كلمة للمجلس

Islamic Finance Industry، Where To??

Mohamed Ben Youssef
Acting Secretary General

As per all financial indicators، the Islamic Finance Industry is doing well in the global Islamic financial system. Its achievements، in a very short period of time compared to conventional finance، are worth highlighting wherever and whenever possible: in the books، researches، forums، seminars، conferences، workshops and meetings.

The elementary difference between Islamic financial system and conventional financial system is Shariah supervision. Such a characteristic is also an additional major risk، aside from the known risks (Credit risk، operational risk and market risk)، for Islamic financial institutions which conventional financial institutions do not face.

However، some indicators should be taken into account for the coming period.

Does the current status of Shariah supervision meet the requirements of the Islamic finance industry? Are there any challenges facing the industry in terms of Shariah supervision?

CIBAFI، since its first inception، has been keen on keeping records of the Islamic financial data for more than 12 years now through issuing annual GCC and global directories covering financial and administrative data for all Islamic financial institutions.

Islamic banks are only part of this financial system. They represent almost 40% of the whole Islamic financial system. Every Islamic bank is required، according to central banks regulations، to have a sharia supervisory Board to control and make sure that its transactions are Shariah-compliant.

One of the main challenges facing the field of Shariah supervision is the number of scholars، said to be very limited. However، the new graduates are flowing into the industry in huge numbers every year، and the number of people getting involved in this field is growing on a daily basis.

Where do all these people go، then?

Is it really the number of scholars that matters، or the quality of scholars، or is it the scholars themselves? Or is it something totally different?

According to the report issued by the General Council for Islamic Banks and financial institutions in 2010، the number of Sharia scholars covered by the report amount to 621 scholars distributed over 40 countries and occupying 1767 positions in Shariah Boards within 478 financial institutions (Islamic Banks, Takaful companies, Islamic windows, investment companies, consultancy companies Fiqh Academies, investment funds…)

The number of Islamic Banks represents 48% of these institutions followed by Takaful companies with 17%, investment funds with 15%, Islamic windows with 13%, and 7% for the remaining sector.

According to the report, the top 20 Shariah members, representing but 3% of the total number of scholars, occupy 708 out of 1767 positions which represent 40% of the total number. These twenty scholars are distributed over 26 out of 40 countries within 287 out of 478 institutions.

The top ten Shariah members occupy 510 positions, and the top five occupy 371 positions.

The top Shariah scholar occupies 104 positions in Shariah Boards, followed by 94 positions for the second scholar, and 87 positions for the third scholar.

As per the industry requirements, if we presume 3 members per Shariah board per institution, the industry requirements of Shariah scholars will amount to 1434 scholars, so that each scholar occupies only one position in the 478 existing Sharia Boards.

The question raised now is: How can these scholars manage to be over 40 countries and attend the meetings scheduled?

If presumably we consider the first scholar who occupies 104 memberships in Sharia Boards. If he attends four meetings a year over 26 countries, he is required to attend 416 meetings a year. This means that he should attend more than a single meeting per day, in 26 countries.

Is it really a matter of shortage in the number of scholars available? Or is it simply a kind of monopoly practiced by these scholars? Where is the second generation of scholars? Why aren't they taking part in these Shariah Boards?

The whole issue needs regulatory authorities' attention to prevent any abuse whatsoever!! The number of memberships has to be limited; the new generation of Shariah scholars should be given the opportunity to penetrate this segment.

For the best of the industry, decision makers and Islamic finance industry market practitioners have to do their best to avoid any conflict of interest, any Shariah risk that the institution may be exposed to, in order to assure more independence, more credibility and transparency to the industry…

God Bless the Ummah...