

Hawkamah Issues Policy Brief On Corporate Governance for Islamic Banks And Financial Institutions



Hawkamah, the Institute for Corporate Governance today issued its Policy Brief On Corporate Governance for Islamic Banks And Financial Institutions in the Middle East and North Africa (MENA) region. The Policy Brief highlights the improvements required in the corporate governance frameworks and practices of Islamic Banks and Financial Institutions in MENA taking into consideration international practices and standards developed by various Islamic finance standard setting bodies and in the light of the Global Financial Crisis and its lessons for the banking and financial industry.

The Brief contains policy recommendations aimed at improving the corporate governance regime in Islamic banks and financial

institutions and are based on a MENA wide survey carried out by Hawkamah's Task Force on Corporate Governance of Islamic Banks and Financial Institutions. The Task Force members consist of experts in the area of Corporate Governance in Islamic Finance, Islamic Finance standard setting bodies, and IFIs from across the MENA region.

The Policy Brief is addressed to policy makers, Islamic banking regulators, banking associations and Islamic banks and financial institutions in the MENA region and the global corporate governance community interested in Shari'a compliant Financial Institutions. The publication of this policy brief is the first step towards bridging the corporate governance gap in the Islamic Finance Sector in the MENA region.

Speaking on the significance of the Policy Brief, Dr. Nasser Saidi, Executive Director of Hawkamah said: "The Global Financial Crisis and its aftershocks has taught us that strong corporate governance is essential for the development of a vibrant and sound Islamic banking industry. Effective corporate governance practices are essential to achieving and maintaining public trust and confidence in the banking system, which are critical to the proper functioning of the banking sector and economy as a whole. This policy brief identifies the corporate governance implementation gaps in the Islamic Financial Institutions industry in region and lays out specific recommendations to bridge this gap. These include defining clearly the role and responsibility of the Shari'a Supervisory Board (SSB) members to include being responsible for the Shari'a compliance of the product or transaction from the product development stage, through to its implementation, carrying out a SSB evaluation, arranging for a continuous professional development program for Shari'a Scholars, putting in place a succession plan for the SSB members and enhancement of the disclosure rights of the Investment Account Holders, to name a few. We acknowledge the support of the Accounting and Auditing Organisation of Islamic Financial Institutions who are one of the drivers for standardisation in the Islamic Finance Industry. We also acknowledge the support of all of our

Task Force members and the Islamic Development Bank whose input has made it possible for us to compile and present this Policy Brief today.

“The regulation of Islamic Finance needs to be aligned with the regulation of conventional finance to the maximum extent while remaining consistent and compliant with Shari’a requirements. Research suggests that the global Islamic finance is in excess of USD 1.1 trillion, which is a growing portion of global financial markets. Islamic finance should be used in developmental and infrastructure projects as well and become an integral part of public finance instruments. This way, the Islamic communities can participate to their full advantage in mainstream international finance and capital markets.” He added.

Dr. Hussain Hamed Hassan, Chairman Fatwa and Shari’a Supervisory Board , Dubai Islamic Bank said: “I would like to commend the initiative by the Hawkamah team led by Dr. Nasser Saidi in coming up with the Policy Brief on Corporate Governance of Islamic Banks and Financial Institutions in the MENA region. This is a great first effort arranged on the basis of the feedback on the questionnaire received by the Hawkamah Task Force from various institutions. As the Islamic Finance industry itself is evolving on an ongoing basis, the Policy Brief will also see changes as and when felt necessary in order for it to remain a guiding source for the IFIs operating not only in the MENA region but also beyond it. I wish Hawkamah success in their efforts towards treating the Islamic Finance as the mainstream industry”.

Following the launch of this Brief, a series of workshop, training and awareness sessions will be organized by Hawkamah along with its partners on this initiative.