



UUMILC 2017
9TH UUM INTERNATIONAL LEGAL CONFERENCE 2017

**THE INDEPENDENCE OF THE *SHARIAH* COMMITTEE OF
ISLAMIC FINANCIAL INSTITUTIONS IN MALAYSIA: LEGAL
ANALYSIS**

Mohammad Azam Hussain (a)*

*Corresponding author

(a) School of Law, Universiti Utara Malaysia, 06010 Sintok, Kedah, Malaysia, e-mail: hmazam@uum.edu.my

Abstract

Shariah Committee is an advisory body established by the Islamic financial institutions which has a significant role in ensuring that the Islamic financial business carried out by the institutions comply with the *Shariah* principles. The independence of the *Shariah* Committee in discharging their duties and responsibilities is the essential element in ensuring the credibility of the institutions. In Malaysia, the government extremely emphasizes on the independent of the *Shariah* Committee established by the Islamic financial institutions as stipulated in the existing legislations governing such institutions. However, the question arises, to what extent the existing legislations have a provision dealing with the independence of *Shariah* Committee? By using legal research methodology, this article scrutinizes the existing legislations in order to answer whether it is sufficient to guarantee the independence of *Shariah* Committee in carrying out their duties and responsibilities. This article found that, Malaysia has a good legal mechanism in ensuring the independence of *Shariah* Committee. It is found that the appointment method to *Shariah* Committee, the decision on the remuneration of *Shariah* Committee, the position of the *Shariah* Committee in the organisation structure of Islamic financial institutions, the independence of *Shariah* Committee in issuing *Shariah* deliberation and the appointment of *Shariah* Committee to sit in the Board of Directors of Islamic financial institutions may invite a question on the independence of *Shariah* Committee in discharging their duties and responsibilities. Hence, the existing legislations need to be improved to guarantee the independence of *Shariah* Committee.

© 2018 Published by Future Academy www.FutureAcademy.org.UK

Keywords: *Shariah* Committee, Islamic banking, Islamic Law, Islamic Finance, Independence, Governance.



1. Introduction

Shariah Committee (hereinafter referred to as “SC”) plays a vital role by advising and supervising the operation of Islamic financial institutions in ensuring that the Islamic financial business carried out by Islamic financial institutions comply with the *Shariah* principles (Hidayat & Khalifa, 2018). SC is also considered as a key element (Hakimi, Rachdi, Mokni & Hssini, 2018) and the most crucial component in the governance framework of Islamic financial institutions (Grassa, 2013). The independence of the SC in discharging their duties and responsibilities is the essential element in ensuring the credibility of the institutions (Hassan, Othman, Salleh & Hussain, 2016). In addition, it is significant in enhancing the public confidence towards *Shariah* compliance of the institutions (Grassa, 2013). In order to sustain the *Shariah* compliance of the IFIs, every Islamic company shall have an independent SC (Muneeza & Hassan, 2014). Conversely, doubts over the independence of SC may invite worries from the public on the permissible and prohibited business activities in the operation of the Islamic financial institutions. It also would indirectly affect the confidence of the stakeholders.

In general, independence means ‘not subject to the control or influence of another’ (Bryan, 2004). Another definition is ‘the freedom and ability to make your own decisions in life, without having to ask other people for permission, help, or money’ (Fox, 2006). According to the standard issued by Accounting and Auditing Organisation for Islamic Financial Institutions (hereinafter referred to as “AAOIFI”), it defines independence as an attitude of mind which does not allow the viewpoints and conclusions of its possessor to become reliant on or subordinate to the influences and pressures of conflicting interest. The independence is achieved through organizational status and objectivity (AAOIFI, Governance Standard for IFIs No. 5: Independence of Sharia Supervisory Board, paragraph 2). This AAOIFI’s standard emphasizes intellectual freedom of the SC in providing an opinion or making a decision without relying or influencing by any other party or any pressure that could lead to a conflict of interest.

SC has a function to monitor all the bank’s activities and products and make sure that the activities and products are *Shariah*-compliant (Kaakeh, Hassan, & Almazor, 2018). According to Laldin (2008), SC is referred to a people with the responsibility to ensure the compliance aspects of products and instruments used in the Islamic finance industry. According to Hassan, Triyanta, and Yusoff (2011), SC is an independent body of specialist jurists in Islamic transaction/commercial law with specific duty to direct, review, supervise and/or approve the activities of IFIs to make sure that the institutions comply with *Shariah* law.

AAOIFI also has issued standard definition as guidance to the IFIs. Pursuant to definition given by AAOIFI, it can be seen that the element of an independent body of specialized jurists in Islamic commercial jurisprudence is very crucial. At the same time the standard allows the board to appoint other member who are expert in the field of Islamic financial institutions and with knowledge of Islamic transaction. The standard also clearly states the duty of SC namely, the duty of directing, reviewing and supervising the activities of the IFI in ensuring *Shariah* compliance. Meanwhile the rulings and *fatwas*

issued by SC shall be binding on the IFI (AAOIFI, Governance Standard for Islamic Financial Institutions No. 1 on the Shari'a Supervisory Board: Appointment, Composition and Report, Article 2).

2. Problem Statement

Hassan, Rizwan and Sohail (2017) opine that SC is an independent authority that is not working on the umbrella of other authorities. It also has no any fear from the upper level management. According to Laldin (2008), the independence of the SC is divided into intellectual independence and organization independence. Intellectual freedom refers to the ability of the SC to make an objective decision free from any influence. This can be achieved via precise screening and analysis on the issue brought before them. Accordingly, the SC needs to engage themselves in the operation of the IFIs, particularly the creation of new products until the day of issuance. Hence, the SC is capable to audit the institution comprehensively, to access to important information and to understand the product in terms of its purpose, its effect on the society and achieve the objectives of *Shariah*. Other than that, the relationship and the cooperation between the SC and the management should be improved. The SC is not a burden or obstacle for the IFIs to improve. However, SC is an additional factor for the progress of the IFIs. Meanwhile organizational independence refers to the position of the SC in the organizational structure of the IFIs. Whether the position of the SC is subordinate to the Board of Directors (hereinafter referred to as "BoDs") or the bank's manager or is not specified. In order to ensure this type of independence, Laldin (2008) recommends that the SC shall be subject to General Meeting in determining the working scopes, the appointment and the termination of a member of the SC.

In preserving the independence of the SC, AAOIFI's standard emphasizes five things as the pillars of the independence including the objectivity, continuous assessment, basis of SC independence, resolution of issues of independent impairment and the responsibility for implementation of this standard as guidance for IFIs. In achieving the objectivity which refers to the sustainability of independent mental attitude of this body in implementing *Shariah* supervision, the standard outlines a number of things that need to be practiced by the IFI as follows (AAOIFI, Governance Standard for Islamic Financial Institutions No. 5: Independence of *Shariah* Supervisory Board, paragraphs 5, 6, 7, 8 and 9): (a) The members of the SC are not to subordinate their judgment on *Shariah* supervision matters to the others; (b) The SC is required to perform *Shariah* supervision in such a manner that they have an honest belief in their work. They should avoid any potential and actual situations that impair their ability to make objective professional judgments; (c) The members of the SC should not be employees of the same IFIs; (d) The SC and its members should not be involved in any manner with regard to managerial decisions and operational responsibilities of the IFIs; and (e) When the members of SC are or were within the engagement or immediately preceding an engagement period, an officer of a client or partner/employee of an IFIs, the preceding period should be not less than three years.

The second point is regarding the need for the members of SC to constantly evaluate their relationship with the IFIs in order to identify any situations that affect or will affect their independence in

performing *Shariah* supervision. If such situation is identified, such a member should resolve it or to report it to the SC to find out the way to resolve it (AAOIFI, Governance Standard for Islamic Financial Institutions No. 5: Independence of *Shariah* Supervisory Board, paragraph 10).

Next, the standard elucidates the basis of the independence of the SC which is derived from the Islamic *Shariah* rules and principles (AAOIFI, Governance Standard for Islamic Financial Institutions No. 5: Independence of *Shariah* Supervisory Board, paragraph 11). The next item is pertaining to the resolution of issues of independence impairment. In this regard, the standard describes the steps to be taken in resolving the issue as follows (AAOIFI, Governance Standard for Islamic Financial Institutions No. 5: Independence of *Shariah* Supervisory Board, paragraph 12): (a) Record the issue; (b) Review the issue internally within the SC; (c) If the issue still exists after the internal review by the SC, such member with the issue of independence impairment must resign and General Meeting of the IFIs must be notified; and (d) In all above levels of conflict resolution, consideration must be given to local laws and regulations. Finally, the standard clarifies that the management is responsible for the implementation of this standard in ensuring the independence of the SC (AAOIFI, Governance Standard for Islamic Financial Institutions No. 5: Independence of *Shariah* Supervisory Board, paragraph 13).

According to Hammad (2006), the duties should be performed objectively, with integrity, avoid bias in judgment, tolerance and avoid extremism in religion. Among the methods that can be used are; (a) Doing exhaustive research and thorough understanding of the subject or the problem by using all possible methods and not hurry to issue a ruling; (b) Tolerating in accepting *ijtihad* (juristic inference) or opinion of jurists of any *madhhab* (Islamic school of thought) whose opinion is suitable for a particular time and place but not suitable for another time or place; (c) Taking into consideration the combination of *an-nusus al-juz'iyah* (partial texts) and *al-maqasid al-kulliyah* (general objectives); (d) Taking into account the changes in the *fatawa* (Islamic legal opinions) by the change of time and place; (e) Taking into consideration the principles of facility and hardship in Islamic law; and (f) Taking into account resolutions made at the seminar or symposium of *fiqh* (Islamic jurisprudence).

In Malaysia, the duties, responsibilities and accountability of the SC have been prescribed by the statutes governing the IFIs as well as the Guidelines issued by Central Bank of Malaysia (hereinafter referred to as “CBM”). In the early stage of the implementation of Islamic banking and financial business in Malaysia, the statutes have provided the duties of the SC in a general manner. The SC is assigned with the duties and responsibilities to advise the Islamic banks and the takaful operators on the operations of its Islamic financial business in order to ensure that the operation of the institutions free from any element which is not allowed in *Shariah* law (Islamic Banking Act 1983, section 3(5) (b); Takaful Act 1984, section 8(5)(b)). Similar to the previous provision in the repealed Acts i.e. IBA and TA, Islamic Financial Services Act 2013 (hereinafter referred to as “IFSA”) remains the general principal of legislation on the duties of SC that is to advise the IFIs in ensuring its business, affairs and activities comply with *Shariah* (IFSA, section 30(1)).

IFSA also grants permission to CBM to specify standards relating to the duties and functions of the SC (IFSA, section 29(2)(a)(i)). Accordingly, the SC and its members shall observe such duties and functions as set out by CBM (IFSA, section 29(5)). CBM has specified standards on such duties and functions of the SC in *Shariah* Governance Framework for Islamic Financial Institutions (BNM/RH/GL 012-3) (hereinafter referred to as “SGF”) (Central Bank of Malaysia, 2010).

Hence, to what extents the existing legislations governing IFIS provides provisions which deal with the independence of SC established by IFIs in Malaysia. To what extent the existing legislations guaranteed the independence of SC?

3. Research Questions

This research is carried out to answer two questions: (a) to what extend the existing legislations governing the independence of the SC in Malaysia? (b) What are the issues arising from the existing legislations governing the independence of the SC in Malaysia?

4. Purpose of the Study

The objectives of this article are: (a) to analyse the provisions of legislations governing the independence of the SC in Malaysia. (b) To analyse the legal issues pertaining to the independence of SC in Malaysia.

5. Research Methods

This study adopts the legal research method in order to achieve the objectives of the study. The data used were largely library-based consisting of primary data which was collected from statutes passed by Parliament of Malaysia and the guidelines issued by CBM which regulate the Islamic financial system in Malaysia. In order to achieve the objective of this study, descriptive and exploratory data analysis method is used in explaining the independence aspects of the SC stipulated by the existing legislations in Malaysia. The analytical and critical analysis method is used in order to analyse the issues pertaining to the independence of SC in Malaysia.

6. Findings

In relation to the independence of SC in Malaysia, the existing legislations governing IFIs has provides several provisions in ensuring the independence of SC. According to SGF, the duties and responsibilities of SC are (SGF, Appendix 4): (i) Responsibility and accountability all *Shariah* decisions, opinions and views issued by them; (ii) To provide advice to the board and IFI on *Shariah* matters; (iii) To endorse the *Shariah* policies and *Shariah* procedures prepared by the IFI parallel with *Shariah*; (iv) To endorse and validate relevant documentations such as the forms, contracts, agreements, the product manual, marketing advertisements, sales illustrations and other relevant documents; (v) To assess work of *Shariah* review and *Shariah* audit; (vi) To assist related parties such as legal counsel, auditor or

consultant on *Shariah* matters; (vii) To advice on matters to be referred to the *Shariah* Advisory Council (hereinafter referred to as “SAC”); and (viii) To give written *Shariah* opinion.

Based on the above duties and responsibilities laid down by the SGF, it can be seen that the first matter emphasized by the SGF is the explanation relating to the responsibility and accountability of the SC. As the SC is the only qualified party to ascertain on *Shariah* matters of the IFIs, then they should be responsible and accountable for all *Shariah* decisions, views and opinions issued by them. This is significant since the decisions, views and opinions given by the SC are binding on the IFIs (SGF, paragraph 2.7 of Part 2).

SGF has laid down several principles to be observed by IFIs in ensuring the independence of the SC (Ali & Oseni, 2017). The most important party in ensuring the independence of the SC relies on the BoD. The SC is required to make a thorough decision on *Shariah* issues in an independent and objective manner (SGF, paragraph 3.1 of Part 2). Accordingly, the independence of the SC is a vital element and should be constantly preserved in discharging their obligations (SGF, Principle 3). The BoD is required to recognize the independence of the SC and shall ensure that the committee is free from any undue influence that would impede this body from exercising objective judgment in deliberating *Shariah* issues brought before them (SGF, Principle 3). Other than that, the BoD shall ensure that decisions made by the SC are duly observed and implemented by the IFIs. The decisions should not be set aside or modified without prior consent from the SC (SGF, paragraph 3.3 of Part 2). If the SC is not provided with the required information, the BoD shall be notified of the occurrence and suitable action shall be taken to rectify the situation and take a proper action and the necessary punitive measures against parties who purposely failed to extend the needed information (SGF, paragraph 3.5 of Part 2). Based on the existing legislations governing SC in Malaysia, it can be seen that Malaysia strongly emphasizes on the independence of SC in carrying out their duties and responsibilities. This parallel with their vital role in ensuring the *Shariah* compliance of the IFIs in conducting Islamic financial business.

However, there are several issues which reflect to the independence of SC of IFIs as follows:

6.1. The appointment and reappointment of the member of the SC of IFIs

In Malaysia, the procedures of an appointment of SC and the procedures for reappointment of the member of SC is pursuant to the legislations governing IFIs (Hussain, Hassan & Azhar, 2016a). SGF provides that the appointment and reappointment of SC shall be made by the BoD. Both appointments are also subject to the approval of CBM and the SAC of CBM (SGF, paragraph 3.8 of Part 2). The processes start with a selection process handled by the IFIs to make sure that the suggested individual is qualified and considered fit and proper to be selected and appointed as a member of SC (SGF, Appendix 2). At this stage, the Nomination Committee (hereinafter referred to as “NC”) of the IFIs plays a significant task in assessing the proposed individual in order to ensure that such candidate meets the requirements prescribed by SGF and qualified for appointment as SC (Guidelines on Corporate Governance for Licensed Islamic Banks, Appendix 2) (Central Bank of Malaysia, 2007). If the candidate is qualified, the

NC will suggest the candidate to the BoD. The BoD, upon recommendation by NC, shall nominate the appointment of the proposed candidate to CBM (SGF, Appendix 2). Notably, based on the procedures, it can be seen that, the final decision at institution level as to who shall be nominated to CBM is the responsibility of the BoD (Guidelines on Corporate Governance for Licensed Islamic Banks, Appendix 2) (Central Bank of Malaysia, 2007).

Next, application must be submitted to CBM for approval from CBM and the SAC before a proposed candidate is appointed as a member of the SC. Prior written approval of CBM and the SAC is necessary before the appointment is made by IFI. In this regard, CBM may also impose necessary conditions it deems fit. Failure to observe any stipulations shall nullify the approval (SGF, Appendix 2). Finally, after obtaining written approval, the appointment of the member of the SC shall be made by the BoD (SGF, Appendix 2). The same goes to the reappointment of SC members. Since the appointment is made by the BoD, it is questionable to what extent such appointment by the BoD may not affect the SC in carrying out their duties?

It would be good if the appointment is made based on the selection process by shareholders which can be carried out during the General Meeting of the institution. This method permits the representatives to choose the entrusted persons to be appointed as SC. This can also evade any influence by the management board during the appointment since the management board does not have the authority to appoint or to dismiss them. Another basis is to guarantee the effectiveness and the freedom of the SC to perform their tasks.

In contrast, in the case of appointment is made by the BoD, it will create a connection concerning the two parties which could lead to internal coerce from the BoD on the SC. Integrity should be continuously observed by the IFI. Therefore, the selection of SC made by the shareholders is an alternative to safeguard the independence of the SC in exercising their duties.

Another thing related to the appointment is the remuneration of SC. According to SGF, the BoD shall remunerate the SC members suitably as recommended by its Remuneration Committee. Such payment shall reflect, and be appropriate with, the accountability, duties and responsibilities of the SC. However, the SGF silence on which fund to be paid as remuneration to SC. Remuneration payable should not from profits because it may invite suspicions from the public that the resolution made by the SC is driven by financial rewards that will determine how much they will earn.

6.2.The position of the SC in the organisation structure of IFIs

Undoubtedly every IFI has its own organizational structure and may vary from other IFIs. The question arises, to whom the SC are accountable in discharging their duties and responsibilities? SGF provides that the SC shall functionally report to the BoD (SGF, paragraph 1.6 of Part 2). Accordingly, they are responsible to the BoD. At the same time, one of their duties is to advise the BoD and the IFIs on the *Shariah* matters as specified by SGF (SGF, Appendix 4). This situation leads to the question, where is the appropriate position of SC within the IFI's organizational structure. If the position of SC is higher

than BoD in the organization structure, it will illustrate that the SC is the ultimate power in driving the business direction of the IFIs. In fact, it is beyond the roles and functions of BoD. If placed under the BoD, it will illustrate that the SC is controlled by the BoD. Hence the issue on the independence of SC in discharging its duties is questionable. Where is the appropriate position of the SC in the organization structure? Or such advisory body should not be included in the organization structure?

The author of an opinion that, the best position is by putting SC parallel to the BoD in the organization structure that has the capacity to advise the BoD and IFIs in ensuring *Shariah* compliance. Hence, the independence issue should not be questionable in the organization structure. For consistency of legal requirement, it would be appropriate if SGF may prescribe the position of SC in the IFI's organisations structure. It would be good as well if SGF may provide an illustration on the proper position of the SC within the IFI's organizations structure.

6.3.The independence of SC in issuing Shariah deliberation

Section 30(1) of IFSA states the general principal on the duties of SC that is to advise the IFI in ensuring its business, affairs and activities comply with *Shariah*. In addition, section 32 of the same Act, stipulates that, the SC and every member of the SC shall have such duties and functions set out in any standards as may be prescribed by the CBM under section 29(2)(a)(i) of Central Bank of Malaysia of Malaysia Act 2009 (hereinafter referred to as "CBMA"). CBMA also provides the solution where the ruling made by SC constituted in Malaysia by IFIs is different from the ruling issued by the SAC, the ruling of the SAC shall prevail (CBMA, section 58). Nevertheless, the SC is permitted to adopt a more rigid *Shariah* decision (SGF, paragraph 6.4 of Part 2).

From one perspective, the above provision is good and parallel with the function of the SAC as the highest authoritative body in the ascertainment of Islamic law pertaining to Islamic financial business. It also good to ensure the uniformity of *Shariah* rulings by relying on a ruling issued by the SAC. However, the author of opinion that such legal sanction may reflects that the independence of SC in this regard is still confined and they are not fully independent.

6.4.The appointment of member of the SC as a member of the BoDs of IFIs

The BoDs is ultimately accountable and responsible for the implementation of *Shariah* governance framework and *Shariah* compliance of the IFI (SGF, paragraph 2.1 of Part 2). Ideally, it is appropriate that the BoDs should have reasonable understanding of the principles of the *Shariah* and its wide ranging application in Islamic finance in order to ensure the effectiveness of the BoDs in carrying out their responsibilities towards *Shariah* compliance of the IFIs (SGF, paragraph 4.1 of Part 2).

Alternatively, SGF suggests that the BoDs may consider appointing at least one member of the SC as a member of the BoDs that could function as a 'bridge' between the BoDs and the SC. In addition, the existence of a director with *Shariah* knowledge would promote better understanding and appreciation amongst the BoD's members on the decisions made by the SC (SGF, paragraph 2.4 of Part 2).

In addition, Guidelines on Corporate Governance for Licensed Islamic (BNM/RH/GL 002-1) (hereinafter referred to as “GP1-i”) (Central Bank of Malaysia, 2007) requires that the board should encompass of directors who as a group provide a combination of core expertise for instance finance, accounting, legal, business management, information technology and investment management (GP1-i, paragraph 2.20 of Part 2). The appointment of a member of SC with expertise in the field of *Shariah* and Islamic finance as a member of the BoD is consistent with the requirement of GP1-i. The existence of knowledgeable board members in the field of *Shariah* and Islamic finance may enhance the effectiveness of the BoD in carrying out their responsibilities towards *Shariah* compliances (Hussain, Hassan & Azhar, 2016b). At the same time such a member may provide necessary checks and balances in ensuring the IFI operates in a safe and sound manner parallel with the objectives of IFI (GP1-i, paragraph 2.23 of Part 2).

It seems good for the IFIs to adopt this approach which could serve as a ‘bridge’ between the BoD and the SC. It is also in line with one of the roles of BoDs as IFSA stipulates that, the BoDs shall have due regard to any decision of the SC on any *Shariah* issue relating to the carrying on of business, affairs or activities of the institution (IFSA, paragraph 65(2)(f)). Accordingly, a member of the SC appointed as a member of the BoDs may provide the necessary information to the BoDs particularly in approving the policies relating to *Shariah* matters as well as ensuring that such policies are implemented effectively (SGF, paragraph 2.2 of Part 2).

Even though the approach is very good to be practiced in the IFIs, the consequences that may result upon a member of the SC being appointed as a member of the BoDs should also be addressed in order to avoid any issue on conflict of interest. According to GP1-i, there are three types of Directors namely, Executive Director, Non-Executive Director and Independent Director (GP1-i, paragraphs 2.24-2.26 of Part 2). A member of the SC is eligible to be appointed as Independent Non-Executive Director. Accordingly, such member is subject to the limitations as stipulates in the GP1-i. However, as independent director, such a member is not barred from having less than 5% equity interest directly or indirectly in the Islamic bank or in its related companies. The question is to what extent such a member is free from any conflict of interest while making decision relating to the *Shariah* issue. In fact, persons authorized with decision making authority (including Directors) should exercise care to avoid circumstances that may give rise to a conflict of interest situation (GP1-i, Principle 9). Furthermore, the SC is responsible to deliver rigorous decisions on *Shariah* matters in an independent and objective manner (SGF, Principle 3).

It would be good if the law, in particular, SGF provides a guidance to the IFIs in selecting the appropriate member of the SC as a member of the BoD. What is most significant is that there should be a mechanism to ensure that the appointed member will be able to perform the duties effectively and be free from any element which may lead to conflict of interest. Hence, recommendation by SGF to appoint a member of the SC as a member of the BoD is a very good approach which could serve as a ‘bridge’ between the BoD and the SC of the IFI. In addition, it will strengthen the relationship between the two parties which is very important in ensuring *Shariah* compliance by the IFI.

7. Conclusion

In conclusion, it can be summarized that the Malaysian government extremely emphasizes on the independence of SC in carrying out its duties and responsibilities. It can be seen that the independence of the SC is the legal requirement to ensure the credibility of the SC. However, there are several loopholes of the existing legislations which need to be addressed by the respective authority. Necessary steps are needed as suggested above to guarantee the independence of SC in carrying out their duties and responsibilities.

References

- Accounting and Auditing Organisation for Islamic Financial Institutions, Governance Standard for IFIs No. 5.
- Ali, E. R. A. E., Oseni, U. A. (2017). Towards an effective legal and regulatory framework for Islamic financial transactions: Major initiatives of the Central Bank of Malaysia. *International Journal of Law and Management*, 59(5), 652-672. Doi: 10.1108/IJLMA-04-2016-0038.
- Bryan, A.G. (2004). *Black's Law Dictionary*. 8th edn. St. Paul, MN: Thompson-West.
- Central Bank of Malaysia. (2007). Guidelines on Corporate Governance for Licensed Islamic (BNM/RH/GL 002-1). Kuala Lumpur: Central Bank of Malaysia.
- Dawr al-raqabah al-syar'iyah fi dabt a'mal al-masarif al-Islamiyyah: ahammiyyatuha, shurutuha, wa tariqatu 'amaliha. (2009). In Y. Soulhi, & A.K.M. Meera (Eds.). *IiBF series in Islamic banking and finance:2* (pp 305-354). Kuala Lumpur: IIUM Institute of Islamic Banking and Finance.
- Fox, C. (2006). *Longman Dictionary of Contemporary English*. England: Pearson Education Limited.
- Government of Malaysia. (2009). Central Bank of Malaysia Act 2009 (Act 701). Petaling Jaya, Malaysia: International Law Book Services.
- Grassa, R. (2013). Shariah supervisory system in Islamic financial institutions: New issues and challenges: a comparative analysis between Southeast Asia models and GCC models, *Humanomics*, 29(4), 333-348. Doi: 10.1108/H-01-2013-0001.
- Grassa, R. (2015). Shariah supervisory systems in Islamic finance institutions across the OIC member countries: An investigation of regulatory frameworks. *Journal of Financial Regulation and Compliance*, 23(2), 135-160. Doi: 10.1108/JFRC-02-2014-0011.
- Hakimi, A., Rachdi, H., Mokni, R. B. S., Hssini, H. (2018). "Do board characteristics affect bank performance? Evidence from the Bahrain Islamic banks". *Journal of Islamic Accounting and Business Research*, Doi: 10.1108/JIABR-06-2015-0029.
- Hammad, H. A. A. K. M. (2006). *Al-raqabah al-Shar'iyah fi al-masarif al-Islamiyyah*. Amman, Al-Urdun: Dar Al-Nafais.
- Hassan, M., Rizwan, M., & Sohail, H. M. (2017). "Corporate governance, Shariah advisory boards and Islamic banks' performance". *Pakistan Journal of Islamic Research*, 18(1) (pp 173-184).
- Hassan, R., Othman, A. A., Salleh, S. dan Hussain, M. A. (2016). *Islamic Banking and Takaful*. Kuala Lumpur: Pearson Malaysia Sdn. Bhd.
- Hassan, R., Triyanta, A., & Yusoff, A. (2011). "Shari'ah Compliance Process in Malaysian Islamic Banking", *Malayan Law Journal*, 5.
- Hidayat, S. E., & Khalifa, A. K. A. (2018). "Sharia Governance Practices at Islamic Banks in Bahrain From Islamic Bankers' Perspective". *Al-Iqtishad: Jurnal Ilmu Ekonomi Syariah (Journal of Islamic Economics)*, 10 (1), 53-74. doi: 10.15408/aiq.v10i1.5991.
- Hussain, M. A., Hassan, R., & Azhar, A. (2016a). "The Procedures of Appointment and Cessation of the Shariah Committee Member of the Islamic Banks and Takaful Companies in Malaysia: Legal Analysis". *International Journal of Economics and Financial Issues*, 6(S7), 266-270.

- Hussain, M.A., Hassan, R. Azhar, A. (2016b). To Appoint Shariah Committee Member as an Independent Non-executive Director of Islamic Banks in Malaysia: Issues and Challenges. *International Review of Management and Marketing*, 6(S8), 138-141.
- Kaakeh, A., Hassan, M. K., & Almazor, S. F. v. H. (2018). "Attitude of Muslim minority in Spain towards Islamic finance". *International Journal of Islamic and Middle Eastern Finance and Management*, Doi: 10.1108/IMEFM-11-2017-0306.
- Laldin, M.A. (2008). "The Role of *Shari'ah* Advisors in the Development of Islamic Securities" in *Fundamentals and Practices in Islamic Finance*, edited by Mohamad Akram Laldin. Kuala Lumpur: International *Shari'ah* Research Academy for Islamic Finance (ISRA).
- Legal Research Board. (2010). Shariah Governance Framework for Islamic Financial Institutions (BNM/RH/GL 012-3). Kuala Lumpur: Bank Negara Malaysia.
- Legal Research Board. (2011). Islamic Banking Act 1983 (Act 276). Petaling Jaya, Malaysia: International Law Book Services.
- Legal Research Board. (2012). Takaful Act 1984 (Act 312). Petaling Jaya, Malaysia: International Law Book Services.
- Legal Research Board. (2014). Islamic Financial Services Act 2013 (Act 759). Petaling Jaya, Malaysia: International Law Book Services.
- Muneeza, A., & Hassan, R. (2014). "Shari'ah corporate governance: the need for a special governance code". *Corporate Governance*, 14(1), 120-129. Doi: 10.1108/CG-02-2011-0015.