Shariáh principles are not

*Table 1*  
**Evolution of the Islamic financial services industry**

1970s	1980s	1990s	2000s
<b>Institutions:</b> Commercial Islamic banks	<b>Institutions:</b> – Commercial Islamic banks – Takaful – Islamic investment companies	<b>Institutions:</b> – Commercial Islamic banks – Takaful – Islamic investment companies – Asset management companies – Brokers/ Dealers	<b>Institutions:</b> – Commercial Islamic banks – Takaful – Islamic investment companies – Islamic Investment banks – Asset management companies – E-commerce – Brokers/ Dealers
<b>Products:</b> Commercial Islamic banking products	<b>Products:</b> – Commercial banking products – Takaful	<b>Products:</b> – Commercial banking products – Takaful - Mutual funds / Unit trust – Islamic bonds – Shariáh-compliant stocks – Islamic stockbroking	<b>Products:</b> – Commercial Islamic banking products – Takaful – Mutual funds / Unit trust – Islamic bonds – Shariáh-compliant stocks – Islamic stockbroking
<b>Area:</b> – Gulf / Middle East	<b>Area:</b> – Gulf / Middle East – Asia Pacific	<b>Area:</b> – Gulf / Middle East – Asia Pacific	<b>Area:</b> – Gulf / Middle East – Asia Pacific – Europe / Americas – Global offshore market

Source: IOSCO ICM Fact Finding Report, 2004.

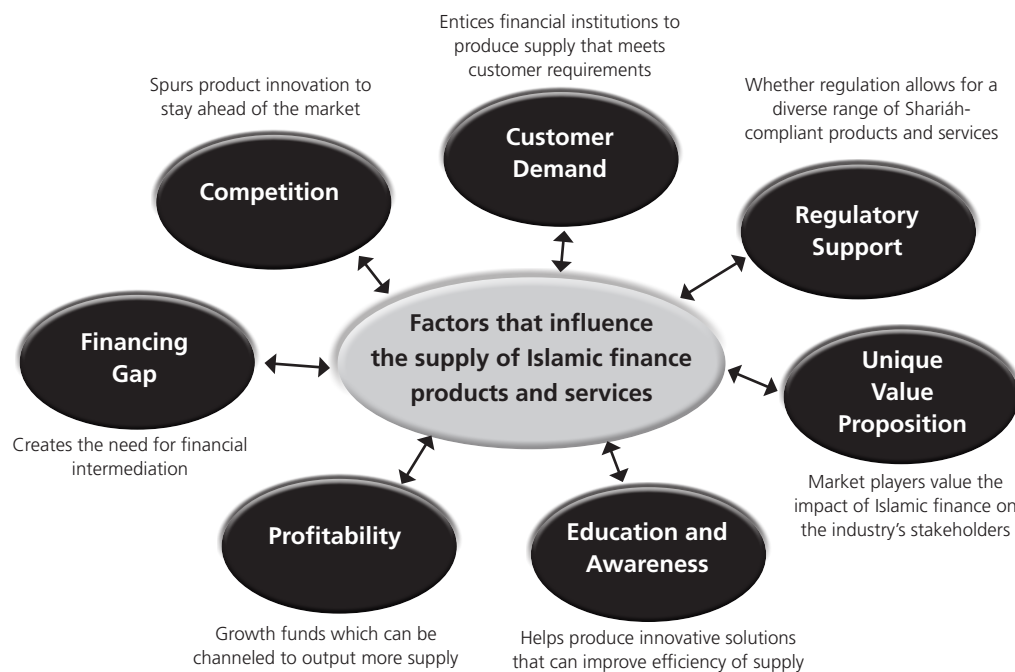
being compromised in developing ICM products and services at any stage. The establishment of Shariáh advisory council or Shariáh committee at the national or industry level to review and approve ICM products and services may help in providing such assurance. Through this establishment, greater certainty and consistency on Shariáh-related matters for industry participants may be achieved. It also allows the industry participants to operate on a common Shariáh platform.

**(ii) Commercial viability** – To ensure ICM products and services offered meet the commercial viability, they should be structured in such a way that they meet requirements or needs of targeted clients or investors. Furthermore, the supply of ICM products and services should match the market demand so as to be competitive with its counterpart.

**(iii) Distribution network** – With a proper distribution network, the ICM products and services are able to reach wider market. This can be achieved via an organisation of business road shows spearheaded by the regulators of one jurisdiction in another jurisdiction. The delegation of the road shows should comprise regulators and intermediaries from the financial industry. These road shows could act as a platform to pave the way for deeper and broader cross-border offerings of certain ICM products and services in both jurisdictions and foster close regulatory co-operation. Ultimately, investors in both markets will enjoy a wider choice of investments with this cross-border offering of ICM products and services.

Apart from the above factors, Figure 2 elaborates further on other general factors that would influence the supply of Islamic finance products and services as a whole.

Figure 2:  
Islamic finance products and services – Factors influencing



## PART B

# SURVEY QUESTIONNAIRE ON ICM

### 1. INTRODUCTION

This chapter sets out the results of a survey on ICM which was distributed to the Member Authorities in February 2013. The Survey was conducted on four segments of ICM financial infrastructure:

- (i) Legal, Tax and Regulatory Framework;
- (ii) Shariáh Governance;
- (iii) Product and Services; and
- (iv) Talent Development.

Out of total 57 Member Authorities under COMCEC CMR, only 11 Member Authorities responded to the Survey, as shown in Table 2.

The Survey process revealed the challenge of compiling a comprehensive set of information that would eventually draw to sufficient conclusion and certainty on the current state of ICM financial infrastructure. Despite the constraints arising from lack of established databases, the Task Force received 11 responses which represent Members' Authorities that acquire various levels of development in ICM.

The analysis and issues discussed have been largely distilled from the Survey and the research conducted by the Chair and the Co-Chair of the Task Force. It is hoped that the information collated for the purpose of this report will act as a catalyst for further development and co-operation among the Member Authorities relevant to the development of the financial infrastructure of the ICM.

Table 2  
List of respondents

No.	Member Authorities	Country
1.	State Committee for Securities	Azerbaijan
2.	Autoriti Monetari Brunei Darussalam	Brunei
3.	National Council of Credit	Cameroon
4.	Securities and Exchange Organization	Iran
5.	Capital Markets Authority	Kuwait
6.	Securities Commission Malaysia	Malaysia
7.	Capital Market Development Authority	Maldives
8.	Capital Market Authority	Palestine
9.	Securities and Exchange Commission	Pakistan
10.	Capital Markets Board	Turkey
11.	Securities and Commodities Authority	UAE

### 2. BACKGROUND AND RATIONALE

Background and rationale of the Survey for each four components are presented below.

#### (a) Legal, Tax and Regulatory Framework

One of the biggest challenges facing the development of ICM is the legal, tax and regulatory framework that originates from the *lex loci* (law of the place) of the respective jurisdictions. These challenges can be in the forms of harmonisation of Shariáh with the existing legal system, product trading issues, double taxation issues, lack of regulatory frameworks benchmarked against the international standards, among others. Hence, it is



imperative to find out the existing legal, tax and regulatory challenges facing the jurisdictions that had adopted or aspired to establish ICM.

Therefore, this section of the Survey aims to:

- Examine the appropriate legal, tax and regulatory framework for ICM to operate effectively;
- Draw from the experiences of selected jurisdictions with diverse sets of legal, tax and regulatory framework; and
- Highlight some observations on how improvement can be made to meet future challenges.

### **(b) Shariáh Governance**

As an additional layer to the existing corporate governance principles, the Shariáh governance is considered to be the single most important component of ICM. The most significant difference between Shariáh governance and corporate governance is that the principles of Shariáh corporate governance are derived from the tenets of Islamic law, whereas the principles of corporate governance are derived from the ethical rules perceived through intrinsically derived means.

The effective implementation of the Shariáh governance framework will promote stakeholders' confidence and the integrity of the Islamic financial industry and thereby reduce Shariáh non-compliance risks. Thus, this contributes towards maintaining financial stability.

Thus, this section aims to:

- Discuss various approaches and models used by the Member Authorities in implementing Shariáh governance framework; and

- Identify best practices and to encourage harmonisation of Shariáh governance practices across jurisdiction.

### **(c) Talent Development**

The global phenomenal growth in Islamic finance has created a strong demand for Islamic finance professionals to help develop the industry forward. As the market gears up for further growth, it is imperative that industry leaders, academia members and regulators pool their resources to ensure sustainable supply of qualified and skilled talents.

In the efforts to develop and retain talent, this section aims to:

- Identify areas of talent shortage;
- Identify tertiary education and certifications programmes in Islamic finance; and
- Identify training programmes in ICM offered by training institutions specialising in ICM.

### **(d) Product and Services**

Product and services are two of the important factors in the development of capital market. Well-developed capital markets provide avenues for issuers/public-listed companies to raise funds and for investors to mobilise their excess funds for investment. Development of Shariáh-compliant products and services would support cross-border ICM businesses and transactions and promote jurisdictional linkages among Member Authorities. Similarly, development of Islamic product such as sukuk plays an integral role in facilitating liquidity management of Islamic financial institutions.

Therefore, this section aims to:

- Gauge the development stage of ICM products and services available in the Member Authorities' country;
- Identify new ICM products and services that the Member Authorities' countries intends to establish; and
- Identify possible areas of co-operation among Member Authorities and improvements to be made to enhance cross-border activities in ICM product and services.

### 3. METHODOLOGY

In order to facilitate the collation of current data, the Task Force formulated a set of questionnaire circulated to Member Authorities which covers four areas of ICM financial infrastructure.

The feedback from the questionnaire formed a useful basis to identify the present state of development of Members' Authorities on ICM financial infrastructure. It also helps to draw some conclusions and recommendations on the status of ICM. In addition, research of secondary sources was conducted to obtain further views and insights. This information was used to complement responses received from the Survey.

### 4. SURVEY FINDINGS

The Survey is divided into five parts. The first part of the Survey deals with the general background of the countries, while the subsequent parts of it deals with legal, regulatory and tax framework for ICM, Shariáh governance, product and services, and the talent development. The findings of each of these parts are dealt separately.

#### (a) General Background

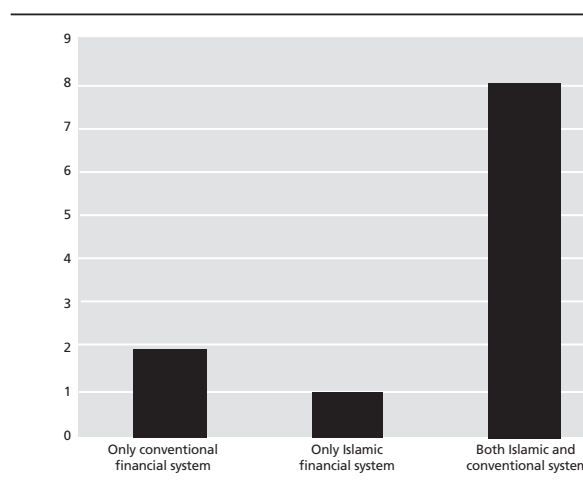
The first part of the Survey deals with the general background of the respondents on ICM. This part discusses the types of financial systems, development plan and strategy via the regulatory authorities, major obstacles and the level of understanding of the industry players on ICM-related issues.

##### (i) Types of financial system

There are three major types of financial systems: conventional, Islamic and both conventional and Islamic financial system. The respondents were required to choose the type of financial system they currently have.

From Chart 2, it can be concluded that a majority of the respondents have both Islamic and conventional systems. Iran is the only respondent that has an Islamic financial system while Palestine and Azerbaijan have only conventional financial system.

Chart 2  
Types of financial system



Apart from the above question, Malaysia and Pakistan have provided additional information on their financial systems:

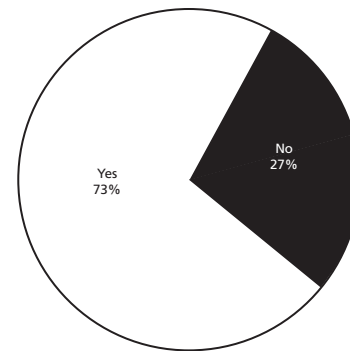
- Malaysia's financial system consists of the conventional and the Islamic financial system which co-exists and operates in parallel. Islamic finance in Malaysia continues to demonstrate dynamic growth with a comprehensive Islamic financial system that is supported by robust regulatory, legal and Shari'ah governance frameworks, as well as the requisite talents and expertise.
- Islamic financial system in Pakistan consists of banking and non-banking financial institutions, which includes capital market and insurance sector. The banking sector is regulated by the State Bank of Pakistan, consists of 18 Islamic banking institutions that includes five full-fledged Islamic banks with a network of 1,097 branches. The non-banking financial sector is regulated by the Securities and Exchange Commission of Pakistan; there are 26 *modaraba* companies, 37 Islamic mutual funds and five takaful companies<sup>7</sup>.

### **(ii) Developmental plan for ICM**

To create and develop a full-fledged ICM, it is imperative to have a development plan at the national level, which focuses on strategic directions. This is because, as the market become more complex and sophisticated, it needed supportive infrastructure so that the system could operate and function more efficiently and effectively (*Chart 3*).

A majority of the respondents (73 per cent) indicated that they have a plan to develop ICM. Out of these

*Chart 3*  
**Development plan for ICM**



respondents, only one respondent's plan on the ICM development is not progressing accordingly to its plan. While this remains as challenging especially to the countries in which Islamic finance is still at the early stage of development, it is important to ensure that the development plan of an Islamic financial system is dynamic, responsive and sustainable.

### **(iii) Separate unit/division to develop ICM**

The existence of a specialised unit or division within the regulatory and supervisory authorities of capital markets would prove a country's level of dedication and of consideration that it is giving to develop its ICM (*Chart 4*).

The chart above shows that 64 per cent of the respondents have a special unit or division established within their regulatory or supervisory

authority to develop ICM. The rest of the respondents indicate that they do not have a specific unit or division established to develop ICM.

It is important to note that the pace of development of the ICM is also dependent on having enough and optimising its resources and capacity to enable adequate monitoring of the ICM and carrying out functions to develop ICM. This dedicated unit or division, together with other relevant units and divisions may work together in ensuring the sustainability of the ICM.

**(iv) Major obstacles in developing ICM**

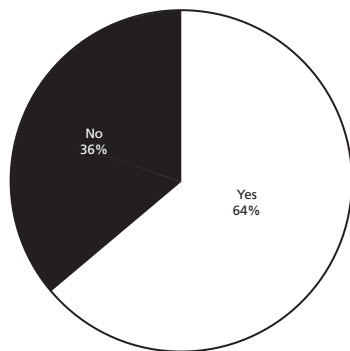
Each country will have different problems or obstacles when it comes to the development of ICM. The Survey required the respondents to choose three major obstacles that they have experienced in establishing and developing the ICM. The respondents were given six major categories of major obstacles, namely legal and regulatory,

Shariáh, tax neutrality and other incentives, secondary market, a shortage of skills and expertise and lack of awareness (*Chart 5*).

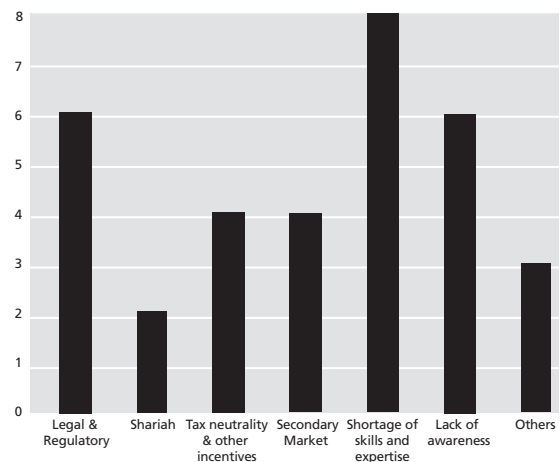
A majority of the respondents identified shortage of skills and expertise as the major obstacle in developing ICM. The next most critical challenges identified by the respondents are lack of awareness and issues related to legal and regulatory frameworks.

Besides the categories listed above, the result also shows public literacy on ICM products and services as a major obstacle in Malaysia. This is due to limited knowledge and understanding of the public in general about ICM and its products and services. As for Cameroon, the major obstacle is the lack of awareness, especially in term of promotion of the Islamic finance. Iran also mentioned that they have faced difficulty in the dual supervision on some Islamic products such as *musharakah* securities in establishing and developing ICM.

*Chart 4*  
**Separate unit to develop ICM**



*Chart 5*  
**Major obstacles in developing ICM**



**(v) The industry’s level of understanding on ICM-related issues**

It is imperative to understand how the countries, specifically the industry, perceive the ICM-related issues in their respective jurisdictions. The Survey required the respondents to indicate their industry’s level of understanding in these following areas; legal, regulatory frameworks, tax and accounting, products structuring and Shariáh (Chart 6).

The Survey result shows that a majority of the respondents have an average level of understanding in legal issues. In addition, most of the respondents believe that they have a weak level of understanding on issues relating to tax and accounting. This most probably is due to the uncertainties in the tax treatment between Islamic and conventional capital market transactions.

Nevertheless, these five areas are co-related and similarly important in the ICM. It is therefore vital to ensure that the industry has a greater level of

clarity and understanding in these five areas to appreciate its intricacies.

**(b) Legal, Regulatory and Tax Framework**

The second part of the Survey deals with the legal, regulatory and tax framework. This part discusses the legal framework of ICM products and the legal amendments brought to facilitate the ICM developments in the jurisdictions.

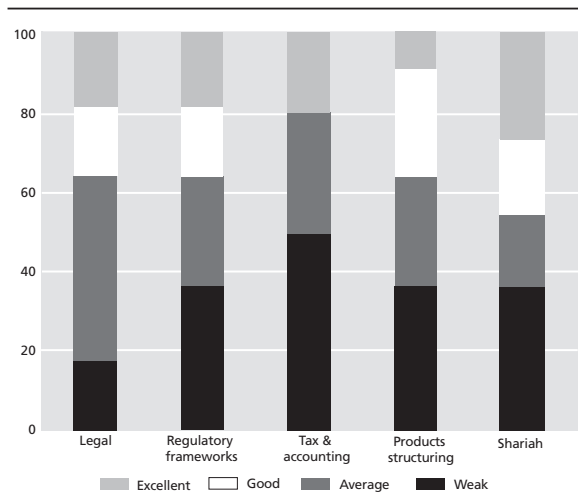
**(i) Legal framework**

The Survey required the respondents to indicate the types of legal system/framework of their countries. The respondents were given three choices, namely Civil law, Common law and Shariáh. A majority of the respondents (52 per cent) indicated that the legal system/framework in their country is based on Civil law. Many respondents also indicate that they have a combination of Civil and Common law as well as Civil and Shariáh legal system/framework in their countries. With the increasing demand of the IFSI, the countries which their legal system/framework which are based on Civil or Common law, are expected to gradually embark on the Shariáh-based legal system/framework to cater to the demand. (Chart 7)

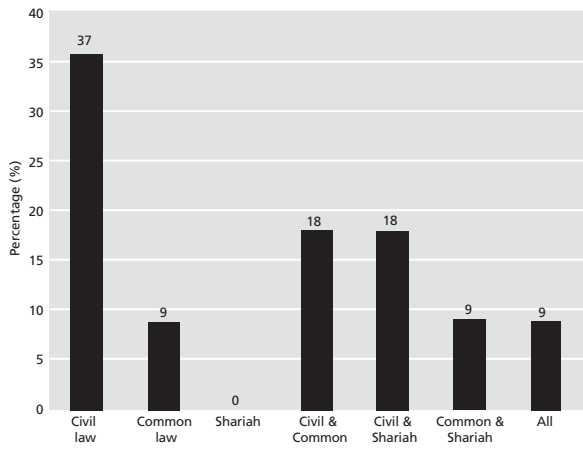
**(ii) Initial development of ICM**

Based on the Survey, a majority of the respondents indicates that ICM was introduced due to the demand and supply of ICM products and services as well as by amendment of the national strategic plan on ICM. Few respondents explained that the ICM was introduced by way of parliamentary legislation/regulation/guidelines/decreed (Chart 8).

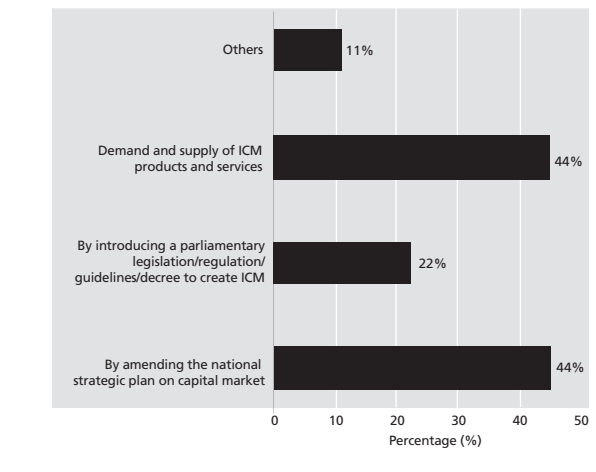
**Chart 6**  
**Level of understanding on ICM-related issues**



**Chart 7**  
**Type of legal framework**

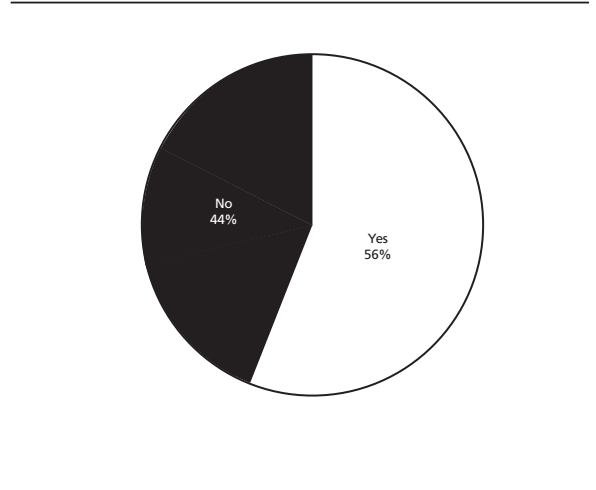


**Chart 8**  
**Development of ICM**



It is noted that a growing number of countries are implementing legislative and legal reforms to support the development of ICM. With rapid developments being made, it can be inferred that the growth in ICM has been universal and it has been gaining ground at national, regional and international levels.

**Chart 9**  
**Legal framework governing ICM products**



**(iii) Legal framework governing ICM products**

56 per cent of the respondents indicated that their legal framework governing ICM products and services differ from the conventional capital market. These differences are largely due to extra due diligence in meeting certain Shari’ah compliance and specific regulations for ICM products and services which require additional compliances such as criteria for Shari’ah-compliant investments and appointment of Shari’ah adviser (Chart 9).

**iv. Law/parliamentary legislations/ regulations passed or amended to facilitate the development of ICM**

The Survey also required the respondents to indicate the laws that have been passed or amended to facilitate the development of the ICM in their countries. The responses received from this question are depicted in Appendix II.

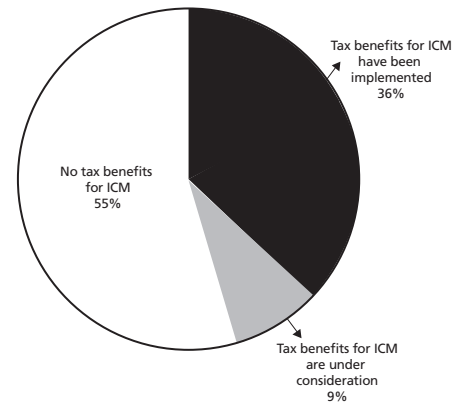
From the responses, it can be concluded that most countries have undertaken their own experiments in establishing the legal frameworks that they consider to be effective for the development of the ICM. This can be seen from various parliamentary legislations and regulations that have been passed or amended in order to facilitate the development of the ICM in their countries. These initiatives will effectively accommodate the intricacies of the ICM as well as to ensure its soundness and stability. It is also noted that while facilitative legal framework is essential for the development of ICM, it is also important to ensure that the interest of all parties involved in Islamic finance transactions is protected.

**v. Tax benefits for ICM**

Chart 10 concludes that a majority of the respondents (55 per cent) do not have tax benefits accorded to the development of ICM and do not have plans within the next five years to revise tax provisions to develop ICM. However, 36 per cent of the respondents indicate that tax benefits for some ICM products have been implemented (*Chart 10*).

The tax benefits provided in these countries are summarised in the Appendix III.

*Chart 10*  
**Implementation of tax framework**



**(c) Shariáh Governance**

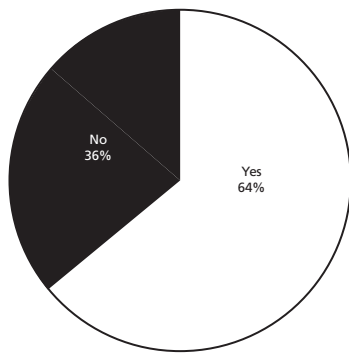
The third part of the Survey deals with the Shariáh governance aspects of ICM. This part discusses on the Shariáh governance framework for ICM, which covers adopting international Shariáh standards, monitoring mechanism for Shariáh compliance, dispute resolution mechanism, fit and proper criteria policies used for Shariáh scholars sitting on Shariáh committees/boards and code of conducts of Shariáh scholars.

**(i) Shariáh governance framework for ICM**

Question on the establishment of a Shariáh governance framework was raised in the Survey. A majority of the respondents (64 per cent) indicate that a Shariáh governance framework for ICM is present in their country (*Chart 11*). Out of these respondents, 71 per cent of the respondents have



Chart 11  
Availability of Shari'ah governance framework



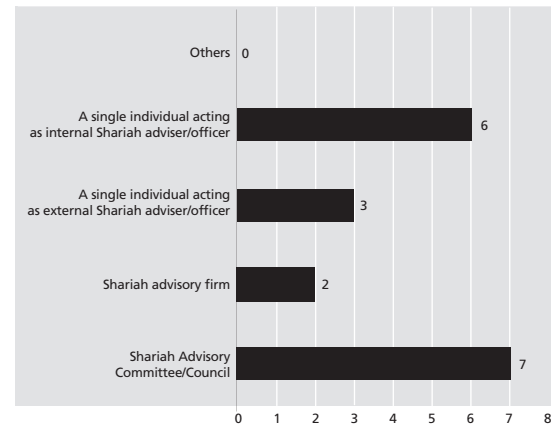
incorporated Shari'ah governance as part of their regulatory framework. However, only 27 per cent of the respondents indicate that they have a mechanism for registering/licensing individual Shari'ah advisers and advisory firms to structure or to advise on ICM products. A lower percentage is also recorded on the provisions in the legislation/legal framework to deal with to Shari'ah related dispute.

### (ii) *International Shari'ah standards adopted*

The Survey required the respondents to indicate the international Shari'ah standards that have been adopted in their countries as it is crucial to see some uniformity and standards are set to ensure that the differences of legal opinion are addressed effectively. The responses received from this question are depicted in Appendix IV.

From the responses, it can be concluded that there is diverse perception and acceptability on the international Shari'ah standards and there is a need to achieve reconciliation of different rulings and

Chart 12  
Monitoring of Shari'ah compliance



practices. Further research is necessary to explore the rationale to facilitate greater acceptance of the international Shari'ah standards.

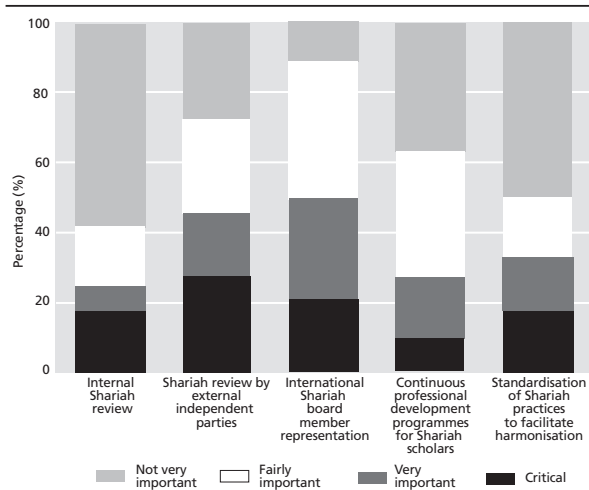
### (iii) *Monitoring of Shari'ah compliance or endorsing ICM products*

The Shari'ah Advisory Committee/Council is the most common approach of Shari'ah governance that monitors Shari'ah compliance and/or endorses ICM products. Shari'ah advisory firm is the least preferred among the respondents (*Chart 12*).

### (iv) *Significant aspects of Shari'ah governance*

For this Survey, the respondents were asked to categorise the level of importance for the following areas of Shari'ah governance: Internal Shari'ah Review, External Shari'ah Review, International Shari'ah Board Member representation, Continuing Professional Development Programmes for Shari'ah Scholars and Standardisation of Shari'ah Practices to facilitate harmonisation (*Chart 13*).

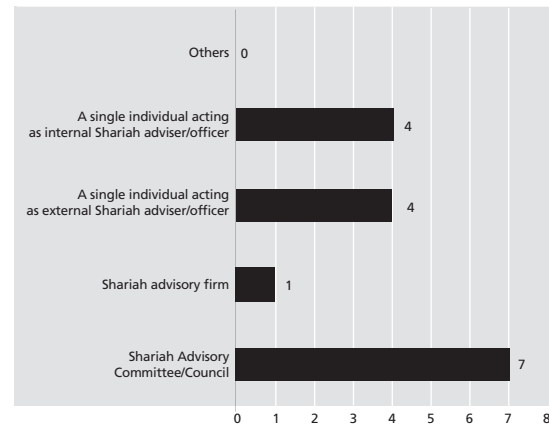
Chart 13  
Significant aspect of Shariah governance



Based on the findings, having an internal Shariāh review and standardisation of Shariāh practices to facilitate harmonisation are rated as critical by a majority of the respondents. The Shariāh review process is indeed an integral process that ensures effective management and control of processes and procedures. This process may include the setting up of a dedicated unit to monitor, assess, appraise and report the conduct of IFSI to the board or audit committee. Similarly, standardisation of Shariāh practices is also deemed as a critical means for achieving greater harmonisation across jurisdiction. This is further supported by having an international Shariāh board member which was rated as very important in the Survey as their presence facilitate better communication and understanding of the global application of Shariāh rulings and standards.

In contrast, Shariāh review by external independent parties is rated the least important as the presence of independent or external parties may be perceived as a threat to the sharing of propriety information.

Chart 14  
Dispute resolution mechanism



**(v) Dispute resolution mechanism**

A majority of the respondents indicates that conflicts in Islamic financial products and services are resolved in Civil Courts as many Islamic finance transactions are governed by English law or other laws, instead of Shariāh law. However, with the increase of Islamic financial institutions and new products, there is a need for an Islamic legal framework for dispute resolution. Given the growing number of court cases involving Islamic financial transactions, the adoption of alternative dispute resolution schemes through arbitration and Shariāh advisory committee/council is also on the rise (Chart 14).

**(vi) Fit and proper criteria policies for the appointment of Shariāh advisers in Shariāh board/committees**

The composition of the Shariāh board/committee should include members with highest integrity,

who are competent in dealing with issues in Islamic finance. From the Survey, it is noted that the majority of respondents (64 per cent) do not have specific fit and proper criteria enacted on the appointment of Shariáh advisers for the Shariáh Board/Committees. IFSI needs to consider instituting the fit and proper criteria for the Shariáh adviser to preserve the integrity and ensure the competency to meet the need of sophisticated investors and more demanding stakeholders (*Chart 15*).

**(vii) Mechanisms to eliminate conflict of interest for Shariáh scholars sitting in various Shariáh Boards/Committees**

It is pertinent that selection of Shariáh advisers must be transparent and communicated at various levels. In this regard, the effectiveness of communications and reporting channels need to be established to ensure proper Shariáh governance. The Survey, however, shows the varying practices in the mechanism to deal with conflict of interest.

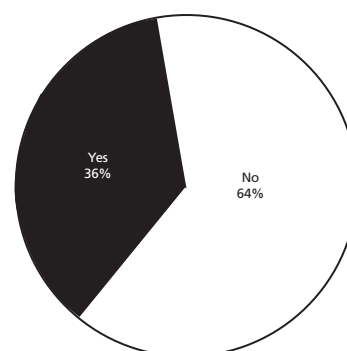
It is noted that only two out of eleven respondents have a declaration in writing to disclose conflict of interest of Shariáh scholars while the other three respondents disclose the conflict of interest for the information of the respective Shariáh advisory bodies only (*Chart 16*).

**(d) Talent Development**

Survey on talent development was done to get feedbacks from the respondents on the adequacy of its domestic talent market in terms of providing sufficient amount of talents, with the right knowledge and skills, to cater for the needs of the Islamic finance industry.

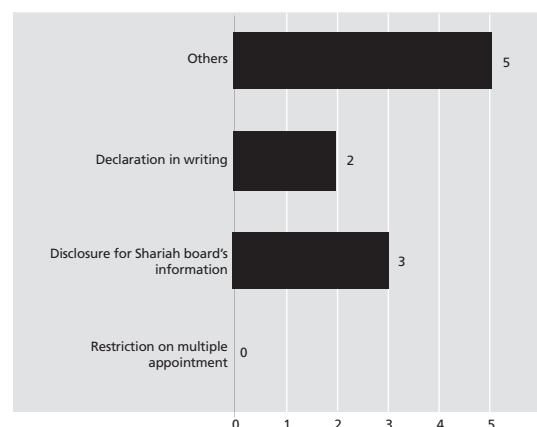
*Chart 15*

**Application of fit and proper criteria for Shariah advisers**



*Chart 16*

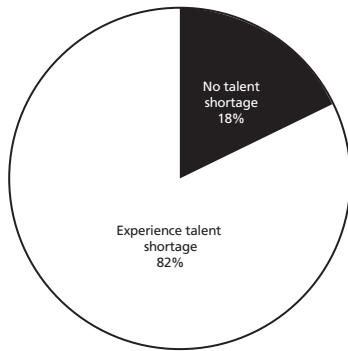
**Mechanisms to eliminate conflict of interest**



**(i) Supply of talents in Islamic finance industry**

From the Survey, it is noted that a majority of the respondents (82 per cent) experience a shortage of talents in the IFSI. The result is not surprising as the world has seen a major expansion of Islamic finance

**Chart 17**  
**Supply of talents in Islamic finance industry**

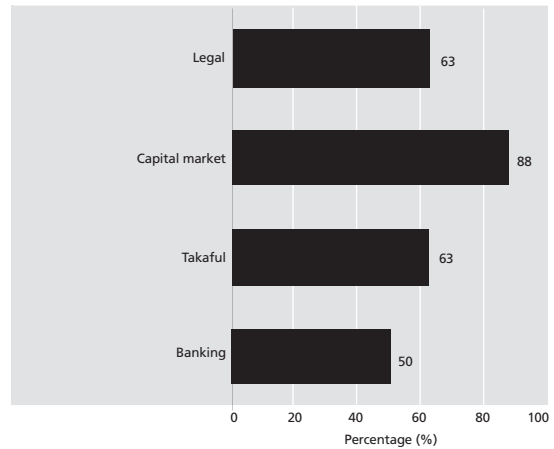


industry since 1970s and the result signifies the growing demand for talent throughout the world. It also indicates the need for talent management which has become one of the major strategic challenges for the survival of the Islamic finance industry<sup>8</sup>(*Chart 17*).

**(ii) Talents shortage in Islamic finance industry by specialisation**

The Survey categorised talent shortage into two: Shariáh experts and Islamic finance professionals. The result shows Malaysia as the only country that experiences shortage of Shariáh experts. However, the rest of the respondents face shortage in hiring Islamic finance professionals. As explained in the response, the limited number of existing Shariáh experts could be seen as a result of frequent career movement of Shariáh officers within the Islamic

**Chart 18**  
**Shortage of Islamic finance professionals by sector**



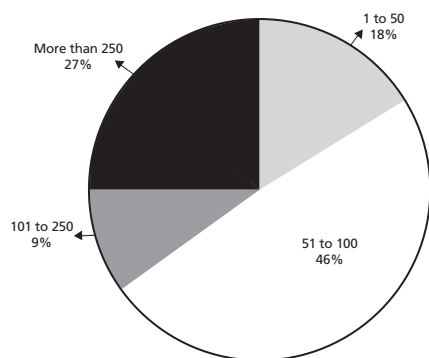
finance industry and only the same pool of experts advises the ICM products and services (*Chart 18*). The Islamic finance professional is further divided into four categories, namely banking, takaful, capital market and legal. Chart 18 above shows significant percentage of shortage of talent in these four areas. The capital market is the most affected area at 88 per cent, followed by legal and takaful sectors, both at 63 per cent. Banking sector is the least affected at 50 per cent only.

**(iii) Talents needed for the development of Islamic finance in five years' time**

The size of Islamic finance industry in a particular country and its level of growth will have a direct effect to the number of talents needed to sustain the performance and competitiveness of the industry (*Chart 19*).

<sup>8</sup> Silver, R. and Dowell, B.E. (2010). Strategy driven talent management: A leadership imperative, United States of America: Jossey Bass Wiley

Chart 19  
Islamic finance talents required in the next 5 years



From Chart 19, a majority of the respondents require 51 to 100 personnel to develop its Islamic finance industry in the next five years. This number indicates moderate growth and demand from the talent market to fulfill the needs of the Islamic finance industry.

Respondents that experience rapid growth in Islamic finance industry would most probably require more than 100 talents for the next five years. This can be seen from the chart above, where 27 per cent of the respondents (representing Azerbaijan, Malaysia and Pakistan) require more than 250 talents and nine per cent (representing Cameroon) require 101 to 250 talents for the next five years. This percentage signifies their level of development in the Islamic finance industry and confirms the correlation between the need for talent and the development of Islamic finance in the respective country.

#### ***(iv) Development of talent through the right academic/professional qualification in Islamic finance***

It is vital to get the talent with the right skills set and competencies to match with the Islamic finance industry specificities. Islamic finance requires specific qualities and competencies in its human capital. One of these qualities and competencies is the ability to understand and apply Shariáh principles into commercial transactions in developing financial products.

From the Survey, all respondents unanimously agreed on the necessity to develop human capital through the right academic/professional qualification in Islamic finance. This denotes the importance of having courses, programmes and training that address the intricacies of Islamic finance by education centers and training institutions to ensure the supply of talents in Islamic finance industry is parallel to its demand.

A majority of the respondents indicated that they have the local institution providing Islamic finance related qualifications. Nevertheless, international institutions which offer Islamic finance qualifications are still the preferred choice. Only 28 per cent of the total respondents indicated that their talents obtained their Islamic finance qualifications from local institutions while 36 per cent of the respondents indicate that their talents obtained their Islamic finance qualifications from overseas academic institutions and both local and overseas academic institutions respectively.

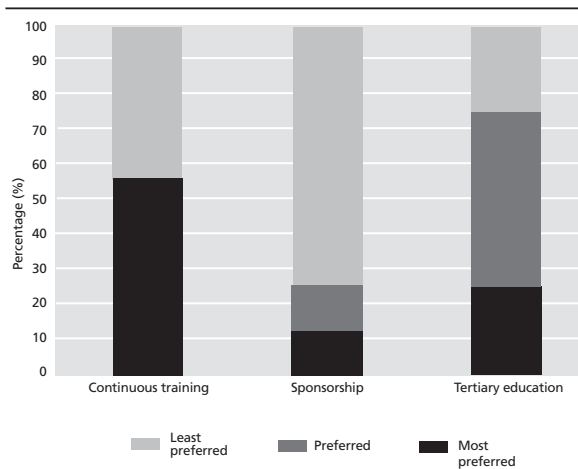
Respondents were also required to indicate the top two countries where a majority of their talents

obtained their qualifications in Islamic finance. The Survey shows that Malaysia is the top popular placement for talents to obtain qualification on Islamic finance, followed by the UK and Bahrain.

**(v) Initiatives to produce/develop talents in the ICM**

A majority of the respondents (73 per cent) indicated that they have initiatives to develop talents for ICM. The above figures show that the continuous training in Islamic finance such as on the job training, attending seminar or training in Islamic finance, is rated the highest among the three choices given in the Survey, followed by sponsorship or financial assistance by the country to undertake Islamic finance studies. Tertiary education in Islamic finance is the least preferred initiative being pursued by the respondents to develop the Islamic finance industry (Chart 20).

Chart 20  
Initiatives to produce/develop talents in the ICM



The popular approach (i.e on the job training, attending seminar or training in Islamic finance) is categorised under reactive stage of talent management where it focuses on short term deals to tackle the immediate needs of talents.<sup>9</sup> At most times, such training programmes are usually readily available and easy to implement to meet its needs.

**(vi) Development of dedicated training institutions and collaboration between industry and academia**

In the Survey, the respondents were required to choose a maximum of two immediate plans to develop talents on Islamic finance through training. The most preferred immediate plan by the respondents is to train the trainer, followed by sending staff for overseas training and setting up a dedicated training institution for Islamic finance, respectively.

The respondents were also asked to consider the option of developing their own dedicated training institutions to cater the needs for Islamic finance talent within the next five years. From the Survey, a majority of the respondents (55 per cent) do not plan to have their own dedicated training institution. The option to establish a dedicated training institution on Islamic finance is preferred by mature markets like Malaysia and UAE where the demand for Islamic finance professional is always on the rise. Meanwhile, countries with small Islamic finance market would not consider the option as a priority due to less demand for talent.

55 per cent of the respondents indicated that their local industry, academia and regulators do not have

<sup>9</sup> American Productivity and Quality Center (2004): Talent management: from competencies to organisational performance: Final report. Houston: American Productivity and Quality Center.

any collaboration with parties outside their countries in ensuring a sustainable supply of qualified and skilled talents. However, they are positively looking for future collaboration. This suggests the importance of having a platform for sharing of experiences, establishing suitable partnerships and networking programmes to cater to the sustainability of supply of qualified and skilled talents.

### (e) Products and Services

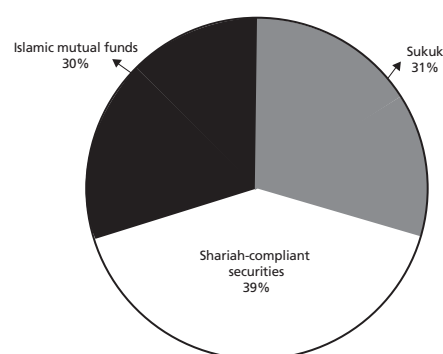
ICM products and services consist of numerous investment products and its related services that aimed to raise and serve capital and investment through Shari'ah-compliant manner. The purpose of this section is to gauge the countries' readiness to establish and/or develop their ICM products and services. Consequently, it would help to form constructive strategies on how to initiate the idea of offering ICM products and services across jurisdictions.

#### (i) Availability of ICM products

From the Survey, the Shari'ah-compliant securities are among the most accessible products. Shari'ah-compliant securities refer to securities or stocks that comply with Shari'ah principles based on screening criteria set by the Shari'ah scholars. However, the screening criteria may vary from jurisdiction to other jurisdiction based on the rulings set by the Shari'ah scholars. Currently, there are few index providers which actively classify stocks as Shari'ah compliant in selective countries. The creation of Islamic Indexes is a positive development undertaken by the index providers to widen the constituents and the coverage of the index family (*Chart 21*).

The Survey result also shows that sukuk and mutual fund are equally available in Member Authorities.

*Chart 21*  
**Top 3 ICM products**

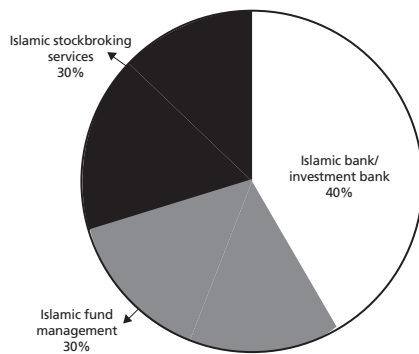


Recent developments witnessed few notable sukuk and mutual funds issuances from OIC countries. According to the *Global Sukuk Market Report 2012* issued by IFIS, the sukuk issuances from South East Asia, representing the issuances from Malaysia, Indonesia and Brunei, dominate 80 per cent of total sukuk issuances in 2012.

With regards to Islamic funds, a report published by Thomson Reuters entitled *Islamic Finance Gateway* (2013) stated that the concentration of Islamic funds is seen mainly in the GCC and the Malaysian markets, which together account for over 80 per cent of all Islamic funds. According to the report, as of 31 December 2012, the number of active mutual funds was 570 funds, with equity funds being the majority, represent 52 per cent of the total Islamic funds.

Other than the three products stated above, there are also other products available in Member Authorities, for example REITs, structured products, derivatives, private equity and ETFs. The Survey indicates that the availability and accessibility of

Chart 22  
Top 3 ICM services



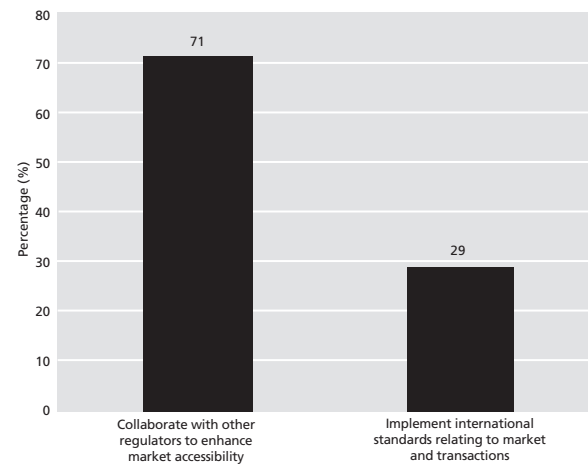
ICM products have flourished in certain Member Authorities' countries and certainly there are plenty of opportunities to tap into ICM products.

### (ii) Availability of ICM services

The Islamic bank/investment bank is the top ICM services available in Member Authorities' countries, followed by the Islamic stockbroking services and Islamic fund management services (Chart 22). According to the Ernst and Young's *World Islamic Banking Competitiveness Report 2012–2013*, Islamic banking assets with commercial banks globally grew to \$1.3 trillion in 2011, suggesting an average annual growth of 19 per cent over the past four years (2011: 24 per cent). The Islamic banking growth story continues to be positive, faster than the overall banking sector (Chart 22).

Despite the challenging global economic environment, IFSI in the Member Authorities countries have been able to sustain their growth ambitions. The industry continues to demonstrate its resilience and competitiveness, while the range of Shariáh-

Chart 23  
Cross-border activities in ICM products and services



compliant products and services available globally has significantly widened and deepened. This can be supported from the Survey, where other than the top three services stated above, the Member Authorities have access to Islamic private equity and venture capital, Shariáh advisory services as well as legal advisory to cater to the products offered. The products and services offered in the countries are the main elements in developing the ICM as they complement each other.

### (iii) Cross-border activities in ICM products and services

A majority of the respondents (71 per cent) agreed that the collaboration with other regulators to enhance market accessibility is the best way to heighten cross-border activities in ICM products and services. This is followed by a second option which is to implement international standards relating to market and transactions. Furthermore, 17 per cent of the respondents agreed that both ways are equally important to increase the cross-border activities (Chart 23).



It is undeniable that the emergence of ICM industry is triggered by the strong demand globally. Within that substance, the formation of an operating platform will spur the cross-border activities. Countries may look into bilateral or multilateral agreement which can be formed together to enhance cross-border transactions.

The respondents have also highlighted that other cross-border issue faced by them is the absence of harmonisation in Islamic infrastructure to facilitate international Islamic finance transaction e.g. legal framework, Shariáh governance, etc. Another

constraint faced by them is the inadequate number of cross-border enforcement. Prominent industry players need to contribute essential input to industry bodies – the likes of AAOIFI and the IFSB, by supporting them to reinforce the standardisation in several areas so that the industry will continue to flourish.<sup>10</sup>

The Survey indicates there is development albeit at a slow pace, of new products and services being developed among these countries. But for ICM to be further flourished, more efforts are needed.

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10 Shariah-compliant funds: A whole new world of investment • PricewaterhouseCoopers (2009)

## PART C

# CONCLUSION AND RECOMMENDATIONS

Building a well-functioning Islamic finance infrastructure is imperative for providing the industry with a level playing field. Moreover, regulators and standard-setters in OIC countries should ensure that the supervisory and legal infrastructure for Islamic finance remain relevant in the rapidly changing Islamic financial landscape and global developments.

As outlined in the IDB's 10-year Framework and Strategies for the development of IFSI, Islamic countries should endeavour to integrate their Shariáh-compliant financial systems into the international financial system. Where ICMs are concerned, the rules should, as much as possible, be harmonised with globally-accepted standards and best practices. This includes benchmarking against the IOSCO principles of securities regulation, adopting international accounting standards and promoting best practices for corporate governance. These efforts will increase the attractiveness of the ICM to international investors as well as facilitate integration of markets on the basis of a common reference standard.

Furthermore, greater convergence and harmonisation of regulations and products among the Member Authorities is needed to facilitate an efficient and sustainable growth of the industry. Synchronisation of policies and actions across different jurisdictions and markets in the group of OIC countries is a major task, and therefore, a broad-based and constructive strategic platform to build cross-border consensus is necessary.

The following are recommendations that cover the broad strategies and initiatives to be undertaken for developing the infrastructural components of the ICM.

### 1. LEGAL, REGULATORY AND TAX FRAMEWORK

The characteristic of a well-developed financial infrastructure is an effective regulatory and supervisory framework which would support the stability of the financial system. For the ICM, this framework also needs to be consistent with the requirements of the Shariáh principles, including the establishment of a Shariáh committee. This would need to be supported by an efficient court system that can effectively deal with all Islamic finance cases, whose decisions are enforceable over the range of financial issues.

Following are the recommendations identified as strategies to tackle these issues.

#### (a) Comprehensive and Harmonised Legal, Regulatory and Tax Framework

The legislations applicable to the capital market transactions, whether it is substantive or procedural laws should not be in conflict with the principles of Shariáh. To avoid any conflict between the domestic law and the principles of Shariáh, it is imperative for the countries to consider developing a comprehensive and harmonised legal, regulatory and tax framework that specifically cater for ICM.

One way of creating this harmonious interface is to promote greater harmonisation of regulatory standards in relation to ICM, and to develop enhanced arrangements for the cross-border resolution for Shari'ah-compliant products. These can be achieved through collaboration among the jurisdictions and among the Member Authorities in strengthening investor protection and business conduct which would not only result in the resilience and stability of the industry but also help to facilitate greater cross-border financing. For example, the IFSB, in collaboration with IOSCO and SC, conducted a Roundtable on Disclosure Requirements for Islamic Capital Market Products in Kuala Lumpur, Malaysia in September 2012. The roundtable, which discussed issues arising from inadequate disclosure requirements and the importance of a strong disclosure regime in facilitating cross-border activity and the development of ICM products and services, would pave the way for collaboration between the IFSB and the IOSCO to address the imminent issues affecting the ICM.

Furthermore, the issues in assessing IFSI development have not been systematically addressed and to date, there is no framework available to make such assessments. It is thereby recommended that there should be an independent assessor to assess the countries whether or not they conform to global standards and regulations. For example, the Financial Sector Assessment Programme (ESAP) conducted by the World Bank provides independent assessment of the financial practice. This can give better rating and profile for the assessed countries.

### **(b) Appropriate and Effective Dispute Resolution Mechanisms**

A properly functioning financial market is dependent on the enforceability of its rules and regulations. Therefore, it is important to have legal and

regulatory framework that is effective, which ensures a resilient development of IFSI.

One of the characteristic of an effective framework is the presence of a credible and reliable forum that resolves legal disputes of Islamic finance transactions, in accordance to the Shari'ah and the national laws. The measures to achieving an appropriate and effective dispute resolution mechanism are:

- To create dedicated courts to deal with cases from Islamic finance transactions; and
- To have greater use of arbitration or mediation.

In order to effectively implement these measures, the judges and lawyers should be competent and well trained in both Shari'ah and conventional law, given the complexity of Islamic finance transactions. While the conventional judges may be familiar with Islamic finance law, there is also a need for judges who not only know the Islamic finance law but who also possess deep understanding of the Shari'ah principles that go beyond layman's comprehension. Furthermore, the setting up of special courts should be accompanied by efforts to publish quality law reports that will ensure the availability of precedents for industry guidance.

As an alternative to the formal court litigation, arbitration and mediation are other processes for dispute resolutions. Normally, through the formal court system, the judgment of the court leads to a win-lose situation. Alternatively, arbitration and mediation satisfy the needs of many litigants. Apart from facilitating the administration of justice system, both arbitration and mediation ensure speedy justice without compromising the rights and liabilities of the parties. This alternative to the formal court litigation also protects confidentiality as it is a private process and there is no public record

of the proceedings, and it also has a limited discovery where there is only limited exchange of documents. In essence, this complementary nature of the alternative dispute resolutions lead to a win-win settlement where the parties resolve the ensuing dispute amicably and secure the ongoing relationship.

### **(c) Facilitative Tax Framework**

The growth of the ICM must be sustained and strengthened to ensure that it will continue to move forward to become an integral component of the capital market. However, its growth needs to be supported by various other measures, including the creation of an enabling and conducive environment that facilitates and promotes product and market innovation and competition. In this regard, recommendations need to be formulated to facilitate the development of the ICM by establishing a facilitative tax framework that addresses potential impediments to the development of ICM products, and also expedites and accelerates the development and innovation of other new ICM products.

The tax treatment of certain Islamic financial transactions has not always been consistent with that of conventional financial transactions, with the former being more likely to be subjected to an additional tax burden. This is due to the unique structure of the Islamic financial transactions requiring the execution of a specific underlying Shariáh contract, such as a sale and purchase contract, or a leasing contract. Therefore, it is recommended that a comprehensive tax treatment be provided for Islamic securities to address tax neutrality issues, enhance certainty and transparency, and to ensure that the development of ICM is not impeded with unnecessary infrastructure issues.

Tax neutrality is a form of tax benefits whereby a

relief is given to the tax charges that was supposed to be imposed onto the Islamic financial transactions. For example, to reduce cost of transferring assets in Islamic finance, tax neutrality is accorded to Islamic financial instruments and transactions. This measure will promote a level playing field between conventional and Islamic financial products.

In addition to addressing the tax neutrality for the ICM, there is also a need to provide appropriate tax incentives to further accelerate its development. These tax incentives can be broadly categorized into tax incentives to diversified players, tax incentives to facilitate Islamic finance transactions and tax incentives on expertise. Nevertheless, the provision of the tax incentives is mainly to nurture and encourage the ongoing development and growth of this sector as well as to encourage innovation and development of new products, as it is understood that in general, the cost of pioneering new products will usually be higher than the cost of issuing existing products. However, once the products are made available and used regularly, the cost can be kept to the minimal. In this instance, the tax incentives will serve to 'kick-start' innovation and utilisation of new products by investors and users.

The tax incentives should be able to attract more interest among issuers to innovate and develop Islamic products that will not only provide the opportunity to widen the scope of their prospective investors but also help broaden the range of Islamic financial instruments.

## **2. SHARIÁH GOVERNANCE**

A robust Shariáh governance framework represents another key element of an orderly ICM as the requirement for its products and services to adhere to Shariáh principles. It creates a need for an

effective mechanism to ensure their adherence.

The Survey revealed that different countries have different mechanisms to tackle Shariáh governance issues and there is no uniform universal mechanism to adhere Shariáh governance. Generally, the Shariáh governance system can be classified into two; regulated via legal and supervisory requirement (as in the case of Malaysia, Bahrain, Kuwait, UAE and Qatar) or through self-regulation (as in the case of Saudi Arabia and the UK). In view of numerous legal issues, the need to have a comprehensive legal framework and an effective Shariáh governance system is crucial. A failure to provide efficient Shariáh governance, either through law and legislation, would lead to serious disruption in the industry.

The following are the main findings of this research with the recommendations that would enable policy initiatives to enhance Shariáh governance.

**(a) Shariáh Governance Framework Needs to be Legally Binding and Resolve Conflict of Law**

One of the debatable issues of Shariáh governance is the status of Shariáh rulings. The issue refers to whether the Shariáh rulings are binding on IFSI, court or any other related institutions. Laws and legal arrangements in certain jurisdictions seem capable to provide a clear position on the status of the Shariáh board decision to be binding and mandatory whereas in many other countries the experience is otherwise.

In this respect, there must be a practical solution to resolve the issue by examining and studying the respective country's legal environment and the structure and pro-active efforts and continuous endeavours should be carried out by placing the

Shariáh as the supreme law by ensuring the Shariáh board determination is binding and mandatory upon the IFSI, the arbitrator and the court of justice.

Furthermore, it is necessary for the Shariáh governance system to have sound legal framework to resolve the issue of conflict of laws. Most of IFSI operates in an environment where the legislative framework consists of mixed jurisdictions and mixed legal systems. As such, every transaction, products, documents and operation must comply with the Shariáh principles as well as other laws which may lead to the issue of conflict of laws.

In the light of the above, in parallel with rapid development of the Islamic finance industry and the exposure to a non-Islamic legal environment and international commercial practice, the authority should examine and study the existing legal framework so as to take into consideration the Shariáh elements within the legal context of international finance and commercial law. Such framework should place Shariáh as the prevailing laws in the event of conflict of laws and any Shariáh issues arise should be referred solely to the Shariáh board for determination. Therefore, it is necessary to embed Shariáh requirement in the legislation to manage conflict of laws.

**(b) Best Practices/Code of Conduct for Shariáh Advisers Need to be Established**

It is difficult to find enough number of Shariáh scholars to serve the whole global financial industry. Indeed, representation of Shariáh scholars on Shariáh boards is highly concentrated. A single Shariáh scholar who sit in multiple numbers of Shariáh advisory bodies, might lead to conflict-of-interest situation. A survey by Funds@Work (2011) reveals that the top 20 Shariáh scholars hold

619 board positions which represent more than half of the 1,141 positions available.

Some jurisdictions resolve this problem by stipulating restrictions on the number of Shariáh advisory bodies in which Shariáh advisers can sit. This model will certainly enhance the wider participation and help to expand the pool of global talent. However, this type of restriction would only be practical if the supply of Shariáh scholars is more than the demand for such scholars.

Hence, to avoid the conflict-of-interest situations arising from sitting in multiple numbers of Shariáh advisors bodies, it is important to find a way to properly disclose the conflict-of-interest situation and continuing to discharge their function respectively in the industry. Otherwise, it might be difficult to adhere to the principles of good Shariáh governance due to lack of availability of skilled and experienced Shariáh scholars.

The IFSB has highlighted in their standard that there was an absence of an internationally recognised code of ethics and conduct for members of Shariáh boards. Thus, the call to establish appropriate best practices/code of conduct is very timely to deal with the Shariáh governance issues to be complied with by the Shariáh boards. This may include a need to establish fit and proper criteria for Shariáh adviser as IFSI in different jurisdictions adopt various processes, criteria and compositions in the appointment of Shariáh adviser. It is important that these processes and criteria are transparent to meet stakeholders' expectations.

### **(c) Continuous Professional Development for Shariáh Advisers are Needed**

One of the current Shariáh issues is the shortage of

capable scholars who can blend between the theoretical aspects of Islamic finance and the practical aspects. Continuous professional development for Shariáh advisers is essential for the continuous growth of the knowledge and skills of the Shariáh advisers. From time to time, refreshment courses should be conducted for attaining this objective.

This can be achieved through workshops specific to Shariáh advisers, dialogue with market practitioners, and intellectual discourse from across the globe to discuss pertinent issues related to Islamic finance. This global interaction can also foster greater harmonisation between the different Shariáh interpretations. In this regard, incentives should be provided to scholar sitting on Shariáh boards to attend conference, courses and discussions across jurisdictions in order to expose them to market development and issues in the market.

Equally important are mentoring and coaching for aspiring Shariáh practitioners to learn from the prominent scholars. New Shariáh scholars need to be provided with adequate knowledge and exposure on the practical side of Islamic finance.

## **3. TALENT DEVELOPMENT**

As the Islamic finance industry experiences rapid expansion, so too the demand for quality skills and expertise in the industry. Talent development is high on the list for discussion to steer the Islamic finance industry in the increasingly complicated and challenging financial environment. It is not surprising to see from the survey result that a majority of the Member Authorities experience talent shortage. Governor of Central Bank of Malaysia, Dr Zeti Akhtar Aziz once said "It is anticipated that over the next 10 years, a workforce of about 200,000 employees would be required, which is an increase

of 56,000 people from the current 144,000 employees. There will be strong demand across the financial sector, particularly in the specialised skills in high growth and niche areas such as wealth management, Shariáh advisory, corporate finance and investment advisory services"<sup>11</sup>.

Following are some of the proposed strategies to tackle the issues on talent development.

### **(a) Comprehensive Talent Development Solutions**

The development of talent is critical to ensure that the requirement to produce competent and versatile talents to develop Islamic finance industry can be met. The right sets of talents would then support greater dynamism and innovation, which will allow the industry to further prosper.

Talent development needs to be comprehensive and holistic in meeting the requirements for all levels. The approach must be a comprehensive one covering both the width and breadth of talent development solutions, and this includes the process of attracting, developing and retaining talents with required skills and expertise. Consequently, there must be continuity to prove effectiveness at all levels, from pre-employment stage up to leadership positions. More importantly, talent development must not be exclusive only to the financial services community but it must also include other segments which directly or indirectly involve in the Islamic finance industry such as the IT solution provider, the legal fraternity and the Shariáh scholars. This is to ensure the specificities of Islamic finance is understood and matched.

One of the approaches is to create a comprehensive and holistic competency assessment for all levels and segments to gauge the level of knowledge and skill of the talent. The assessment should meet the highest standards and in-close collaboration with the industry so that the learning solutions will remain relevant. This would also help to cater to the production of competent and versatile talents in Islamic finance industry.

### **(b) Globally Recognised Training and Education Programmes**

In terms of the depth and breadth of the syllabus and curriculum, the current field of Islamic finance taught at most universities in the world is quite sporadic. Islamic finance education must have a certain benchmark or standard as to what constitutes the minimum level of knowledge that must be acquired before graduates join the industry. In order to build a pool of talent with the right competencies in the IFSI, the curriculum must be based on well-founded pillars of ethics and values that are universally accepted.

To ensure effectiveness, training and education programmes involving future talents of Islamic finance require close collaboration between the academia and the industry so that the learning solutions will continue to remain relevant. The industry (specifically financial institutions) needs to be directly involved in designing the modules and curriculum related to Islamic finance.

The ultimate goal is to develop modules and curriculum that are not only theoretically relevant but also practical and true to the real business exposure. The initiative can be in the form of

<sup>11</sup> Excerpt from a keynote address by Dr Zeti Akhtar Aziz, Governor of the Central Bank of Malaysia, at the launching of IBFIM's Islamic Finance Qualification Framework and Progression Route (IFQFPR) 'Talent development in Islamic finance over the next decade', Kuala Lumpur, 14 December 2011.



university-industry partnership through internship and sharing of experience that emphasis on the practical aspects of Islamic finance. These modules and curriculum could be used by the university to gather the right competencies in the Islamic finance industry. Surely, these efforts would add value and provide practical knowledge and hands-on experience for the graduates.

Furthermore, knowledge of the applied Shariáh must be at the core of the Islamic finance curriculum. The generic core and additional supplementary skills are common across the curriculum in other fields of studies. Therefore, a globally recognised curriculum are very important for sustaining the growth of the IFSI and for meeting the industry's expectations. This may call for the setting up of a formal international institution to accredit Islamic finance curriculum across the globe. For example, The Asian Institute of Finance<sup>12</sup> provides accreditation for training programmes offered by training institutions, based on Assessment and Accreditation Framework, to ensure only the highest standards of trainings are offered. The Association of Chartered Islamic Finance Professionals<sup>13</sup> objectively plays the same role in raising the quality and standards of Islamic finance practitioners. This integrated Islamic finance curriculum must be internationally accepted.

Of importance is the need for more collaborative efforts by various research and training institutions in different jurisdictions to design and offer capacity building modules in key areas across multiple jurisdictions. Collaboration in this area would also

enhance capacity building among countries and IFSI players to develop the best practices and standards, harmonize Shariáh practices, review standards to facilitate policy development and implement standards and policy framework.

### (c) Focus on Applied Research

It is agreed that most of the countries that participate in Islamic finance industry are still at the introductory level. Nevertheless, for the industry to grow and remain competitive in the long run, research needs to be given priority. Research is the key for greater innovation and expansion. The output of the research can become part of an academic programme in order to provide a more experimental knowledge base for incoming talent.

Greater participation between members in conducting the research is needed to produce solutions and perspective to implement research output. At COMCEC level, it may establish joint research initiatives between members with the aim to contribute to the knowledge repository of Islamic finance. Research by the industry, for example organisations like IRTI, ISRA in Malaysia, AAOIFI in Bahrain, would be beneficial to the development of the Islamic finance industry. Positively, COMCEC CMR members can benefit from research on risk mitigation, liquidity management and so on.

Extending this initiative further, collaboration on Shariáh research, for example, will provide a

12 The Asian Institute of Finance, based in Kuala Lumpur, focuses on developing human capital across the financial services industry in Asia. AIF works closely with training institutions to coordinate and enhance programme design, content, instruction and delivery. This includes the implementation of a quality assurance framework to ensure high standards in training, the development and co-ordination of programmes in areas that cut across the different financial industries, as well as in the conduct of research.

13 ACIFP's objective is to become an internationally-recognised body for education, training and professional development of highly skilled Islamic finance professionals. ACIFP also conducts Continuous Professional Development programmes for its members.



platform to address some of the main issues in Shariáh, which in turn can reduce limitations on cross-border ICM activities arising from any differences across jurisdictions. This, in turn, will facilitate the generation of cross-border academic content which will benefit talent on the cross-jurisdictional knowledge.

#### 4. PRODUCTS AND SERVICES

The Survey has raised few matters or concerns related to products and services. Due to limited primary sources, the survey indicates that a majority of the Member Authorities face similar concerns and challenges when developing its ICM products and services. Below are some recommendations that Member Authorities may consider to implement, in hopes for its improvement.

##### (a) Promote ICM Products and Services as Alternative Financing and Investment

It would seem logical to enhance the cross-border connectivity of Islamic finance by involving regions that are already adopting it on a significant scale. Having spearheaded the expansion of Islamic finance, these regions are naturally expected to also deepen both the business and investment linkages with less developed regions. By using the Islamic finance products as substitute to the conventional finance, the business ties would be strengthened and consequently, this would integrate the Islamic finance into global financial system.

Therefore, there are enormous opportunities to finance the expanding trade between both regions, through Islamic trade instruments. At the same time, capital investments among countries in these regions can be enhanced by the availability of

Shariáh-compliant structures to deepen and broaden the capital markets which can then serve as a model to develop other regions.

Although the ICM products and services may not be readily available in certain countries, the Member Authorities may start using the ICM products and services in available countries as an alternative towards existing conventional investment and financing by adopting the existing and established Shariáh-compliant products and services for cross-border activities.

##### (b) Ensure Compliance with Internationally Acceptable Standards

Product developers, issuers and advisers must ensure international acceptability and compatibility through benchmarking against international best practices and standards, such as IOSCO's Objectives and Principles of Securities Regulation, OECD's Corporate Governance Principles and international accounting standards. It is imperative that standards of documentation, governance structure and practices, levels of transparency, disclosure, and the protection accorded to investors, are benchmarked against existing international standards, best practices and codes. In this regard, the significant efforts of organisations like the IDB, IFSB, AAOIFI, etc. must be supported.

The respondents believed that the adoption of the AAOIFI and/or IFSB standards<sup>14</sup> is a necessary step for harmonizing the framework for governing Shariáh products and services across jurisdictions. The inconsistency in standards and regulations in each country is normally driven by the legal, geographical environment, location, economics and politics of the country. However, the universal principles promoted by these international bodies can certainly be adopted as a basis in the development of ICM's activities.

One of the ways to achieve the above is to allow the products to be offered to investors across the globe and to open the markets not only to foreign investors but also to foreign issuers and intermediaries. The more diversified the issuer and investor base, the further ICM products move up the ladder of international compatibility, competitiveness and acceptability.

### **(c) Need for Greater International Co-operation and Co-ordination**

For the ICM to make significant headway in the global financial system, international co-operation and co-ordination is vital. In this regard, the effort of the IDB in formulating a 10-year Master plan for the IFSI is a good start. One of the recommendations is to conduct initiatives and enhance financial linkages to integrate domestic IFSI with regional and international financial systems. By leveraging in such linkages, it will provide a platform for the countries to articulate their advisory, development and structuring strategies and to discuss capital market opportunities further in the pursuit of a diverse and significant exposure in Islamic finance fundamentally.

In order facilitate cross-border relationships, there is a need for a more intensive international co-ordination of regulatory approaches and supervisory oversights. Meeting cross-border needs also calls for a system of regulatory mutual recognition that will enable accessibility and offering of investment products across jurisdictions. Many markets recognise the importance of partnerships and have taken measures to collaborate through the establishment of mutual recognition arrangements with each other. The adaption of these collaborations will allow certain ICM products and services being

offered or distributed in other jurisdictions with minimal supervisions and regulations. Although the number of collaborations is still relatively small, it is noted that certain jurisdictions have explored these initiatives in nurturing their cross-border transactions.

In addition, it has been highlighted that high impact promotional activities can convince the relevant authorities to further develop ICM. One of the most effective promotional activities is by organising events that can gather industry experts to discuss on potential developments in specific countries. The gathering would certainly establish business networking that benefit the host countries.

## **5. SUMMARY OF RECOMMENDATIONS**

Summary of all recommendations is presented in Table 3.

The 12 recommendations are essentially broad strategies and initiatives that can be undertaken for developing the infrastructural components of the ICM. These recommendations include initiatives that a country may undertake for its own development. There are also few recommendations that may present opportunities for the Member Authorities to co-operate and collaborate in developing the ICM. These potential areas of co-operation and collaboration are identified in Table 4.

In the present globalised environment, cross-border collaborations are absolutely vital for the sustained and inclusive growth of Islamic finance. Collaborations within a region, for instance within South East Asia or the GCC, is arguably the most

14 As at June 2013, the AAOIFI has issued 26 accounting standards, five auditing standards, seven governance standards, two ethics standards and 45 Shariáh standards whereas the IFSB has issued 13 Guiding Principles, five guidance notes and a technical note.

Table 3

**Summary of the Recommendations**

<b>Legal, Regulatory and Tax Framework</b>	<ul style="list-style-type: none"> <li>• Develop a comprehensive and harmonised legal, regulatory and tax framework</li> <li>• Enforce appropriate and effective dispute resolution mechanisms</li> <li>• Implement tax neutrality to create level playing field between conventional capital market and ICM as well as tax incentives to accelerate the development and innovation of ICM products</li> </ul>
<b>Shariah Governance</b>	<ul style="list-style-type: none"> <li>• Enforce Shariah Governance framework to be legally binding and resolve conflict of laws</li> <li>• Promote Best Practices/Code of Conduct for Shariah Advisers</li> <li>• Promote continuous professional development for Shariah Advisers.</li> </ul>
<b>Talent Development</b>	<ul style="list-style-type: none"> <li>• Implement comprehensive talent development solutions to meet requirements at all levels</li> <li>• Ensure globally recognised training and education programmes</li> <li>• Focus on applied research and innovation to ensure sustainable growth of ICM</li> </ul>
<b>Products &amp; Services</b>	<ul style="list-style-type: none"> <li>• Promote ICM products and services as alternative financing and investment</li> <li>• Ensure compliance with internationally acceptable standards applicable to the IFSI</li> <li>• Foster and strengthen international co-operation and co-ordination to facilitate cross-border relationship</li> </ul>

effective and productive type of collaboration in view of the proximity of the markets as well as the generally closer cultural and social understanding within the region. Firmly established intra-regional collaborations will then set a conducive platform for inter-regional collaborations, for instance between South East Asia and the GCC. This will promote greater linkages and cross-border flows of Islamic finance transactions to support investment, financing and trading activities between the regions. Moving forward, all stakeholders are urged to

Table 4

**Areas of Co-operation and Collaboration**

<b>Legal, Regulatory and Tax Framework</b>	<ul style="list-style-type: none"> <li>• Develop a comprehensive and harmonised legal, regulatory and tax framework</li> </ul>
<b>Shariah Governance</b>	<ul style="list-style-type: none"> <li>• Promote continuous professional development for Shariah Advisers.</li> </ul>
<b>Talent Development</b>	<ul style="list-style-type: none"> <li>• Ensure globally recognised training and education programmes.</li> <li>• Focus on applied research and innovation to ensure sustainable growth of ICM</li> </ul>
<b>Products &amp; Services</b>	<ul style="list-style-type: none"> <li>• Promote ICM products and services as alternative financing and investment</li> <li>• Foster and strengthen international co-operation and co-ordination to facilitate cross-border relationship</li> </ul>

collaborate and co-operate in pursuing the development agenda for ICM in order to unleash the full potential that it has to offer. There is always much more that can be achieved when efforts and resources are harnessed and combined within and across the regions, so that ICM can not only serve a niche market segment but also spur greater cross-border financial and investment activities that support economic, trade and business linkages.

As ICM is in transition to the next stage of development with greater international integration, the collective efforts undertaken by the regulators and supervisory authorities to mobilise a higher level of global co-operation will help to further enhance the prospects of ICM in years to come. All participants in the Islamic finance industry are therefore urged to foster greater collaboration and seek ways to overcome significant disparities across jurisdictions in order to create an effectively borderless environment for Islamic finance.

## Appendix I

## SURVEY QUESTIONNAIRES ON ISLAMIC CAPITAL MARKET



# COMCEC

Standing Committee  
For Economic and Commercial Cooperation  
of the Organization of Islamic Cooperation

CAPITAL MARKET  
**REGULATORS FORUM**  
COMCEC

### ISLAMIC FINANCE TASK FORCE

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## SURVEY QUESTIONNAIRES ON ISLAMIC CAPITAL MARKET

March 2013

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Name of Supervisory Authority:	
Country:	
Contact Person:	
Disignation:	
Email Address:	
Phone number:	

## A. BACKGROUND AND INSTRUCTIONS

1. COMCEC is one of the three standing committees of the OIC and monitors the decisions on economics and commercial co-operation by the OIC. In September 2011, the COMCEC Capital Market Regulators Forum (COMCEC CMR) was established as a co-operation platform for COMCEC capital market regulatory bodies with the main focus is to support market development and reinforce capabilities of regulatory bodies. Four Task Forces were created: Capacity Building, Market Development, Financial Literacy, and Islamic Finance.
2. Islamic Finance Task Force aims to increase cross-border and co-operation activities in Islamic finance among the COMCEC CMR Forum Member Authorities which in turn serve to increase the economic and commercial capacity of the Member Authorities and strengthen co-operation possibilities both at global and regional levels. To this end in leadership of Chair of the Task Force, Securities Commission Malaysia in co-operation with Task Force Co-Chair, Capital Market Development Authority, Maldives and the CMR Forum Secretariat, Capital Markets Board of Turkey, “Enhancing Infrastructure for Islamic Capital Market (ICM)” was selected as the co-operation topic.
3. The mandate of the Islamic Finance Task Force is essentially to publish a report on “Enhancing Infrastructure for Islamic Capital Market” with the emphasis on the four (4) segments of ICM infrastructural development:
  - i. Legal, Tax and Regulatory Framework;
  - ii. Shariáh Governance Framework;
  - iii. Talent Development; and
  - iv. Products and Services.
4. In line with its mandate to publish a report, the Chair and Co-Chair of Islamic Finance Task Force (Secretariat) has decided to conduct questionnaires on the focused segments. The use of survey from these questionnaires will be essential in preparing the report as it will be used to determine current state of development and address the country specific needs and issues.
5. The key objectives of the survey questionnaires are:
  - To identify the current status of ICM implementation in the COMCEC Member Authorities ;
  - To highlight key implementation issues and challenges on ICM faced by the regulatory and supervisory authorities; and

- To propose recommendation on how the Islamic Finance Task Force can assist the regulatory and supervisory authorities in implementing the ICM.
6. All responses received from these questionnaires will be an important input to complete the report and will be treated with utmost confidentiality.
  7. The survey questionnaires are divided into five (5) parts as follows:
    - i. General;
    - ii. Legal, Tax and Regulatory Framework;
    - iii. Shariáh Governance Framework;
    - iv. Talent Development; and
    - v. Products and Services
  8. The Secretariat may make public information or comments obtained from these questionnaires. However, in doing so, it will not identify the name of the supervisory/regulatory authorities that have participated in these questionnaires.
  9. It is highly recommended that the questionnaires be completed by a senior staff of the supervisory authority.
  10. To the best of your experience and knowledge, please provide responses that most accurately describe the exact status of ICM in your country. If you consider it useful, please explain your answer in the space provided following the question (preferably in different font colour), where applicable, and describe the necessary information which you think is relevant to support your answer. The clarity of your answers is essential in ensuring the accuracy of these questionnaires.
  11. Kindly return the duly completed questionnaires form, preferably in soft copy, on or before **15 April 2013** either by email to **rinzalm@seccom.com.my** or fax at **+603 2091 0660**. Should you have any queries or require any clarification with regard to the survey, please do not hesitate to contact us through the same contact details.

**Thank you very much. Your co-operation is highly appreciated.**

*If you wish to provide any additional information, suggestion or comments that may give a clearer picture on the ICM practices in your country, please feel free to provide more information on the questionnaires or write on the additional page.*

## Part 1: General

Questions in Part 1 are on general information of the country's Islamic financial system and its developmental plan for Islamic Capital Market (ICM).

*(Please click in the suitable box. If relevant, you may click more than one answer)*

1. What type of financial system does your country have?

Only conventional financial system	<input type="checkbox"/>
Only Islamic financial system	<input type="checkbox"/>
Both Islamic and conventional systems	<input type="checkbox"/>

If the answer is "Only conventional financial system", does your country have a plan to establish Islamic financial system in the next five years?

Yes	<input type="checkbox"/>
No	<input type="checkbox"/>

If the answer is "Islamic financial system" or "Both Islamic and conventional systems", please indicate the level of Islamic finance being applied in your country?

Limited use	<input type="checkbox"/>
Developing rapidly	<input type="checkbox"/>
Predominantly used	<input type="checkbox"/>

2. Does your country have a development plan to develop ICM?

Yes	<input type="checkbox"/>
No	<input type="checkbox"/>

If 'Yes', what is the status of developmental plan for ICM in the next five years in your country?

Development of ICM is progressing in accordance with the plan	<input type="checkbox"/>
Development of ICM has not been progressing based on the plan	<input type="checkbox"/>
Unable to progress in accordance with the plan	<input type="checkbox"/>

3. Is there a separate unit/division/group within your institution, which focuses on the development of ICM?

Yes	<input type="checkbox"/>
No	<input type="checkbox"/>

4. What are the three (3) most major obstacles you have experienced in establishing/developing ICM in your country?

Legal and Regulatory	<input type="checkbox"/>
Shariáh	<input type="checkbox"/>
Tax neutrality and other incentives	<input type="checkbox"/>
Secondary Market	<input type="checkbox"/>
Shortage of skills and expertise	<input type="checkbox"/>
Lack of awareness	<input type="checkbox"/>
Others (please specify):	<input type="checkbox"/>



5. What is your industry's level of understanding in the following areas of ICM?

Areas of ICM	Weak	Average	Good	Excellent
Legal	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Regulatory frameworks	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Tax and Accounting	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Products structuring	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Shariah	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

<i>Weak</i>	Have low ability to demonstrate
<i>Average</i>	Have the knowledge but limited ability to demonstrate
<i>Good</i>	Have the moderate ability to demonstrate
<i>Excellent</i>	Have the maximum ability to explain and demonstrate

If you wish to provide any additional information which may give a clearer picture, please briefly explain.

## Part 2: Legal, Regulatory and Tax Framework

Questions in this Part 2 are regarding legal, regulatory and tax framework for ICM as well as issues and challenges facing the country that have adopted and aspired to establish ICM. This section aims to:

- Examine the appropriate legal, tax and regulatory framework for ICM to operate effectively;
- Draw from the experiences of selected jurisdictions with diverse sets of legal, tax and regulatory framework and to form a comparative overview on its impacts; and
- Highlight some observation on how improvement can be made to meet future challenges

*(Please click in the suitable box. If relevant, you may click more than one answer)*

1. What type of legal system/framework does your country have? Is it based on:

Civil law	<input type="checkbox"/>
Common law	<input type="checkbox"/>
Shariáh	<input type="checkbox"/>
Others (please specify):	<input type="checkbox"/>

2. How ICM was initially developed in your country?

By amending the national strategic plan on capital market	<input type="checkbox"/>
By introducing a parliamentary legislation/ regulation/ guideline/decree to create ICM	<input type="checkbox"/>
Demand and supply of ICM products and services (market forces)	<input type="checkbox"/>
Others (please specify):	<input type="checkbox"/>

3. Do your legal framework governing ICM products and services differ from the conventional capital market?

Yes	<input type="checkbox"/>
No	<input type="checkbox"/>

If the answer is "Yes", please briefly explain:

4. What are the laws (parliamentary legislations/regulations) that have been passed/amended to facilitate the development of the ICM in your country? (e.g land law, tax law, trust law, etc)

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5. Is there any tax benefits (tax neutrality, incentives, deductions, exemptions) accorded for the development of the ICM in your country?

Tax benefits for ICM have been implemented (to some ICM products and services)	<input type="checkbox"/>
Tax benefits for ICM is under consideration	<input type="checkbox"/>
No tax benefits for ICM	<input type="checkbox"/>

If the answer is "Tax benefits for ICM have been implemented", please briefly explain the tax benefits for the following ICM products and services:

ICM products and services	Tax Benefits
Sukuk	
Islamic Mutual Fund	
Fund Management services	
Islamic stock broking services	
Others (please specify):	

*(You may use separate pages as attachment to further clarify the Tax Benefits)*

If the answer is "No tax benefits for ICM", does your country have a plan (within next five years) to revise tax provisions in the near future to develop ICM?

Yes	<input type="checkbox"/>
No	<input type="checkbox"/>

If you wish to provide any additional information which may give a clearer picture, please briefly explain.

### Part 3: Shariah Governance

Questions in this Part 3 are for the purpose of gathering information in respect of the Shariáh governance framework in your country. This section aims to:

- Discuss various approaches and models used by the selected COMCEC's Member Authorities in implementing Shariáh governance framework; and
- Identify best practices and encourage harmonisation of Shariáh governance practices across jurisdiction.

*(Please click in the suitable box. If relevant, you may click more than one answer)*

1. Does your country have a Shariáh governance framework for ICM?

(a) Is Shariáh governance incorporated as part of the regulatory framework?		
(b) Do you register/license individual Shariáh advisors/Shariáh advisory firms to structure/advise on the ICM products?		
(c) Is there provisions in the legislation/legal framework that deals with dispute in Shariáh matters	Yes	<input type="checkbox"/>
	No	<input type="checkbox"/>

3. Please identify any international Shariáh standards currently adopted in your country

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4. Which component(s) of Shariáh Governance is/are currently use for monitoring Shariáh compliance and/or endorsing ICM products by a majority of the institutions in your country? (please choose maximum of 2 answers)

Shariáh Advisory Committee/Council	<input type="checkbox"/>
Shariáh advisory firm (including Islamic banks)	<input type="checkbox"/>
A single individual acting as external Shariáh advisor/officer	<input type="checkbox"/>
A single individual acting as internal Shariáh advisor/officer	<input type="checkbox"/>
Others (please specify):	<input type="checkbox"/>

5. Please tell us how the following are important to you?

	Not very important	Fairly important	Very important	Critical
Internal Shariáh review	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Shariáh review by external independent parties	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
International Shariáh board member representation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Continuous professional development programmes for Shariáh scholars	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Standardisation of Shariáh practices to facilitate harmonisation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

6. Where do you refer disputes regarding conflict in Islamic financial products and services?

Civil Court	<input type="checkbox"/>
Shariáh Court	<input type="checkbox"/>
Arbitration	<input type="checkbox"/>
Shariáh Advisory Committee/Council	<input type="checkbox"/>
Others (please specify):	<input type="checkbox"/>

7. Does your country have policies on the fit and proper criteria for the members of Shariáh board/committee?

Yes	<input type="checkbox"/>
No	<input type="checkbox"/>

8. What mechanisms are in place to mitigate conflict of interest in relation to Shariáh scholars sitting in various boards?

Restriction on multiple appointment	<input type="checkbox"/>
Disclosure for Shariáh board's information	<input type="checkbox"/>
Declaration in writing	<input type="checkbox"/>
Others (please specify):	<input type="checkbox"/>

If you wish to provide any additional information which may give a clearer picture, please briefly explain.

## Part 4: Talent Development

Questions in this Part 4 are regarding the importance of nurturing talents in enhancing ICM. This section aims to:

- Provide a platform for sharing of experiences and develop a general blueprint for the formulation of masterplan for the development of human capital through education, training and research initiatives in Islamic finance in their respective jurisdictions; and
- Identify programmes and certifications focussing on Islamic finance offered by universities, dedicated institutions of higher learning, professional entities, training agencies and industry groups.

*(Please click in the suitable box. If relevant, you may click more than one answer)*

1. Does your country experience shortage supply of talents in Islamic finance industry?

Yes	<input type="checkbox"/>
No	<input type="checkbox"/>

If "Yes", which is affected the most?

Shariáh	<input type="checkbox"/>
Islamic finance professionals	<input type="checkbox"/>

If the answer is "Islamic finance professionals", which area is affected the most?

Banking	<input type="checkbox"/>
Takaful	<input type="checkbox"/>
Capital Market	<input type="checkbox"/>
Legal	<input type="checkbox"/>
Others (please specify):	<input type="checkbox"/>



2. What is the estimated number of Islamic finance professionals is needed by your country in five years to cope with the development/expansion of Islamic finance industry?

1–50	<input type="checkbox"/>
51–100	<input type="checkbox"/>
101–250	<input type="checkbox"/>
More than 250	<input type="checkbox"/>

3. Do you think that it is necessary to develop human capital/ talents through the right academic/professional qualification in Islamic finance?

Yes	<input type="checkbox"/>
No	<input type="checkbox"/>

If your answer is “No”, please briefly explain.

4. Where did most of your experts/talents receive their Islamic finance qualifications/ certificates?

Local academic institution	<input type="checkbox"/>
Overseas academic institution	<input type="checkbox"/>
Both local and overseas	<input type="checkbox"/>

If the answer is "Overseas academic institution" please indicate top 2 countries where most of your experts/talents received their qualifications/certificates in Islamic finance:

Malaysia	<input type="checkbox"/>
Bahrain	<input type="checkbox"/>
UAE	<input type="checkbox"/>
UK	<input type="checkbox"/>
Others (please specify):	<input type="checkbox"/>

5. Are there initiatives to produce/develop talents in the ICM in your country?

Yes	<input type="checkbox"/>
No	<input type="checkbox"/>

If your answer is "Yes", please rank (1 to 3) the following initiatives/programmes that being pursued the most in your country?

Tertiary education in Islamic finance (entry level)	
Sponsorship/financial assistance to undertake Islamic finance studies (encourage employer to sponsor staff to acquire knowledge on Islamic finance)	
Continuous training on Islamic finance (on the job training, attend seminar, training on Islamic finance , etc)	

6. Are there existing collaborations between the local industry, academia and regulators with external parties outside your country in ensuring sustainable supply of qualified and skilled talents?

Yes	<input type="checkbox"/>
No	<input type="checkbox"/>

If your answer is "No", please briefly explain

Yes	<input type="checkbox"/>
No	<input type="checkbox"/>

7. Does your country have regular professional training programmes specialized in ICM?

Yes	<input type="checkbox"/>
No	<input type="checkbox"/>

8. What are your country's immediate plans to develop talents on Islamic finance through training? (please choose maximum 2 answers only)

Establish training institutions Specialising in Islamic finance	<input type="checkbox"/>
Train the trainer	<input type="checkbox"/>
Send staff for overseas training	<input type="checkbox"/>
Others (please specify):	<input type="checkbox"/>

9. Are there any plans to establish a dedicated training institution solely on Islamic finance to develop talents in Islamic finance within next five years?

Yes	<input type="checkbox"/>
No	<input type="checkbox"/>

10. Additional information (optional):

- (a) Please list your tertiary education institutions that provide courses in Islamic finance

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- b) Please list the institutions that provide training in Islamic finance

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## Part 5: Products and Services

Questions in this Part 5 are regarding the development of ICM products and services. This section aims to:

- Gauge the development stage of members' country ICM products and services;
- Identify principles that govern ICM products and services offered by Members' States and highlight issues in offering ICM products and services; and
- Identify possible areas of co-operation and improvements to be made for ICM product and services.

*(Please click in the suitable box. If relevant, you may click more than one answer)*

1. Which of the following ICM products are currently available in your country?

Sukuk (Islamic Bond)	<input type="checkbox"/>
Shariáh-compliant securities/stocks	<input type="checkbox"/>
Islamic Mutual Funds	<input type="checkbox"/>
Islamic Real Estate Investment Trusts	<input type="checkbox"/>
Islamic Structured Products and Derivatives	<input type="checkbox"/>
Islamic Private Equity	<input type="checkbox"/>
Islamic Exchange Traded Funds	<input type="checkbox"/>
Others (please specify):	<input type="checkbox"/>

2. Please indicate two (2) new ICM products do you intend to establish within the next 3 years.

(a) \_\_\_\_\_

(b) \_\_\_\_\_

3. Which of the following ICM services are currently available in your country?

Islamic bank/investment bank	<input type="checkbox"/>
Islamic fund management	<input type="checkbox"/>
Islamic stock broking services	<input type="checkbox"/>
Islamic private equity and venture capital	<input type="checkbox"/>
Shariáh advisory	<input type="checkbox"/>
Legal advisory/expert specilaizing in Islamic finance	<input type="checkbox"/>
Others (please specify):	<input type="checkbox"/>

4. Please indicate two (2) new ICM services do you intend to establish/expand within the next 3 years:

(a) \_\_\_\_\_

(b) \_\_\_\_\_

5. Please identify the major cross-border issues faced by your supervisory authority with respect to ICM products and services? (please choose 1 answer only)

Supervision of cross-border offerings of products and services	<input type="checkbox"/>
Cross-border enforcement	<input type="checkbox"/>
Lack of Islamic infrastructure to facilitate international Islamic finance transaction e.g. legal framework, Shariáh governance, taxation etc	<input type="checkbox"/>
Others (please specify):	<input type="checkbox"/>

6. Which of the following initiatives, in your opinion, could enhance cross-border activities in ICM products and services the most? (please choose 1 answer only)

Collaborate with other regulators to enhance market accessibility	<input type="checkbox"/>
Implement international standards relating to market and transactions	<input type="checkbox"/>
Others (please specify):	<input type="checkbox"/>

If you wish to provide any additional information which may give a clearer picture, please briefly explain.

## Appendix II

**LAW/ PARLIAMENTARY LEGISLATIONS/ REGULATIONS PASSED OR  
AMENDED TO FACILITATE THE DEVELOPMENT OF ICM**

Country	Response
<b>Azerbaijan</b>	Nil
<b>Brunei Darussalam</b>	<i>Securities Order 2001 and Mutual Fund Order 2001</i> which will be repealed and replaced with <i>Securities Markets Order. Shariáh Financial Supervisory Board Order 2006</i> was also introduced.
<b>Cameroon</b>	Only one convention between a commercial bank and the Islamic Corporation for the Development of the private sector, signed in December 2012.
<b>Iran</b>	<i>The Law for Development of New Financial Instruments and Institutions Securities, Securities Market Act, Commercial Act of the Islamic Republic of Iran</i>
<b>Kuwait</b>	Nil
<b>Malaysia</b>	<i>Capital Markets and Services Act 2007 (CMSA)</i> regulates matters relating to both conventional and ICM activities and intermediaries. The CMSA also empowers the SC Malaysia for the issuance of guidelines, i.e. guidelines on specific Islamic and conventional capital market products and services.
<b>Maldives</b>	Approved concepts for structuring and documentation of Shariáh-compliant securities and Guidelines on Shariáh Screening of Pre-IPO securities are introduced to facilitate the development of ICM. <i>Sukuk Issuance Regulation, Regulation to Register Shariáh Advisers and Regulation on Screening of Islamic Securities</i> were passed by the Board of the Capital Market development Authority in 2012. These regulations will become effective upon publication in the Government Gazette.
<b>Pakistan</b>	<i>Modaraba Companies and Modarabas (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modarabas Rules, 1981, Prudential Regulations for Modarabas, Takaful Rules, 2005.</i>
<b>Palestine</b>	No legislation or law to regulate the issuance of Sukuk.
<b>Turkey</b>	Tax Law, CMB Communique on Ijarah Sukuk.
<b>United Arab Emirates</b>	<i>UAE Central Bank Regulation 1985</i> was amended.



## Appendix III

## LIST OF TAX BENEFITS PROVIDED FOR ICM

Country	Response
Iran	<p>Sukuk: The profit rate is tax-exempted</p> <p>Islamic mutual fund: The profit rate is tax-exempted</p> <p>Fund management services: The profit rate is tax-exempted</p> <p>Others: Listed companies enjoy reduction of tax rate. SPVs are tax exempted</p>
Pakistan	<p>Islamic mutual fund: Islamic mutual funds as well as conventional mutual funds enjoy tax exemption if 90% of the profits are distributed to the unit holders.</p> <p>Fund management services: Islamic fund management services (private equity, venture capital, pension funds and REIT) as well as conventional fund management services enjoy tax exemption if 90% of the profits are distributed to the unit holders.</p> <p>Others: Income of the <i>mudarabah</i> is exempt from tax, if not less than 90% of its profits is distributed to the holders of the <i>mudarabah</i> Certificates.</p>
Turkey	Sukuk: Corporate tax exemption on gains from property transfers and exemptions from taxes and duties transactions
Malaysia	<p><b>Sukuk:</b></p> <ul style="list-style-type: none"> <li>• Tax deduction on expenses incurred for sukuk pursuant to the principle of <i>wakalah</i>, comprising a mixed component of debt and assets until year of assessment 2015.</li> <li>• Tax deduction on expenses incurred for sukuk pursuant to the principles of <i>murabahah</i> and <i>bai' bithaman ajil</i> based on <i>tawarruq</i> until year of assessment 2015.</li> <li>• As the SPV is established solely to channel funds, the SPV issuing the sukuk is exempted from income tax.</li> <li>• The company that established the SPV is also given a deduction on the cost of issuance of the sukuk incurred by the SPV.</li> <li>• Extension of tax deduction on expenses for sukuk issued pursuant to the principles of <i>musharakah</i>, <i>mudarabah</i>, <i>ijarah</i> and <i>istisna'</i> until the year of assessment 2015.</li> <li>• Profit paid or credited to non-resident companies in respect of RM denominated sukuk (exclude convertible loan stock) approved by the SC is exempted from income tax.</li> <li>• Profit paid or credited to any individual, unit trust and listed closed-end fund in respect of sukuk (exclude convertible loan stock) approved by the SC is exempted from income tax.</li> <li>• Profit paid or credited to any person in respect of non-ringgit sukuk originating in Malaysia (exclude exchangeable loan stock) and approved by the SC is exempted from income tax.</li> </ul>

	<ul style="list-style-type: none"> <li>• To ensure tax neutrality with conventional products, any additional tax or duty is exempted or given specific treatment provided that the Islamic capital market products are approved by the SC's Shari'ah Advisory Council.</li> <li>• Income tax exemption to qualified institutions in respect of statutory income derived from regulated activity of dealing in securities and advising on corporate finance relating to arranging, underwriting and distributing non-ringgit sukuk originating from Malaysia which are issued or guaranteed by the Government or approved by the SC until the year of assessment 2014.</li> <li>• Income tax exemption to qualified institutions in respect of statutory income derived from regulated activity of dealing in securities relating to a business of dealing in non-ringgit sukuk originating from Malaysia which are issued or guaranteed by the Government or approved by the SC until the year of assessment 2014.</li> </ul> <p><b><u>Stockbroking company</u></b> Establishment expenditure incurred prior to the commencement of an Islamic stockbroking business are allowed to be tax deductible, subject to the company commencing its business within a period of two years from the date of approval from the SC. (effective for applications received by the SC until 31 December 2015).</p> <p><b><u>Fund management company</u></b></p> <ul style="list-style-type: none"> <li>• Local and foreign-owned companies managing Islamic funds of local investors to be given income tax exemption on all fees received from managing the funds. To be effective from year of assessment 2008 until year of assessment 2016. The funds must be approved by the SC.</li> <li>• Local and foreign-owned companies managing approved Islamic funds of foreign investors is granted income tax exemption on management fees from the year of assessment 2007 until year of assessment 2016. The funds must be approved by the SC.</li> </ul> <p><b><u>Non resident experts in Islamic finance</u></b> Income tax exemption to be given to income received by non-resident experts in Islamic finance</p>
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## Appendix IV

### INTERNATIONAL SHARIÁH STANDARDS ADOPTED BY MEMBER AUTHORITIES

Country	Response
<b>Azerbaijan</b>	Nil
<b>Brunei Darussalam</b>	IFSB standards, AAOIFI standards and OIC Fatwas and Resolutions.
<b>Cameroon</b>	No specific international Shariáh standards are adopted. The country benefits from IDB through projects financing
<b>Iran</b>	Only implements Iran's Securities and Exchange Organization Shariáh board ratifications.
<b>Kuwait</b>	Nil
<b>Malaysia</b>	International Shariáh standards are used only as reference.
<b>Maldives</b>	Do not follow a specific standard, but follow Malaysia's Shariáh standards.
<b>Pakistan</b>	IFAS – 1 for Murabahah, IFAS – 2 for Ijarah
<b>Palestine</b>	Not applicable
<b>Turkey</b>	Nil
<b>United Arab Emirates</b>	IFSB and AAOIFI standards are optional

## Appendix V

## LIST OF UNIVERSITIES AND/OR INSTITUTIONS OF HIGHER LEARNING OFFERING EDUCATION AND CERTIFICATIONS PROGRAMMES ON ISLAMIC FINANCE

Bahrain	<p><b>University College Bahrain</b> <a href="http://www.ucb.edu.bh">www.ucb.edu.bh</a></p> <ul style="list-style-type: none"> <li>Provides associate diploma and Bachelor of Science programmes for Islamic Finance and banking.</li> </ul> <p><b>University of Bahrain</b> <a href="http://www.uob.edu.bh/">http://www.uob.edu.bh/</a></p> <ul style="list-style-type: none"> <li>Offers modules such as Islamic Finance and Islamic Economics for Undergraduate studies, and Introduction to Islamic Financial Markets Institutions for Postgraduate studies.</li> <li>Offers The Chartered Islamic Finance Professional (CIFP) programme.</li> </ul> <p><b>Royal University of Women</b> <a href="http://www.ruw.edu.bh/index.php">http://www.ruw.edu.bh/index.php</a></p> <ul style="list-style-type: none"> <li>Offer Islamic Finance as a Core module for its business degree and Islamic Financial Institutional module for Law.</li> </ul> <p><b>AMA International University –Bahrain</b> <a href="http://www.amaiu.edu.bh/index.asp">http://www.amaiu.edu.bh/index.asp</a></p> <ul style="list-style-type: none"> <li>Offers Islamic Banking and Finance as a compulsory module for Undergraduate and Special Topics in Finance, which focuses Islamic Banking for Postgraduate.</li> </ul>	<p><b>Kingdom University Bahrain</b> <a href="http://www.ku.edu.bh">www.ku.edu.bh</a></p> <ul style="list-style-type: none"> <li>Provides associate diploma and Bachelor of Science programmes for Islamic Finance and banking.</li> </ul> <p><b>Ahlia University</b> <a href="http://www.ahlia.edu.bh/ahliaweb/">http://www.ahlia.edu.bh/ahliaweb/</a></p> <ul style="list-style-type: none"> <li>Offers modules such as Essentials of Islamic Banking for Undergraduate, and Islamic Banking for Postgraduate.</li> <li>Conducts Research and Publication on Islamic Finance</li> </ul>
Brunei	<p><b>Universiti Islam Sultan Sharif Ali</b> <a href="http://www.unissa.edu.bn">www.unissa.edu.bn</a></p> <ul style="list-style-type: none"> <li>Offers an undergraduate degree in Islamic Finance.</li> </ul>	<p><b>Universiti Brunei Darussalam</b> <a href="http://www.ubd.edu.bn">www.ubd.edu.bn</a></p> <ul style="list-style-type: none"> <li>Offers Masters in Islamic Finance</li> </ul>
Emirates	<p><b>Canadian University Dubai</b> <a href="http://www.cud.ac.ae">www.cud.ac.ae</a></p> <ul style="list-style-type: none"> <li>Introduced the masters of business administration (MBA), geared towards one of the rapid growing Islamic finance industry in Dubai and abroad.</li> </ul>	<p><b>Hamdan bin Mohammed e-University</b> <a href="http://www.hbmeu.ac.ae">www.hbmeu.ac.ae</a></p> <ul style="list-style-type: none"> <li>Introduced the masters of business administration (MBA), geared towards one of the rapid growing Islamic finance industry in Dubai and abroad.</li> </ul>

	<p><b>ALHOSN University</b> <a href="http://www.alhosnu.ae">http://www.alhosnu.ae</a></p> <ul style="list-style-type: none"> <li>Offers modules such as Islamic Banking and Finance in their Undergraduate Programme.</li> </ul>	<p><b>United Arab Emirates University</b> <a href="http://www.cbe.uaeu.ac.ae">http://www.cbe.uaeu.ac.ae</a></p> <ul style="list-style-type: none"> <li>Offers modules such as Islamic Financial Institutions Management, Islamic Economics, Islamic Accounting, and Accounting for Islamic Financial Institutions under College of Business and Economic.</li> <li>Offers modules such as Shariáh system for Islamic Bank Operation under College of Law.</li> <li>Internship as a part of the curriculum</li> <li>Conducts research in the area of Islamic Finance and is ranked as Number 1 Research University in the GCC countries.</li> </ul> <p><b>Zayed University</b> <a href="http://www.zu.ac.ae">http://www.zu.ac.ae</a></p> <ul style="list-style-type: none"> <li>Offers postgraduate course M.A in Islamic Economic and Wealth Management.</li> <li>Conducts research in the area of Islamic Finance.</li> </ul> <p><b>Al-Ghurair University</b> <a href="http://www.agu.ae/ibfc.html">http://www.agu.ae/ibfc.html</a></p> <ul style="list-style-type: none"> <li>Develop an Islamic Banking and Finance Centre as well as pursue industry related research and to provide consultancy services in areas of Islamic Banking and Finance.</li> </ul>
Indonesia	<p><b>University of Indonesia</b> <a href="http://www.ui.ac.id">www.ui.ac.id</a></p> <ul style="list-style-type: none"> <li>Offers Master in Islamic finance</li> </ul> <p><b>Universitas Islam Riau</b> <a href="http://uir.ac.id">http://uir.ac.id</a></p> <ul style="list-style-type: none"> <li>Established Department of Islamic Economics (Muamalat), which offers bachelor degree programme aimed at delivering Islamic scholar and ready to become a practitioner in the field of Shariáh banking, Insurance, Capital Markets and others.</li> </ul>	<p><b>Airlangga University</b> <a href="http://www.unair.ac.id">www.unair.ac.id</a></p> <ul style="list-style-type: none"> <li>Islamic economics study programme and doctoral in Islamic economics</li> </ul> <p><b>Universitas Islam Negeri Sunan Kalijaga.</b> <a href="http://www.uin-suka.ac.id">http://www.uin-suka.ac.id</a></p> <ul style="list-style-type: none"> <li>Offers Islamic Civil Law and Business, Islamic Finance, Sharia Economy, and Sharia Banking modules for Undergraduate.</li> <li>Offers Masters courses that consists of modules such as Business Law Sharia, Islamic Banking Finance.</li> <li>Offers Doctorate course of Syariah Economy.</li> </ul>
Iran	<p><b>Imam Sadiq University</b> <a href="http://www.isu.ac.ir">www.isu.ac.ir</a></p> <ul style="list-style-type: none"> <li>Ph.D. degrees in Islamic economics</li> </ul>	<p><b>University of Tehran</b> <a href="http://www.ut.ac.ir">www.ut.ac.ir</a></p> <ul style="list-style-type: none"> <li>Conducts research in the area of Islamic Finance</li> <li>Established an intergrated assessment approach for banks and institutions.</li> <li>Holds meetings and discussions on Islamic Finance.</li> </ul> <p><b>Mofid University</b> <a href="http://www.mofidu.ac.ir">www.mofidu.ac.ir</a></p> <ul style="list-style-type: none"> <li>Offers MA Economic and Islamic Economics.</li> <li>Conducts Research in the area of Islamic Finance.</li> </ul>

	<p><b>University of Economic Sciences</b> <a href="http://www.ues.ac.ir">http://www.ues.ac.ir</a></p> <ul style="list-style-type: none"> <li>• Offers MA Islamic Finance</li> <li>• Conducts Research in the area of Islamic Finance</li> </ul>	<p><b>University of Islamic Schools of thought</b> <a href="http://www.taghrib.org">http://www.taghrib.org</a></p> <ul style="list-style-type: none"> <li>• Publishes work by researchers in the field of Islamic Finance.</li> <li>• Interpretation of modern and applied speech, beliefs, mysticism and also philosophy focusing on Islamic Finance.</li> <li>• Educational experts on media and cultural affairs at home and abroad</li> </ul>		
Pakistan	<p><b>University of South Asia</b> <a href="http://www.usa.edu.pk">www.usa.edu.pk</a></p> <ul style="list-style-type: none"> <li>• Undergraduate programme on Islamic Finance</li> </ul>	<p><b>Riphah International University</b> <a href="http://www.riphah.edu.pk">www.riphah.edu.pk</a></p> <ul style="list-style-type: none"> <li>• Undergraduate and postgraduate programme on Islamic Finance.</li> </ul>	<p><b>University of the Punjab</b> <a href="http://www.pu.edu.pk">www.pu.edu.pk</a></p> <ul style="list-style-type: none"> <li>• Undergraduate and postgraduate programme on Islamic Economics and Finance.</li> </ul>	<p><b>Kasbit University</b> <a href="http://www.kasbit.edu.pk">www.kasbit.edu.pk</a></p> <ul style="list-style-type: none"> <li>• Postgraduate programme on Islamic Finance</li> </ul>
	<p><b>Al Huda University</b> <a href="http://www.alhudauniversity.org">www.alhudauniversity.org</a></p> <ul style="list-style-type: none"> <li>• Offers certificate/ elective and postgraduate programme</li> </ul>	<p><b>International Islamic University</b> <a href="http://www.iiu.edu.pk">www.iiu.edu.pk</a></p> <ul style="list-style-type: none"> <li>• Undergraduate and postgraduate programme</li> </ul>	<p><b>GIFT University</b> <a href="http://www.gift.edu.pk">www.gift.edu.pk</a></p> <ul style="list-style-type: none"> <li>• Undergraduate and postgraduate programme</li> </ul>	
Kingdom of Saudi Arabia	<p><b>King Abdulaziz University</b> <a href="http://www.kau.edu.sa">www.kau.edu.sa</a></p> <ul style="list-style-type: none"> <li>• Research on Islamic banking and finance.</li> <li>• Conducts seminars, workshops, lectures and conference under their Islamic Economics Institute.</li> </ul>	<p><b>Effat University</b> <a href="http://www.effatuniversity.edu.sa/">http://www.effatuniversity.edu.sa/</a></p> <ul style="list-style-type: none"> <li>• Offers MA in Islamic Financial Management.</li> <li>• Conducts research in the area of Islamic Finance and Economy.</li> </ul>		
Kuwait	<p><b>Gulf University</b> <a href="http://www.gust.edu.kw">www.gust.edu.kw</a></p> <ul style="list-style-type: none"> <li>• Established College of Shariáh and Islamic Studies</li> </ul>	<p><b>Kuwait University</b> <a href="http://www.kuniv.edu">www.kuniv.edu</a></p> <ul style="list-style-type: none"> <li>• Established College of Shariáh and Islamic Studies</li> </ul>	<p><b>American University of Kuwait</b> <a href="http://www.auk.edu.kw/">http://www.auk.edu.kw/</a></p> <ul style="list-style-type: none"> <li>• Offers CIFA and CIFA for Sukuk Specialist.</li> </ul>	

<b>Malaysia</b>	<p><b>Universiti Kebangsaan Malaysia</b> <a href="http://www.ukm.my">www.ukm.my</a></p> <ul style="list-style-type: none"> <li>Offers courses such as: <ul style="list-style-type: none"> <li>Takaful and Actuarial Practices</li> <li>Islamic Financial Institutions</li> <li>Shariáh Rules in Financial Transactions. Deposits and Financing</li> <li>Operations of Islamic Banks</li> </ul> </li> </ul> <p><b>Universiti Teknologi MARA</b> <a href="http://www.uitm.edu.my">www.uitm.edu.my</a></p> <ul style="list-style-type: none"> <li>Offers Undergraduate and Postgraduate courses on Islamic Banking and Finance.</li> <li>Centre for Islamic Thought and Understanding (CITU)</li> <li>Consultation</li> </ul>	<p><b>International Islamic University Malaysia</b> <a href="http://www.iium.edu.my">www.iium.edu.my</a></p> <ul style="list-style-type: none"> <li>Centre of excellence for education and research in Islamic banking and finance</li> </ul>	<p><b>Universiti Sains Islam Malaysia</b> <a href="http://www.usim.edu.my">www.usim.edu.my</a></p> <ul style="list-style-type: none"> <li>Offers Undergraduate and Postgraduate Programmes under the Faculty of Economics and Muamalat.</li> <li>Involved with research and publication in relation to Islamic Capital Market.</li> </ul> <p><b>Universiti Malaya</b> <a href="http://www.um.edu.my">www.um.edu.my</a></p> <ul style="list-style-type: none"> <li>Consists of the division of Syariah Studies; Theological Studies, and Joined Studies Initiates research activities, publication</li> </ul>
<b>Nigeria</b>	<p><b>Bauyero University</b> <a href="http://www.buk.edu.ng">www.buk.edu.ng</a></p> <ul style="list-style-type: none"> <li>Post grad programme on Islamic Finance.</li> <li>Certificate and Workshop Programme.</li> </ul>	<p><b>Ahmadu Bello University</b> <a href="http://www.abu.edu.ng">www.abu.edu.ng</a></p> <ul style="list-style-type: none"> <li>Offers certificate programmes in Islamic Banking and Finance.</li> </ul>	
<b>Qatar</b>	<p><b>Qatar University</b> <a href="http://www.qu.edu.qa">www.qu.edu.qa</a></p> <ul style="list-style-type: none"> <li>College of Shariáh and Islamic Studies</li> </ul>		

## Appendix VI

**LIST OF TRAINING INSTITUTIONS AND/OR DEDICATED TRAINING INSTITUTIONS  
SPECIALISING IN ICM**

<b>Bahrain</b>	<p><b>Bahrain Institute of Banking and Finance</b> <a href="http://www.bibf.com">www.bibf.com</a></p> <ul style="list-style-type: none"> <li>• Focuses on Islamic banking and Islamic commercial jurisprudence programme</li> <li>• External Programmes, which extensively covers Islamic finance areas</li> </ul>	<p><b>International Islamic Financial Market</b> <a href="http://www.iifm.net">http://www.iifm.net</a></p> <ul style="list-style-type: none"> <li>• Conducts market research on Islamic Finance</li> <li>• Conducts seminar, workshops, and meetings for players in Islamic Capital Market.</li> </ul>	<p><b>Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI)</b> <a href="http://www.aaofi.com/aaofi/default.aspx">http://www.aaofi.com/aaofi/default.aspx</a></p> <ul style="list-style-type: none"> <li>• Certified Islamic Professional Accountant (CIPA)</li> <li>• Certified Shariáh Adviser and Auditor (CSAA)</li> </ul>
<b>Brunei</b>	<p style="text-align: center;"><b>Centre for Islamic Banking, Finance and Management</b> <a href="http://www.mof.gov.bn">www.mof.gov.bn</a></p> <ul style="list-style-type: none"> <li>• Fiqh Mu'amalat Professional Programme</li> </ul>		
<b>United Arab Emirates</b>	<p><b>Ethica Institute of Islamic Finance</b> <a href="http://www.ethicainstitute.com">www.ethicainstitute.com</a></p> <ul style="list-style-type: none"> <li>• A training, certification, and advisory institute based in Dubai. Serves banks, universities, and governments, with organisation training, and certification</li> </ul>	<p><b>INSEAD Abu Dhabi Campus</b> <a href="http://insead.edu">http://insead.edu</a></p> <ul style="list-style-type: none"> <li>• Conducts Research on the area of Islamic Economics and Finance</li> </ul>	<p><b>Emirates Institute for Banking and Financial Studies</b> <a href="http://www.eibfs.ae/EIBFS/index.aspx">http://www.eibfs.ae/EIBFS/index.aspx</a></p> <ul style="list-style-type: none"> <li>• Offers Academic programme in Islamic Finance: <ul style="list-style-type: none"> <li>o BSc Banking and Finance</li> <li>o Higher Banking Diploma</li> <li>o Islamic Banking Diploma</li> <li>o Banking Diploma</li> </ul> </li> <li>• Offers Training Programmes: <ul style="list-style-type: none"> <li>o Banking English Programmes</li> </ul> </li> <li>• Undertake and distribute research and studies on Islamic Finance.</li> </ul>
<b>Iran</b>	<p><b>Imam Khomeini Tertiary Education Institute</b> <a href="http://www.ikiu.ac.ir/fa">www.ikiu.ac.ir/fa</a></p> <p><b>Monetary and Banking Research Institute</b> <a href="http://www.mbri.ac.ir/">http://www.mbri.ac.ir/</a></p> <ul style="list-style-type: none"> <li>• Conducts research in the area of Islamic Capital Market.</li> </ul>	<p><b>Islamic Research Institute for Culture and Thought</b> <a href="http://en.iict.ac.ir">en.iict.ac.ir</a></p> <ul style="list-style-type: none"> <li>• Offers research opportunities and joint projects related to Islam</li> </ul> <p><b>Iran Banking Institute</b> <a href="http://www.ibi.ac.ir/en">http://www.ibi.ac.ir/en</a></p> <ul style="list-style-type: none"> <li>• Offers vocational course on Islamic banking and similar subjects.</li> </ul>	



<p><b>Islamic Republic of Pakistan</b></p>	<p><b>Institute of Cost and Management Accountants Pakistan</b> <a href="http://www.icmap.com.pk">www.icmap.com.pk</a></p> <p><b>Foundation for Advancement of Science and Technology</b> <a href="http://khi.nu.edu.pk">http://khi.nu.edu.pk</a></p> <ul style="list-style-type: none"> <li>Expand the activities of existing academic institutes.</li> <li>To establish more campuses throughout the country.</li> </ul>	<p><b>Institute of Business Management</b> <a href="http://www.iobm.edu.pk">www.iobm.edu.pk</a></p> <ul style="list-style-type: none"> <li>Offers certificate or elective</li> </ul> <p><b>Institute of Chartered Accountants Pakistan</b> <a href="http://www.icap.org.pk">www.icap.org.pk</a></p> <ul style="list-style-type: none"> <li>Committed to regulate the education, training and examination of its student</li> </ul>	<p><b>Institute of Business Administration</b> <a href="http://www.iba.edu.pk">www.iba.edu.pk</a></p> <ul style="list-style-type: none"> <li>Offers certificate or elective</li> </ul> <p><b>Centre for Islamic Economics</b> <a href="http://www.cie.com.pk">http://www.cie.com.pk</a></p> <ul style="list-style-type: none"> <li>Offers One month Executive Development Course and Post Graduate Diploma in Islamic Finance and Islamic Economics.</li> </ul>
<p><b>Kingdom of Saudi Arabia</b></p>	<p><b>Islamic Research and Training Institute (IRTI)</b> <a href="http://www.irti.org">www.irti.org</a></p> <ul style="list-style-type: none"> <li>Research on Islamic banking and finance</li> </ul> <p><b>International Islamic Trade Finance Corporation</b> <a href="http://www.itfc-idb.org">http://www.itfc-idb.org</a></p> <ul style="list-style-type: none"> <li>Holds Seminar and Workshops in regards to Islamic Finance and Trade.</li> <li>Organized a capacity building programme on Chamber Management where the senior and top level management will be improved on their knowledge regarding ICM Get the opportunity to familiarize with innovative products and services.</li> </ul>	<p><b>Islamic Corporation for the Development of The Private Sector</b> <a href="http://www.icd-idb.com/">http://www.icd-idb.com/</a></p> <ul style="list-style-type: none"> <li>Established the Islamic Finance Talent Development Programme which provides participants with on-the-job experience and more exposure to Islamic Finance</li> </ul> <p><b>Islamic Development Bank</b> <a href="http://www.isdb.org">http://www.isdb.org</a></p> <ul style="list-style-type: none"> <li>Provides on-the-job training for mid-level management officers and professionals.</li> <li>Exchange of expertise among member countries/institutions</li> <li>Organize seminar, workshops, and conferences on technical issues related to ICM.</li> </ul>	
<p><b>Malaysia</b></p>	<p><b>International Centre for Education in Islamic Finance</b> <a href="http://www.inceif.org">www.inceif.org</a></p> <ul style="list-style-type: none"> <li>Provides professional and academic qualifications in Islamic Finance</li> </ul> <p><b>International Centre for Leadership in Finance</b> <a href="http://www.iclif.org">www.iclif.org</a></p> <ul style="list-style-type: none"> <li>Training in management, leadership and governance through the financial institutions directors' education programme that includes Islamic finance</li> </ul>	<p><b>Islamic Banking and Financial Institution Malaysia</b> <a href="http://www.ibfim.com">www.ibfim.com</a></p> <ul style="list-style-type: none"> <li>Focuses on Islamic banking, takaful and Islamic capital market programme</li> </ul> <p><b>International Shariáh Research Academy</b> <a href="http://www.isra.my">www.isra.my</a></p> <ul style="list-style-type: none"> <li>Centre for applied research in Shariáh and Islamic finance and reference point for Shariáh interpretations Platform for discourse among scholars, academicians, regulators and practitioners</li> </ul>	

<b>Nigeria</b>	<b>Islamic Banking and Finance Institute Nigeria</b> <a href="http://www.iiibf.buk.edu.ng">www.iiibf.buk.edu.ng</a> <ul style="list-style-type: none"> <li>Offers Certificate programme on Islamic business, finance and macro finance</li> </ul>	<b>Enhancing Financial Innovation and Access</b> <a href="http://www.efina.org.ng/">http://www.efina.org.ng/</a> <ul style="list-style-type: none"> <li>Established Islamic Finance Capacity Building Programme.</li> </ul>	
<b>Qatar</b>	<b>Qatar Finance and Business Academy</b> <a href="http://www.qfba.edu.qa">www.qfba.edu.qa</a> <ul style="list-style-type: none"> <li>Focuses on banking, asset management and capital market programmes, etc.</li> </ul>	<b>Qatar Faculty of Islamic Studies</b> <a href="http://www.qfis.edu.qa">www.qfis.edu.qa</a> <ul style="list-style-type: none"> <li>Offers Master of Science in Islamic Finance</li> <li>The objective of QFIS is to become a focal point of thought and dialogue, attained through research and debate in all that relates to Islam</li> </ul>	
<b>Republic of Indonesia</b>	<b>Bandung Institute of Technology</b> <a href="http://www.itb.ac.id">www.itb.ac.id</a> <ul style="list-style-type: none"> <li>Elective course on Islamic banking system</li> </ul>	<b>Indonesian Banking Development Institute</b> <a href="http://www.lppi.or.id">http://www.lppi.or.id</a> <ul style="list-style-type: none"> <li>Offers education and Training in Islamic Finance</li> <li>Offers consultation, assessment and workshop in Sharia Banking.</li> <li>Offers Executive MBA in Syariah Banking.</li> <li>Offers international Programme in relation to Islamic Finance.</li> <li>Collaborates with International Centre Development in Islamic Finance to organize education and training programmes specifically for Islamic Banking.</li> </ul>	
	<b>Muamalat Institute</b> <a href="http://www.muamalat-institute.com/home/">http://www.muamalat-institute.com/home/</a> <ul style="list-style-type: none"> <li>Training on Syariah Banking System</li> </ul>		
<b>Sudan</b>	<b>Cambridge International Training Centre</b> <a href="http://citcsudan.org">citcsudan.org</a> <ul style="list-style-type: none"> <li>Offers postgraduate courses in Islamic banking and insurance</li> </ul>	<b>Al Oula Institute For Finance and Accounting Studies</b> <a href="http://www.aloulafas.com">www.aloulafas.com</a> <ul style="list-style-type: none"> <li>Offers certificate programme in Islamic finance</li> </ul>	<b>Chartered Institute of Management Accountants</b> <a href="http://www.cimaglobal.com">www.cimaglobal.com</a> <ul style="list-style-type: none"> <li>Offers CIMA diploma in Islamic finance</li> </ul>

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