

I'm not robot!

	P-Value	F
ed regression vs Fixed Effect model	0.000	F
ed regression Vs Random Effect	0.184	F
el		n
lom Effect Vs Fixed Effect model	0.004	F

bove table suggested that fixed effect model is approp

els	P-Value	F
ed regression vs Fixed Effect model	0.826	F
ed regression Vs Random Effect	0.000	F
el		n
lom Effect Vs Fixed Effect model	0.218	F

ove table suggested that Random effect model is apprx

els	P-Value	F
ed regression vs Fixed Effect model	0.0264	F
ed regression Vs Random Effect	0.044	F
el		n
lom Effect Vs Fixed Effect model	0.000	F

Consumer Discretionary	Industrial	Energy
1.9%	10.7%	10.4%
0.2%	12.2%	15.8%
0.4%	6.9%	25.7%
0.8%	18.4%	49.9%
0.1%	11.3%	9.5%
0.9%	18.5%	9.6%
0.1%	9.3%	2.4%
0.7%	7.8%	1.6%
0.10%	21.6%	1.2%
4.8%	24.2%	0.0%

ined from <http://us.spindices.com/>.

International Standards for Islamic Finance	
AAOIFI - Introduction	
AAOIFI & IFRS - Comparison on structural objectives	
AAOIFI & IFRS - Categories of accounting standards for Islamic financial institutions	
AAOIFI & IFRS - Examples of main differences	
Adoption of AAOIFI Standards	
How AAOIFI Standards Support Islamic Finance Industry	

www.aaoifi.com

AAOIFI - Introduction	
Responsible for formulation and issuance of international Islamic finance standards.	
Has issued 68 standards: 25 accounting standards; 5 auditing standards; 6 governance standards (incl. on Shari'a supervision); 2 codes of ethics; and 30 Shari'a standards (rules for application of Shari'a).	
Also developing new standards and reviewing existing standards.	
Supported by over 165 institutional members from over 20 countries. Members include central banks and regulatory authorities; Islamic and conventional financial institutions; accounting and auditing professions; and Islamic financial support services providers.	
In order to support technical application of standards, AAOIFI offers the following professional qualification programs:	
- Certified Islamic Professional Accountants (CIPA), and	
- Certified Shari'a Adviser and Auditor (CSAA).	

Comparing the Concept of *Rahn* and Debenture in Islamic Finance Perspective

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ABSTRACT

Debenture is one type of security adopted by Islamic bank in Malaysia for commercial and corporate customers. Same as *rahn*, debenture as security is not a stand-alone product but it is a supporting contract linked to financing contract. This paper aims to compare the concept of *rahn* and debenture in Islamic finance perspective. This paper adopted qualitative paper that adopts Shariah resolutions of Bank Negara Malaysia (BNM) and Accounting and Auditing Organization of Islamic Financial Institution (AAOIFI) as references. However, this paper does not conduct a specific case from any Islamic bank which only focusing on library research. This paper found that, debenture as security is one type of modern security instrument which is based on *rahn* contract where the similarity rate between *rahn* and debenture is 77% (10 out of 13 elements). From the analysis, it shows that AAOIFI Shariah Standard No. (39) on Mortgage and Its Contemporary Applications is more comprehensive than BNM Policy Document of *Rahn*. Out of 13 Shariah requirements, AAOIFI manage to have clear resolution on 85% (11 requirements) while BNM only highlighted 69% (9 requirements). Therefore, industry player should ensure that product structure and legal documentations of debenture are in compliance with *rahn* Shariah as highlighted by BNM and AAOIFI.

Keywords: *Rahn*, Debenture, Security, Shariah.

1.0 INTRODUCTION

Debenture is one type of security requested by Islamic bank from their commercial and corporate customers. Other than debenture, there a few other types of security such as board director's guarantee, lien-security deposit, real estate mortgage and others. The benefit of having debenture is the recovery process is effectively faster where Islamic bank as debenture holder may liquidate customers' assets without having to go through the normal legal process (Mohammad Yusoff, 2002). Among the special characteristic of debenture is the pledgor is allowed to disposed debenture asset even it already being charged. Hence, the practice and nature of debenture as security is not similar with other normal security.

MUDARABAH

"Mudarahah" is a special kind of partnership where one partner gives money to another for investing it in a commercial enterprise. The investment comes from the first partner who is called "rabb-ul-mal", while the management and work is an exclusive responsibility of the other, who is called "mudharib".

The difference between *musharakah* and *mudarahah* can be summarized in the following points:

1. The investment in *musharakah* comes from all the partners, while in *mudarahah*, investment is the sole responsibility of the *rabb-ul-mal*.
2. In *musharakah*, all the partners can participate in the management of the business and can work for it, while in the *mudarahah*, the *rabb-ul-mal* has no right to participate in the management which is carried out by the *mudharib* only.
3. In *musharakah* all the partners share the loss to the extent of the ratio of their investment while in *mudarahah* the loss, if any, is suffered by the *rabb-ul-mal* only, because the *mudharib* does not invest anything. His loss is restricted to the fact that his labor has gone in vain and his work has not brought any fruit to him.

However, this principle is subject to a condition that the *mudharib* has worked with due diligence which is normally required for the business of that type. If he has worked with negligence or has committed dishonesty, he shall be liable for the loss caused by his negligence or misconduct.
4. The liability of the partners in *musharakah* is normally unlimited. Therefore, if the liabilities of the business exceed it's assets and the business goes in liquidation, all the exceeding liabilities shall be borne *pro rata* by all the partners. However, if all the partners have agreed that no partner shall incur any debt during the course of business, then the exceeding liabilities shall be borne by the partner alone who has incurred a debt on the business in violation of the aforesaid condition.

Contrary to this is the case of *mudarahah*. Here the liability of *rabb-ul-mal* is limited to his investment, unless he has permitted the *mudharib* to incur debts on his behalf.
5. In *musharakah*, as soon as the partners mix up their capital in a joint pool, all the assets of the *musharakah* become jointly owned by all of them according to the proportion of their respective investment. Therefore, each of

Aaoifi shariah standards stocks. Aaoifi shariah standards. Shariah compliant list. Aaoifi shariah standards 2018 pdf.

Institutions (AAOIFI) issued three final standards namely, AAOIFI Governance Standard (GS) 10, "Shari'ah Compliance and Fiduciary Ratings for Islamic Financial Institutions", GS 11 "Internal Shari'ah Audit for Islamic Financial Institutions", and GS 12 "Sukuk Governance". In 2018, the projects were initiated and completed the various phases of standards development process which starts from preparing the preliminary study and consultation notes to issuing the exposure draft for industry feedback. The standards were discussed substantively in several public hearings. AGEB deliberated on the comments received during the public hearings, and in writing. Accordingly, the board directed the secretariat to finalize and issue the standards. The "Shari'ah Compliance and Fiduciary Ratings for Islamic Financial Institutions" standard was presented in eight countries, namely: Bahrain, Pakistan, UAE, Saudi Arabia, Sudan, Oman, Malaysia, and Turkey, as part of the public hearing phase. The objective of the standard is to introduce and set out a principle-based guidance in Shari'ah governance and fiduciary ratings. It provides independent and comparable assessment based rating (or scoring) to the stakeholders with regards to an Islamic Financial Institutions (IFI), adherence to Shari'ah compliance, governance and fiduciary responsibilities. AAOIFI GS 11 is "Internal Shariah Audit for Islamic Financial Institutions". This standard is built on GS 3 "Internal Shari'ah Review" issued in 1999. Accordingly, it aims to supersede GS 3. The revised internal Shariah audit standard was presented in three countries, namely, Malaysia, Bahrain and Pakistan. It provides improved guidance on internal Shari'ah audit in IFIs and prescribes the compliance, quality control and ethical requirements, objectives and organizational structure along with the professional requirements with regard to the principal procedures, documentation and reporting for internal Shari'ah audit. On the other hand, AAOIFI GS 12 "Sukuk Governance" is part of a comprehensive Sukuk project that was initiated by AAOIFI in 2015 to develop and revise the standards on Sukuk, in line with the changes in the field over the last two decades. It provides detailed guidelines on Sukuk governance to the IFIs and corporates worldwide, by specifying a comprehensive framework for managing Sukuk issuance, management during investment and maturity / termination phases. This standard was presented in five countries, namely, UK, Morocco, Egypt, Pakistan, and Saudi Arabia. Dr. Ishrat Husain, AGEB Chairman, thanked all board members for their tremendous efforts. He added "It is expected that these standards will harmonize the industry practices and improve governance practices. I would like to emphasize on the exceptional performance of AGEB during the past year and to thank all board members for their outstanding contribution". He also thanked Mr. Omar Mustafa Ansari and other members of the secretariat for their continuous support. Sheikh Esam Ishaq, AGEB deputy Chairman, stated "We are pleased to issue these standards which cover key areas and expect that they will contribute toward better standardisation and harmonisation of the global Islamic finance industry. Additionally, we are confident that they are in line with best practices and should support a more wholesome growth of the industry globally". Mr. Omar Mustafa Ansari, Secretary General, AAOIFI stated: "On behalf of AAOIFI and its board of trustees we would like to thank AGEB members for the term (2015-2019) for their support, effort and valuable contribution. He added "Sixteen public hearings were held in eleven countries as part of the public consultative phase of the three standards development process. These standards are expected to strengthen public and stakeholders' confidence in the Islamic finance industry". The three standards can be accessed through the following link: The Accounting and Auditing Organization for Islamic Financial Institutions(AAOIFI) is an Islamic international autonomous non-for-profit corporate body that prepares accounting, auditing, governance, ethics and Shari'a standards for Islamic financial institutions and the industry. Professional qualification programs (notably CIPA, the Shari'a Adviser and Auditor "CSAA", and the corporate compliance program) are presented now by AAOIFI in its efforts to enhance the industry's human resources base and governance structures. The Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) has issued financial accounting standard (FAS) 1 (Revised 2021) 'General Presentation and Disclosures in the Financial Statements', FAS 39 'Financial Reporting for Zakah', and FAS 40 'Financial Reporting for Islamic Finance Windows'. The revised FAS 1 supersedes the earlier FAS 1 General Presentation and Disclosures in the Financial Statements of Islamic Banks and Financial Institutions and introduces the concepts of quasi-equity, off-balance-sheet assets under management and other comprehensive income to enhance the information provided to the users of the financial statements. FAS 39 improves upon and supersedes FAS 9 Zakah and aims at setting out the accounting treatment of Zakah in the books of the institutions, including the presentation and disclosure by an Islamic financial institution. The objective of FAS 40 is to establish financial reporting requirements for Islamic finance windows and is applicable to all conventional financial institutions providing Islamic financial services through an Islamic finance window. The standard improves upon and supersedes FAS 18 Islamic Financial Services Offered by Conventional Financial Institutions. More information on the standards is available through the press releases on the AAOIFI website: Press release on FAS 1 Press release on FAS 39 Press release on FAS 40 Download This Article This work is licensed under a Creative Commons Attribution 4.0 International License. Abstract The uniqueness of Islamic banks (IBs) is shown through compliance with Islamic law (Sharia) which is approved through Sharia Supervisory Board (SSB) and presented for stakeholders by Sharia Supervisory Board Report (SSBR). This study seeks to achieve three main objectives as follows: (1) it identifies the degree of IBs' transparency in compliance with Sharia and their commitment with the governance standards that issued by Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI); (2) it aims to measure the impact of adoption AAOIFI on the degree of Sharia disclosure; and (3) it seeks to test the economic consequences of Sharia disclosure based on its impact on financial performance. We analyse content of annual reports and websites of 120 IBs across 20 different countries for year 2016. Regression analysis shows compliance level for Sharia disclosure based on our index for SSBR is 53% with higher level compliance for IBs that apply AAOIFI standards comparing with banks that adopting International Financial Reporting Standards (IFRS). Therefore, adopting AAOIFI has a positive effect on enhancing the degree of Sharia disclosure. Moreover, Sharia compliance has a positive influence on financial performance based on both Returns on Assets (ROA) and Tobin's Q as a robustness test. This study adds value to Islamic accounting literature by being a primary study. There is a lack of research on the topic and this paper measures the consequences of Sharia disclosure over the financial performance of IBs as well as the role of Islamic standards (AAOIFI) in enhancing the image of Islamic banks through supporting their compliance with Sharia. Keywords: Sharia Disclosure, Economic Consequences, Islamic Banks, Financial Performance, AAOIFI Governance Standards JEL Classification: G21, G34, M410 Received: 30.11.2018 Accepted: 15.01.2019 Published online: 04.02.2019 How to cite this paper: Albarrak, H., & El-Halaby, S. (2019). AAOIFI governance standards: Sharia disclosure and financial performance for Islamic banks. Journal of Governance & Regulation, 8(1), 19-37. Fiqh of Financial TransactionsIslamic Finance & BankingShariah and Banking Supervision AAOIFI Sharia'a Standards 2018 - English version In Historic Move, #AAOIFI, Under Sponsorship of SABB's Financial Services, Provides Free Access to Online Version of its Shari'ah Standards At the headquarters of the Saudi-British Bank (SABB) in Riyadh, an official signing ceremony has been held to inaugurate an agreement with the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) whereby the Arabic and English online versions of AAOIFI's Shari'ah Standards will be exclusively sponsored by SABB for two years. The content of Shari'ah standards so far issued, in both languages, will be accessible and downloadable for personal use through AAOIFI's website and social media portals. This will include any yet to-be issued, reviewed or updated Shari'ah standards, in both languages, up to 1 January 2020. #AAOIFI will initiate today the process of making these standards available and downloadable in a PDF format (at the following link). Very soon later, these standards will also be available in a variety of digital formats including an e-book format, and via popular online bookstore portals along with several technical features (such as search function) which will be sequentially phased in over the course of the near future. The whole version or a selected number of the standards will be downloadable for a better access and wider usability. On this occasion, HE. Mr. Ali Bin Mashhoor Al Qahtani, Head of Shari'ah Affairs, SABB, stated: "No doubt that AAOIFI's Shari'ah standards ranks amongst the best compilations of contemporary Fiqh reasoning. They have become the utmost authority in areas of Shari'ah for the broader Islamic finance industry and its banks and institutions around the globe. Therefore, SABB's Financial Services is keen to provide support to this great feat, as reflected in our sponsorship of the hard copy of the standards almost three years back. Again now, we are pleased to reveal this good news about the digital version for the broader industry, scholars and researchers, and which we hope will carry a substantial, positive impact". In this regard, H.E Shaikh Ebrahim Bin Khalifa Al Khalifa, Chairman, AAOIFI's Board of Trustees, extended thanks to SABB's Financial Services for their great initiative and partnership with AAOIFI. He also added that: "AAOIFI always thrives, and ahead of time, to cater for and live up to the Islamic finance industry's aspirations and expectations as manifested in the development of its activities and standards. It does its utmost to come up with well drafted standards, both quantitatively and qualitatively, and also to allow a wide access to this outstanding set of standards and to maximize potential benefits and outreach. This landmark agreement, which makes the online version of Shari'ah standards available to the public for download and personal use, embodies all these aspects.

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