SHARIAH GOVERNANCE DISCLOSURE

BY ISLAMIC BANKS IN MALAYSIA

By

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ABSTRACT

Shariah governance is the utmost important division of Islamic banks to differentiate with its conventional counterpart. Although Islamic banks had been in the Malaysian banking industry for more than three decades, it is still at the stage towards comprehensive and proper framework. Besides, Islamic banks have the responsibility to ensure Shariah compliance in its overall operation. Non-compliance element will damage the confidence of the stakeholders and the perception on the purity of Islamic banking system. Thus, this study intends to scrutinize the scope of latest regulations on Shariah governance in Islamic banks, then comparing it with the international standard and to analyze its practice in compliance with the stipulated guidelines. These purposes are achieved by using qualitative method of research by applying doctrinal and legal research where the latest annual report and few regulations are referred. Besides, the descriptive and comparative study was also adopted for deep understanding. All data was taken from the Islamic banks listed under BNM and analysed it using content analysis. The practice of Shariah governance was examined by using Shariah governance disclosure ratio on the items in the SC report based on referred regulations. This study found that Malaysian regulations on Shariah governance of Islamic banking are more comprehensive rather than the international standard. However, only few Islamic banks comply with the guidelines, whilst the transition period for the compliance is almost end. Thus, it is recommended for the authorities to ensure Shariah governance disclosure been fully complied by the related Islamic banks. As the result, a proper and comprehensive Shariah governance in Islamic banks in Malaysia could be achieved.

Keywords: Malaysia, Islamic banking, Shariah governance
ABSTRAK


Katakunci: Malaysia, Bank Islam, Tadbir-urus Shariah
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<td>Accounting and Auditing of Islamic Financial Institutions</td>
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<td>BNM</td>
<td>Bank Negara Malaysia</td>
</tr>
<tr>
<td>CBA 2009</td>
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<tr>
<td>CPIFR</td>
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<td>FSAP</td>
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<td>IFSB</td>
<td>Islamic Financial Services Board</td>
</tr>
<tr>
<td>OECD</td>
<td>Organisation for Economic Co-operation and Development</td>
</tr>
<tr>
<td>pbuh</td>
<td>Peace Be Upon Him</td>
</tr>
<tr>
<td>SC</td>
<td>Shariah Committee</td>
</tr>
<tr>
<td>SCA 1993</td>
<td>Securities Commission Act 1993</td>
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CHAPTER ONE

INTRODUCTION

1.1 Background of Study

Ironically, the exclusivity of the divine values of Islamic finance based on the Quran and Hadith being the basis of the system has significantly risen the emergence of Islamic banking and finance. Consequently, the business and economics development of Islamic finance has become the new trend in the finance and banking industry (Wardhany & Arshad, 2012). Basically, the Shariah principles are the substance of Islamic banking operations. By that fact, the comprehensive system in compliance with Shariah principles distinguishes Islamic banking from the conventional banking (Shaharuddin, 2011). Agreeably, Shariah compliance is the original foundation in having a banking system that fulfills the religious requirements for Muslims, from Islamic point of view (Elias, 2014).

In order to avoid Shariah non-compliance risk, a sound and robust Shariah governance framework is crucial with the excellent enforcement of laws.

According to Hasan (2010), for the purpose of Shariah compliance, the theoretical substance of Shariah governance needs an additional layer of governance in Islamic banks. The internal Shariah governance of Islamic banking institutions should be supported by their external counterparts to ensure that all involved parties do their duties as stipulated in Islamic law requirements. At this point, the regulations and its
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REFERENCES


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