

Exposure Draft (ver. 1) of the
Code of ethics for Islamic finance professionals

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The “Code of ethics for Islamic finance professionals” is set out in paragraphs 1 – 48
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Preface

“بُعِثْتُ لِأَتَمِّمَ حُسْنَ الْأَخْلَاقِ”

Prophet Muhammad (peace be upon him) said: “I was sent to perfect good character.”¹

- PR1 Human beings are blessed with an innate sense of right and wrong and the freewill to make a choice. This innate sense is augmented through divine guidance in the form of Holy Books and Allah’s messengers as role models, all the while informing us that every individual is being tested on their choices made in this world, on which depends their ultimate success (or failure) in the hereafter.
- PR2 Islam regards ethical conduct as a pre-requisite for man’s ultimate success manifested through contentment in this worldly life and eternal bliss in the hereafter. In this world, unethical practices may lead to temporary gains, but it is difficult to envisage those gains to sustain and continue into the long-term.
- PR3 Given that Prophet Mohammad (peace be upon him) was sent to ‘perfect good character’, it is appropriate to state that ethics is the soul of Shari’ah. One cannot claim conformity to the letter and spirit of Shari’ah in the absence of good ethics. For an Islamic finance professional, it is essential to follow the ethical codes embedded in and set out by the Shari’ah and also follow the law.
- PR4 An effective way to conceptualize ethics is through the lens of Adl (justice) and Ihsaan (excellence), where the former is to be seen as mandatory conduct while the latter voluntary. Failure to achieve and maintain Adl results in Zulm (injustice). Such is the interplay between the concepts of Adl and Ihsaan that one cannot maintain Adl on continuing basis unless one actually pursues Ihsaan. This implies that constant pursuit of excellence in ethics is what is required in Islam, as opposed to a minimalist, checklist-based approach. One ought to make proper investment of time, effort and money to ensue ethical conduct at all times.

¹ al-Muwatta Book 47, Hadith 1643

Introduction

Overview

- IN1 Ethics is not just about doing the right thing; it is about doing the right thing with the right intention and the right mindset, in the right manner, even when not being observed and to the best of one's capability. Being ethical also involves reaching out to and engaging with others positively, in a prudent and effective manner, by encouraging them to behave ethically. In other words, ethics is about internalizing specific beliefs and virtues and externalizing them to exhibit certain behaviors.
- IN2 The executable and the operative part of the code is set out in two parts:
- part 'A' comprises of the Adl and Ihsaan equation, the Ethical virtues and the Ethics protocols which together provide Islamic finance professionals the conceptual framework to understand what constitutes as ethics and how to make ethical decisions; and
 - part 'B' discusses how the conceptual framework shall be applied in real world. Islamic finance professionals shall uphold the proposed ethical virtues and achieve and maintain Adl as a mandatory requirement by avoiding violations of those virtues. The violations cover a broad spectrum including those related to transactions (e.g. conflict of interest), culture (e.g. backbiting), leadership or management (e.g. discrimination), interpersonal (e.g. harassment) and personal (e.g. disloyalty). (See Fig. 1).

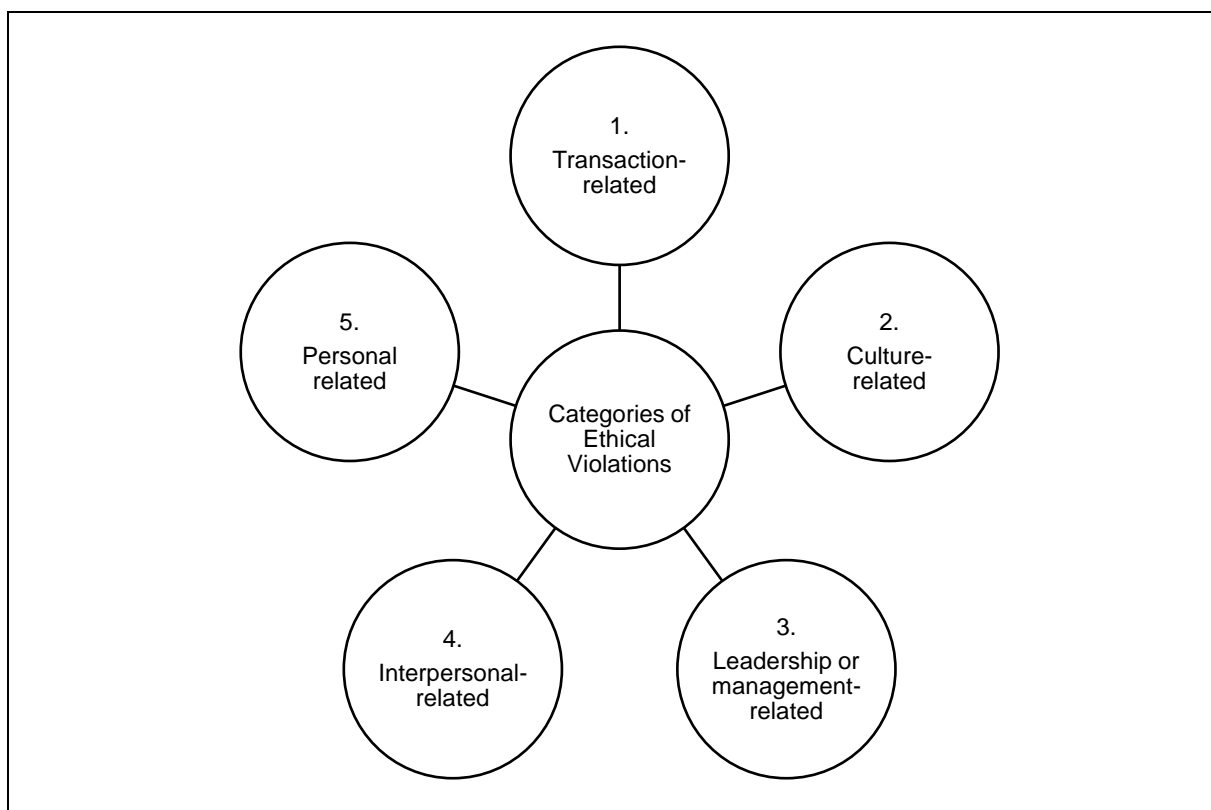


Fig. 1: Broad categorization of ethical violations

- IN3 The non-executable or the non-operative part of the code is also set out in two parts:
- a. part 'C' discusses the various proposed ideals within each of the given ethical virtues which an Islamic finance professional may aspire for on a voluntary basis in their pursuit to achieve Ihsaan or excellence in ethics; and
 - b. this code is also accompanied with a 'Handbook'² which shall serve as supplementary reference material to explain the violations of the ethical virtues for enhanced understanding and improved application. It shall consist of the following sections:
 - i. the 'Worldview' underpinning the code;
 - ii. role-based 'Checklist' for voluntary self-evaluation;
 - iii. undertaking for self-accountability; and
 - iv. real-world and hypothetical case studies / examples to help the reader navigate through ethical dilemmas effectively.

IN4 The visual depiction of the code is in Fig. 2.

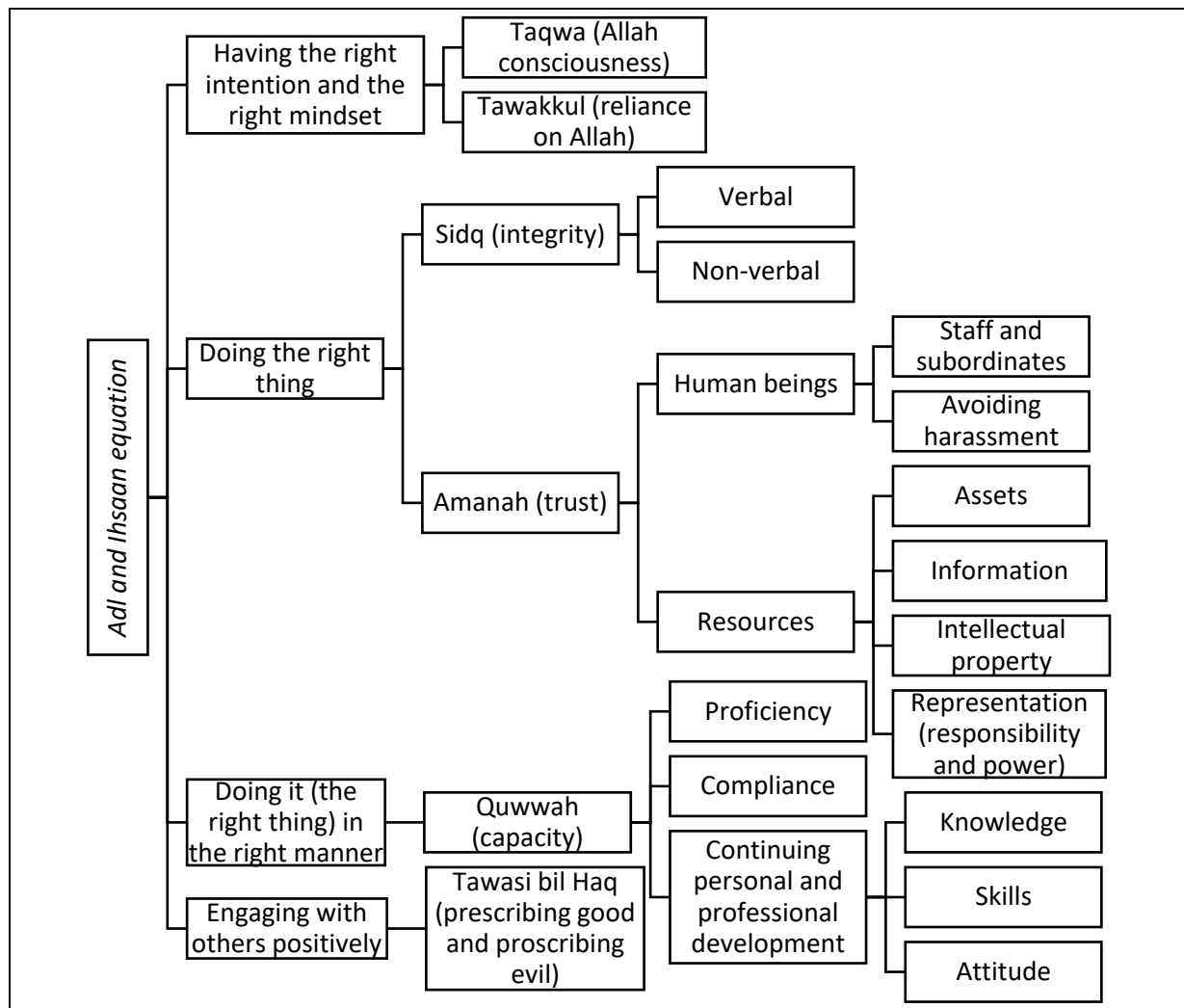


Fig. 2: Visual depiction of the code

² The development of the Handbook is in process and shall be made available shortly.

Rationale for issuing this code

- IN5 Given that the previous codes of ethics issued by AAOIFI were two decades old and that the global Islamic finance industry had taken great strides since then, that too in different directions, and places, there was a pressing need to either update / revise the existing code or develop a new one to adequately address the ethical needs and challenges of and to provide detailed guidance for ethical behavior to the Islamic finance professionals. It was decided that a new code of ethics would be developed the contents of which to be based on the results of primary research.
- IN6 The decision for developing a separate “Islamic” code of ethics as opposed to either referring to an existing conventional code or tweaking an existing conventional code from the Shari’ah perspective, despite knowing that a large common ground exist between Islamic and conventional ethics and the exercise may result in reinventing of wheel, was to duly accommodate the vast implications imposed by some unique concepts grounded in revelation. For example, the belief in Akhira (hereafter) leads to the concept of a higher level of accountability beyond this world. It is difficult to imagine how a person can be motivated to act ethically even when not being observed or when the fear of being caught is non-existent, without such a concept. Similarly, Islamic ethical values such as earning income from Halal sources, moderation in spending and avoiding extravagance, refraining from social evils such as backbiting, slander, arrogance, excessive greed, etc. all contribute to the uniqueness of this code.

Significant changes from previous code

- IN7 The new code of ethics for Islamic finance professionals is an attempt to improve upon the previous codes issued by AAOIFI in terms of:
- a. better and more comprehensive understanding of the concept of ethics;
 - b. structuring of the code in a simple and easy-to-understand format; and
 - c. inclusion of helpful guidance to facilitate its implementation.

AAOIFI Ethics

Code of ethics for Islamic finance professionals

Objectives of this code

1. This code seeks to achieve the following key objectives:
 - a. to assist Islamic finance professionals in understanding the demands of ethical conduct and choosing the right course of action in an ethical dilemma;
 - b. to encourage Islamic finance professionals to pursue ethics voluntarily and also become role models of ethical behavior for others;
 - c. to safeguard the reputation of the Islamic finance industry and reinforce the perception among the general public that the industry follows the highest ethical standards; and
 - d. to help the Islamic finance industry and Islamic finance professionals achieve Barakah by following the letter and spirit of Shari'ah.

Scope of this code

2. This code shall apply to the following professionals (collectively referred to as the Islamic finance professionals) who shall be held accountable for their ethical conduct in their respective individual capacities:
 - a. employees, directors, members of the Shari'ah Supervisory Board, and those of other committees / boards, as well as contracted employees and agents for marketing, sales, and service delivery;
 - b. AAOIFI fellows and candidates, as well as the members of the AAOIFI technical boards and working groups, irrespective of their professional affiliations, in addition to the code of ethics for AAOIFI Associated Professionals; and
 - c. Islamic finance service providers and consultants such as auditors, Shari'ah auditors, outsourced service providers, rating service providers and / or others as required by the relevant AAOIFI standards. The auditors, in addition to this code, shall also comply with the IESBA code of ethics.
3. While this code is primarily meant for Islamic finance professionals working in the financial sector, all other key stakeholders such as the regulators, customers, investors or service providers (e.g. suppliers, consultants, brokers, etc.), and particularly the Shari'ah-compliant or Halal businesses, may find it relevant and useful.
4. This code does not address the Shari'ah-compliance aspect of the IFIs' products, transactions, operations, and policies, which is the subject of other standards issued by AAOIFI such as the Shari'ah, Accounting, Auditing, and Governance standards.
5. It must be emphasized that non-applicability of this code does not give a license to anyone to indulge in unethical conduct under any circumstances.

Authority of this code

6. In the event of a real or perceived conflict between the requirements and provisions of this code and any other applicable code(s) of ethics developed internally by the IFI, the local regulator, or those issued by international professional bodies or standard setting institutions, etc., which the IFI has also adopted as the official code – all such codes shall be considered superseded by this code if:
 - a. they are less stringent in a given matter; and / or
 - b. they contravene or are inconsistent with the principles and rulings of Shari’ah as established by an authority.
7. In the event of non-compliance to this code by the AAOIFI Fellows, the AAOIFI Education Board may subject the violator to disciplinary action after giving him due opportunity to explain if and why the violation occurred. The disciplinary action shall be proportionate to the nature, materiality and frequency of the violation(s) committed. The violator shall have the right to appeal against the disciplinary action in which case the decision of the Ethics Committee of the AAOIFI Governance and Ethics Board shall be deemed final, conclusive and binding. The disciplinary action may include any or a combination of the following:
 - a. issuance of a letter of reprimand or warning letter;
 - b. compulsory passing of an ethics exam to be conducted by AAOIFI, failing which may lead to temporary or permanent revocation of the AAOIFI fellowship;
 - c. public censor;
 - d. temporary revocation of the fellowship; and / or
 - e. permanent revocation of the fellowship.
8. In case the law or applicable regulation prevents or prohibits the Islamic finance professional from complying with certain parts of this code, he shall comply with the other remaining parts of this code.

Definitions

9. In this code, the following words and expressions are defined as follows:
 - a. Adl – is the concept of minimum benchmark of ethics the conduct of which is mandatory. Literally, the term means or implies to put something in its rightful place and includes the meaning of justice, equity, fairness, non-discrimination, equality and balance;
 - b. Barakah – is the increase in quantity and / or quality of Allah Almighty’s blessings or endowment via unseen and unpredictable ways or a sign of His care for one’s life, time, health, possessions and / or income;
 - c. ethically defensible decision – is a decision which can be defended and justified as an ethical decision after meeting certain criteria;

- d. IFI³ -- refers to Islamic Financial Institution(s) which covers all entities undertaking financial dealings and transactions in accordance with the principles of Shari’ah;
 - e. Ihsaan – is the concept of achieving excellence in ethics, the conduct of which is voluntary, optional, recommended or encouraged. The term ‘excellence’ means doing something in a manner which in given resources or circumstances cannot be done better;
 - f. Islamic finance professionals – is as defined in paragraph 2;
 - g. law – is a system of rules which a particular country or community recognizes as regulating the actions of its members and which it may enforce by the imposition of penalties and / or other means. A law of the land is to be abided by as long as it does not contravene the Shari’ah; and
 - h. Zulm – is the absence of Adl in any form, degree or scale, and an opposite of Adl. It means violation, transgression, injustice, oppression, tyranny, immorality, etc. Literally, it means to put something in a place other than its correct place.
10. All other terms used shall have the same meaning as assigned to them in respective AAOIFI standards.

Part A – Conceptual framework

AAOIFI Adl and Ihsaan equation

11. An Islamic finance professional shall maintain all four elements of the AAOIFI Adl and Ihsaan Equation (*see Fig. 3*) which are: (i) having the right intention and the right mindset; (ii) doing the right thing; (iii) doing it in the right manner; and (iv) engaging with others positively. He shall:
- a. have the right intention and the right mindset by doing everything for the sake of Allah Almighty with the objective to gain His, and only His, pleasure and reward and to avoid His, and only His, wrath and punishment, as well as being positive and hopeful of Allah Almighty’s will and decree concerning one’s life;
 - b. do the right thing by doing all that which is ascertained and sanctioned to be good, virtuous, and ideal by Shari’ah. A worldly law which is not repugnant to Shari’ah must also be followed;
 - c. do the right thing in the right manner i.e. proficiently to the best of one’s capability, at the right time, and consistently, by:
 - i. pursuing and maintaining excellence in one’s field of expertise on an ongoing basis to ensure proficient execution of tasks to the best of one’s capability;
 - ii. doing it at the right time⁴, especially in a bid to prevent possible unethical situation from happening or to control a bad situation from turning worse and ultimately becoming a crisis; and

³ See Framework for Financial Reporting by Islamic Financial Institutions, Basis of Conclusions, Accounting, Auditing, and Governance Standards (2015), AAOIFI

⁴ And if failed to do so, make amends and rectify the past mistake as much as possible

- iii. doing it consistently, whether in public or in private, even when not being observed;
- d. engage with others positively and try to influence the behavior of those within their circle of influence (such as colleagues and coworkers). This may involve persuading them wisely to do the right thing and avoid the wrong as well as presenting a role model through self-conduct. Choosing to remain silent with an attitude of neutrality or indifference towards gross violations of ethics is also a violation of this code.

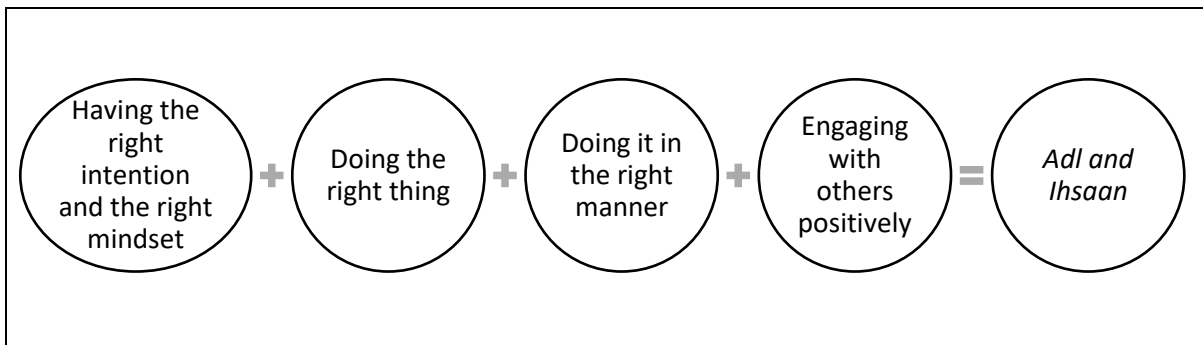


Fig. 3: The Adl and Ihsaan equation

AAOIFI Ethical virtues

12. An Islamic finance professional shall, while maintaining the four elements of the Adl and Ihsaan equation, uphold, in the context of their own roles and duties, the following six ethical virtues as described in paragraphs 12a to 12f:
 - a. Taqwa (Allah consciousness) – have consciousness and remembrance of Allah Almighty such that it results in His obedience and in an event of disobedience, immediate repentance;
 - b. Tawakkul (reliance on Allah Almighty) – trust Allah Almighty’s will and decree and be content with the outcome after having optimally exhausted all available and accessible resources at hand, given the situational constraints, while striving for a stated desired goal;
 - c. Sidq (integrity) – achieve consistency and persistence in, as well as, harmony between beliefs, intentions, words and actions, whether actual, perceived or potential;
 - d. Amanah (trust) –honor and fulfill the duties, powers and responsibilities associated with one’s role, rank, position and status, including safeguarding the resources given in one’s command as trust;
 - e. Quwwah (capacity) – have, on a continuing basis, the intellectual and / or physical power, strength, or capability at a level required for the fulfillment of a responsibility or execution of a task; and
 - f. Tawasi bil Haq (prescribing good and proscribing evil) – encourage others to do good and avoid evil such as unethical beliefs and acts in a knowledgeable, just and prudent manner through the use of authority, power and / or influence.

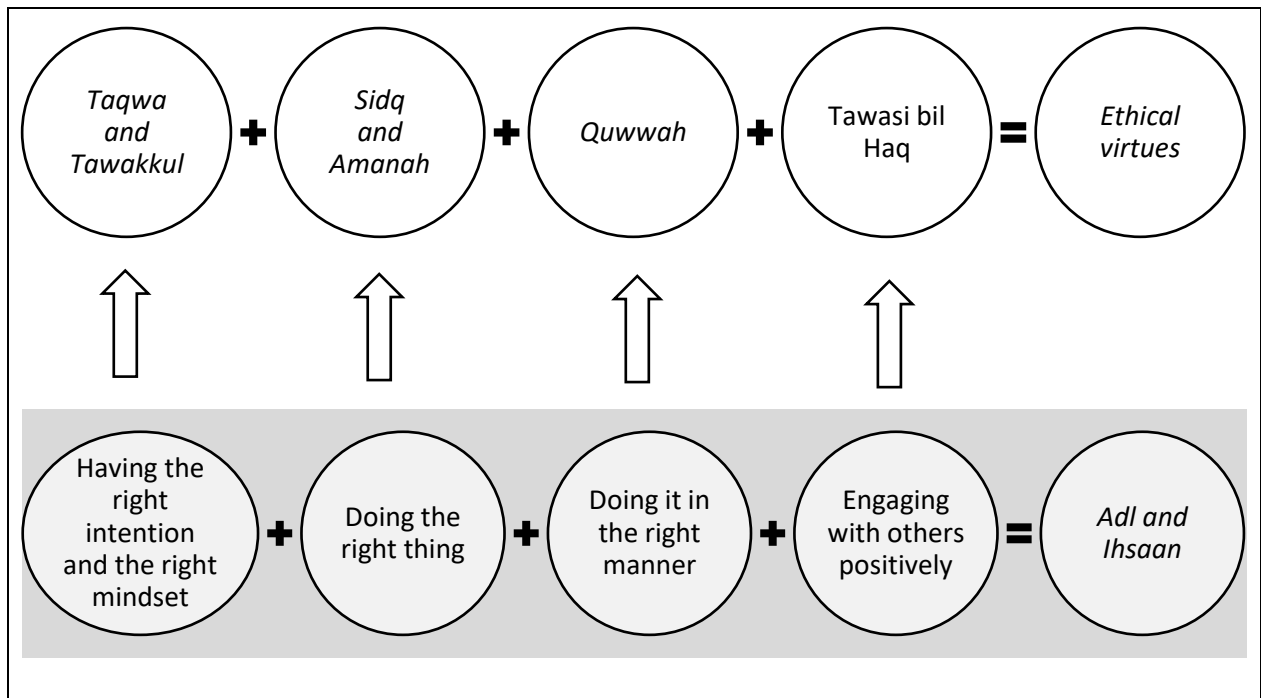


Fig. 4: The interplay of the Adl and Ihsaan equation with the ethical virtues

AAOIFI Ethics protocols

13. An Islamic finance professional shall make ethically defensible decisions by upholding the following ethics decision-making protocols:
 - a. to make decisions which are compliant with the Shari’ah, the law, this code and the policies of the IFI;
 - b. not to pursue one’s own interests to the detriment of those that the Islamic finance professional has a duty to serve, i.e. the general public, the Islamic finance profession, the customer, the employer, etc. In case of a conflict between the interests of various stakeholders, the public interest takes priority and precedence over all other interests, followed by the interests of the Islamic finance profession, the customer, and then the employer. The Islamic finance professional’s own interest shall be subservient to the interests of others;
 - c. to consult with the relevant authority or experts for guidance and to build support and consensus instead of taking unilateral decisions. In case of soliciting external guidance, discretion and diligence should be exercised to safeguard confidential information belonging to and the reputation of the IFI; and
 - d. the research involved in formulating the basis of conclusion and making the decision must be properly documented and retained for a reasonable time period.

14. An Islamic finance professional shall respond to an ethics violation by upholding the following ethics violation-escalation protocols:
- a. due diligence in reporting a violation – before officially reporting an ethics violation, the Islamic finance professional shall:
 - i. clearly identify and recognize the conduct as an ethical violation of this code or any other code or policy, as applicable. The violation could be of any nature, financial or non-financial, manifested through a policy or a practice and involving interests of any of the key stakeholders;
 - ii. gather and document reasonable proof or evidence of the violation and shall not escalate the issue without it;
 - iii. seek advice or guidance from the relevant designated authority of the IFI in case of any ambiguity or uncertainty in the ethics reporting process or requirements; and
 - iv. establish and confirm the act of reporting of the violation as an ethically defensible decision;
 - b. officially reporting the violation – having performed the due diligence, the Islamic finance professional shall:
 - i. pursue informal resolution of the violation if the violation does not financially involve and affect the IFI or a third party, is minor in severity, and the fear of retaliation is low or non-existent. In such a case, the Islamic finance professional shall, in the first instance, take matters up directly with the accused, either personally or after involving a neutral party as an arbitrator with the permission of the accused. However, if the probability of retaliation is high or the matter financially involves the IFI or remains unresolved or deteriorates further, the Islamic finance professional is duty bound to escalate and report the violation to the relevant designated authority;
 - ii. pursue formal resolution of the violation as per the IFI policy and through the official violation reporting channels for matters financially involving and affecting the IFI or a third party and major in severity. The relevant authority may contact the concerned Islamic finance professional and solicit further details or clarifications regarding the reported violation, if needed; and
 - iii. have the right to blow the whistle by releasing confidential information about the IFI involving a major legal breach or a gross ethical violation to an external third party which could be the regulator or any other relevant government agency. Whistleblowing is permitted only after having exhausted all available internal channels of reporting and if the issue still remains unresolved by the IFI.

Part B – Illustrative violations

Taqwa

15. An Islamic finance professional shall not violate the ethical virtue of Taqwa. He shall maintain Adl by not indulging in, for instance, the following violations as described in paragraph 15a to 15c:
- a. ithm (sin) – willfully and intentionally performing acts of sin which are forbidden by Allah Almighty;
 - b. udwaan (transgression) – transgressing the limits of Shari’ahl and
 - c. ghafla (heedlessness) – consciously being unmindful and neglectful in the remembrance of Allah Almighty and the rights and duties owed towards Him, mainly due to excessive love of the world.

Tawakkul

16. An Islamic finance professional shall not violate the ethical virtue of Tawakkul. He shall maintain Adl by not indulging in, for instance, the following violations as described in paragraph 16a to 16d:
- a. belief in ‘end justifies the means’ mantra – believing that the desired result is so good or important that any method, even unethical or illegal, may be used to achieve it;
 - b. lack of perseverance – lacking in continued effort to do or achieve something, such as not taking projects to conclusion because of setbacks, difficulties, failure, opposition, or losing hope in Allah Almighty;
 - c. abuse of resources – under- or over-utilizing available and accessible resources to achieve a stated desired goal; and
 - d. hopelessness – abandoning any expectation or possibility of better situation or success.

Sidq

17. An Islamic finance professional shall not violate the ethical virtue of Sidq. He shall maintain Adl by not indulging in, for instance, the following verbal and non-verbal violations:

Verbal violations

18. The verbal violations of the Sidq virtue are defined as follows in paragraph 18a to 18r:
- a. lying – intentionally saying something which is not true with the intention to deceive the other;
 - b. exaggeration – mixing truth with falsehood such that it represents something as better or worse than it really is;
 - c. paltering – using truthful facts to deceive;
 - d. plagiarism – taking someone else’s work or ideas and passing them off as one’s own;
 - e. empty promises – making a promise knowing that it will not or cannot be carried out;

- f. leading statements – making manipulative statements to move the other person to agree to something without even them realizing it;
- g. putting words in someone else’s mouth – suggesting that someone said or meant something that he did not actually say or mean;
- h. false oath – the making of false statements knowingly and intentionally under oath;
- i. opining without knowledge - giving opinions and advice on matters outside of one’s knowledge;
- j. rumor mongering – disseminating news or story about someone or something without ascertaining its truthfulness;
- k. generalizing from few examples – making something look or feel more widespread or widely acceptable by inferring from few examples, all in a bid to deceive;
- l. quoting out-of-context – removing the contextual words or events that give something its complete, original or genuine meaning;
- m. making invalid comparisons – comparing one thing to another that is unrelated, in order to make one thing look more or less desirable than it really is;
- n. oversimplification – simplifying to such an extent as to bring about distortion, misunderstanding or error;
- o. slander – saying something substantially untrue about someone in their absence knowing that they would be distressed if they were to find out;
- p. mixing fact with opinion – intermingling fact with opinion or viewpoint in such a manner that the two become indistinguishable; or posing opinions as facts;
- q. intentional ambiguity – being deliberately unclear about what one means when speaking (or writing) with the objective to deceive; and
- r. half-truth – making a statement that conveys only part of the truth while representing it, explicitly or implicitly, as the whole truth, to lead the other person to a false conclusion.

Non-verbal violations

19. The non-verbal violations of the Sidq virtue are defined as follows in paragraph 19a to 19i:
- a. unfair discrimination – treating a person or a group of people less fairly than other similarly situated people or groups, only on the grounds of faith, race, nationality, marital status, gender, age, social and financial status, etc.;
 - b. stereotyping – holding an over-generalized belief about a category of people assuming it to be true for each individual person in the category;
 - c. hypocrisy – pretending to be what one is not; saying something what one does not believe in; or doing something that contradicts what one claims to believe or feel.;
 - d. misrepresentation – exercising authority beyond the scope, mandate or Terms of Reference (TOR); it may also involve gaining information under false pretenses and affecting the other party’s decision in agreeing to a contract or transaction. To avoid misrepresentation, consider the following check posts:

- i. representation – establish whether the representation was actually made as either existent or non-existent where existent representation is typically in the form of words, written or oral. However, conduct may also be construed as representation in some cases;
- ii. inducement – an existent representation must induce the other party to some action or inaction which results in a loss. Establish such inducement as either intentional or unintentional. Unintentional inducement can be as a result of gross negligence or honest mistake where the former is a case of misrepresentation while the latter is not. In the case of gross negligence, the party inducing could have done so believing that the representation was true but since he did not take reasonable care, conduct due diligence, or through sheer incompetence, he is still deemed guilty of misrepresentation. However, if due diligence was carried out and yet misrepresentation occurred, that should be construed as an honest mistake;
- iii. falsity – establish whether the representation having intentional inducement is true or false. In case the representation is true, then there is no misrepresentation. False representation can be through words (written or oral) or by way of conduct; and

[Explanation:

- I. speaking half-truth (i.e. by not disclosing all the important information which creates false or misleading impression in the mind of the other person based on which he takes a decision) or providing incomplete information or simply speaking blatant lies is misrepresentation;
- II. moreover, if a person says something which at the time of speaking is true but later the situation and circumstances change, rendering it false and the other party is not informed or updated about it, then that may also constitute as misrepresentation especially if a duty to disclose exists;
- III. typically, opinions are not considered as misrepresentation. However, if the other party is inexperienced, susceptible to misinterpretation of opinions as facts, or has reasonable belief to assume that the person making the representation is stating facts and not opinions, then even though the person might be stating an opinion, it will nevertheless be treated as a fact, and considered misrepresentation. For example, if a lawyer or an investment specialist is giving advice to a layman, the professional is obligated to clearly separate facts from opinions otherwise his opinions may be treated as facts which could result in misrepresentation;
- IV. similarly, making predictions or future promises may also be treated as misrepresentation but only when the person doing so is in possession of certain past or present facts which clearly contradict the prediction or promise. Having superior or exclusive knowledge

of those facts and yet making contrary statements could result in misrepresentation;

- V. if a person conceals a fact or a truth or prevents or hinders the other party from discovering it on his own, then such a conduct may also lead to misrepresentation even though not a single word was spoken or written;
 - VI. similarly, non-disclosure may also be problematic especially if the person has a duty to disclose (e.g. having fiduciary relationship) in which case there is an obligation to make full and fair disclosure in good faith to the other party, failure of which is misrepresentation. Moreover, if the person knows that the other party is grossly ignorant or grossly mistaken about basic material facts, then he has a duty to disclose, failure of which may be construed as misrepresentation; and
 - VII. Also, if a person does not have the authority to enter into a deal, represent his organization, or make promises, etc. and yet he does so, then that would also be misrepresentation.]
- iv. materiality – a representation may be false but not necessarily be construed as misrepresentation until its materiality is determined as significant or trivial. Trivial or unrelated misrepresentation is ignored while significant materiality is one which serves as a primary or key influence or inducement for the other party to base his decision;

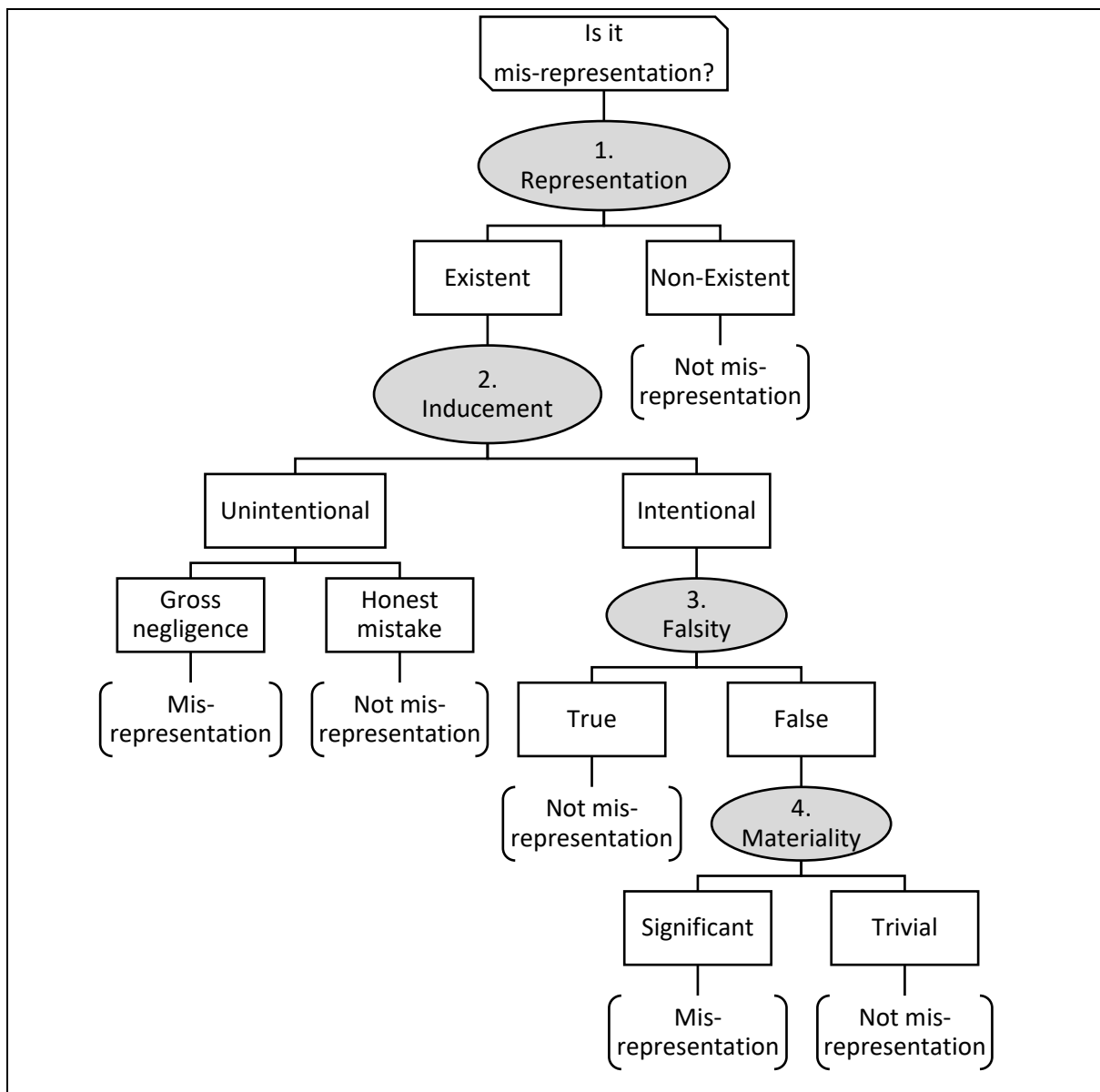


Fig. 5: Misrepresentation

- e. mis-selling – deliberately selling a financial product or a service to someone who does not understand / need / afford it, and as a result is likely to fail to make a rational, informed choice. To avoid mis-selling of financial products and / or services, consider the following check posts:
 - i. suitability – establish the suitability of the financial product or service for the customer as either suitable or unsuitable, where suitable is one in which the investment strategy, after having considered all available alternatives, is appropriate to the customer’s risk/return objectives and financial situation. Suggesting a product that is clearly not in the best interests of the customer impairs the suitability criteria and renders the transaction as mis-selling;

- ii. integrity – establish the integrity of the information provided to the customer about the product or service as either compromised or uncompromised. Giving inaccurate and / or irrelevant information about the product, or accurate and relevant but partial information (e.g. emphasizing the strengths and not mentioning the weaknesses), compromises the integrity of the information and renders the transaction as mis-selling. Uncompromised integrity, on the other hand, is one in which all the relevant information such as the risk and reward associated with the product is accurately and fully disclosed to the customer in a timely manner; and
- iii. clarity – establish the degree of clarity in the information provided to the customer as either proper or improper, where proper clarity is one in which the product details are explained in simple, layman terms, and the customer’s understanding of it is double-checked thereafter. To deliberately confuse the customer with technical jargon and magnify the complexity further would render the transaction as mis-selling;

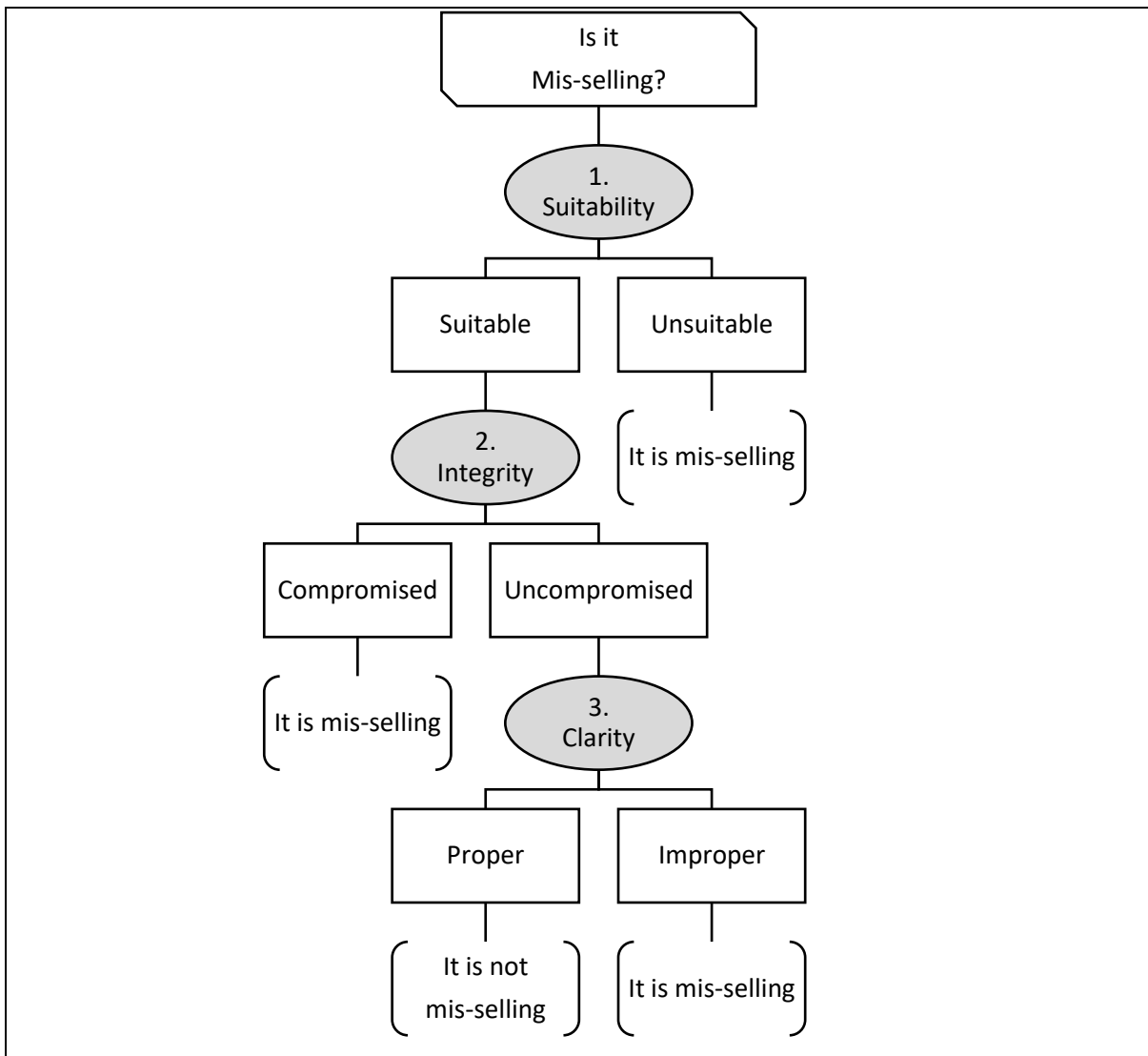


Fig. 6: Mis-selling

- f. lack of transparency – having hidden agendas and conditions or preventing others from gaining access to full information required for informed decision-making;
- g. evil assumption of others – believing that others are thinking negatively or conspiring against oneself without proof;
- h. scapegoating – shifting the blame from the guilty party to the innocent party; and
- i. cheating – acting dishonestly or unfairly in order to gain an advantage.

Amanah

20. An Islamic finance professional shall not violate the ethical virtue of Amanah, which relates to their managing the human beings or other resources (assets, information, intellectual property or responsibility) they are entrusted with. An Islamic finance professional shall maintain Adl by not indulging in, for instance, the following violations:

Human beings: staff or subordinates

21. The violations of the Amanah virtue with respect to having command over human beings who are staff members or subordinates are defined as follows in paragraph 21a to 21d:
- a. lack of empowerment – giving someone the responsibility without adequate power or resources for its proper execution (e.g. training, career progression opportunities, autonomy, feedback loop, etc.);
 - b. dehumanizing treatment – treating subordinates as sub-humans, machines or as objects meant to be used merely to achieve a business objective, without any regard for their well-being;
 - c. destroying work-life balance – destroying the state of equilibrium with respect to the demands of employees’ professional and personal lives; and
 - d. triangulation – gaining advantage over perceived rivals by manipulating them into conflicts with each other.

Human beings: avoiding harassment

22. The harassment-related violations of the Amanah virtue are defined as follows in paragraph 22a to 22c:
- a. violence – intentionally using physical or verbal force or power, whether threatened or actual, against another person or a group that either results in or has a high likelihood of resulting in injury, death or psychological harm;
 - b. abuse – misuse of power by treating another person cruelly, unfairly or violently, especially regularly or repeatedly. Abuse may take different forms:
 - i. humiliating publicly -- making someone feel ashamed and foolish by injuring his dignity and pride, especially in a public space or setting;
 - ii. mobbing – deliberately attempting (as a group) to force someone out of IFI by humiliation, harassment, abuse and / or terror;
 - iii. bullying – intimidating or aggressively dominating others;
 - iv. sabotaging – preventing others from getting work done or making them look bad;

- v. assigning unmanageable workload – assigning workload which can only be managed with excessive additional workhours and / or resources such that work continually overwhelms one’s life;
 - vi. assigning inconsequential work – assigning work which does not substantially contribute towards or promote company strategy and key goals;
 - vii. assigning another’s work or unrelated work – consistently making someone do another’s work or assigning someone’s core area of work to another, or work which has negligible or no correlation with a person’s area of expertise, role and / or position;
 - viii. assigning personal work – assigning work which is personal or unofficial in nature, unrelated to the IFI;
 - ix. assigning no or menial work – assigning no work or work which is unbecoming of the knowledge and skill level of the employee;
 - x. trivializing serious issues or efforts – making something seem less important than it really is or treating a trivial matter as critical and serious;
 - xi. vulgarity – making or sharing offensive or racist words / comments, jokes, innuendos, gestures, or photos; or cursing and swearing profanities; and
 - xii. sexual abuse – exhibiting undesired sexual behavior towards others in an aggressive and / or persistent manner;
- c. immodesty – exhibiting impropriety or indecency in speech, behavior, manner or appearance;
- i. shamelessness – being shameless especially about something generally considered unacceptable;
 - ii. inappropriate attire – donning non-professional and / or provocative attire;
 - iii. free intermingling of sexes – open mixing of genders without regard to the boundaries and rules set by Shari’ah; and
 - iv. vanity – seeking to impress people through pomp, showoff, grandeur and pretentious display of wealth and power.

Resources: assets (money or property)

23. The violations of the Amanah virtue with respect to assets (in money or property form) are defined as follows in paragraph 23a to 23k:
- a. stealing – usurping, or helping someone to usurp, another person’s assets, without a legal right or the knowledge and permission of the asset’s owner;
 - b. misappropriation – obtaining assets by means of false or fraudulent pretenses, representations, or promises, particularly by someone acting in a fiduciary capacity;
 - c. money laundering – concealing the source of illegally gotten money;
 - d. tax evasion – not paying or underpaying tax, illegally;

- f. excessive spending or Israaf – spending or consuming money excessively or wastefully (more than what is supposed to or should be spent). The ruling on Israaf or extravagance differs and varies from person to person depending on a number of factors, making it difficult to quantify. Moreover, it can manifest in different forms such as in speech, mannerism, trading or consumption, etc. To avoid Israaf especially in the financial context consider the following check posts:
- i. legitimacy – establish the legitimacy of the purchase as either permissible or impermissible according to Shari’ah. Spending any amount on impermissible items (called as Tabzeer) is also considered as extravagance;
 - ii. motivation – establish the purchase as either necessary or unnecessary where unnecessary purchase is anything which appeals to sensual desires and / or unhealthy entertainment, is seemingly useless, or bought in order to boast, show-off and compete with others in status and prestige. On the other hand, a necessary purchase is one which is useful and beneficial, relevant and required, and genuine to meet one’s legitimate needs and convenience;
 - iii. opportunity cost – establish the opportunity cost of the purchase as either acceptable or unacceptable where an unacceptable opportunity cost is one in which spending is not consciously prioritized. If the money could be spent to fulfill a more important need or a right or if the person spent it on something non-critical while other members of the society were in a state of famine, poverty or impoverishment, then the purchase could be deemed as extravagant;
 - iv. utilization – establish the prospective utilization of the purchase as either full or partial where partial utilization is when the item is not utilized to its full potential and which results in wastage. Waste, if it cannot be recycled, can be construed as extravagance; and
 - v. norms – determine whether the norms of the society deem a purchase as moderate or excessive, where anything deemed excessive should be considered as extravagant;

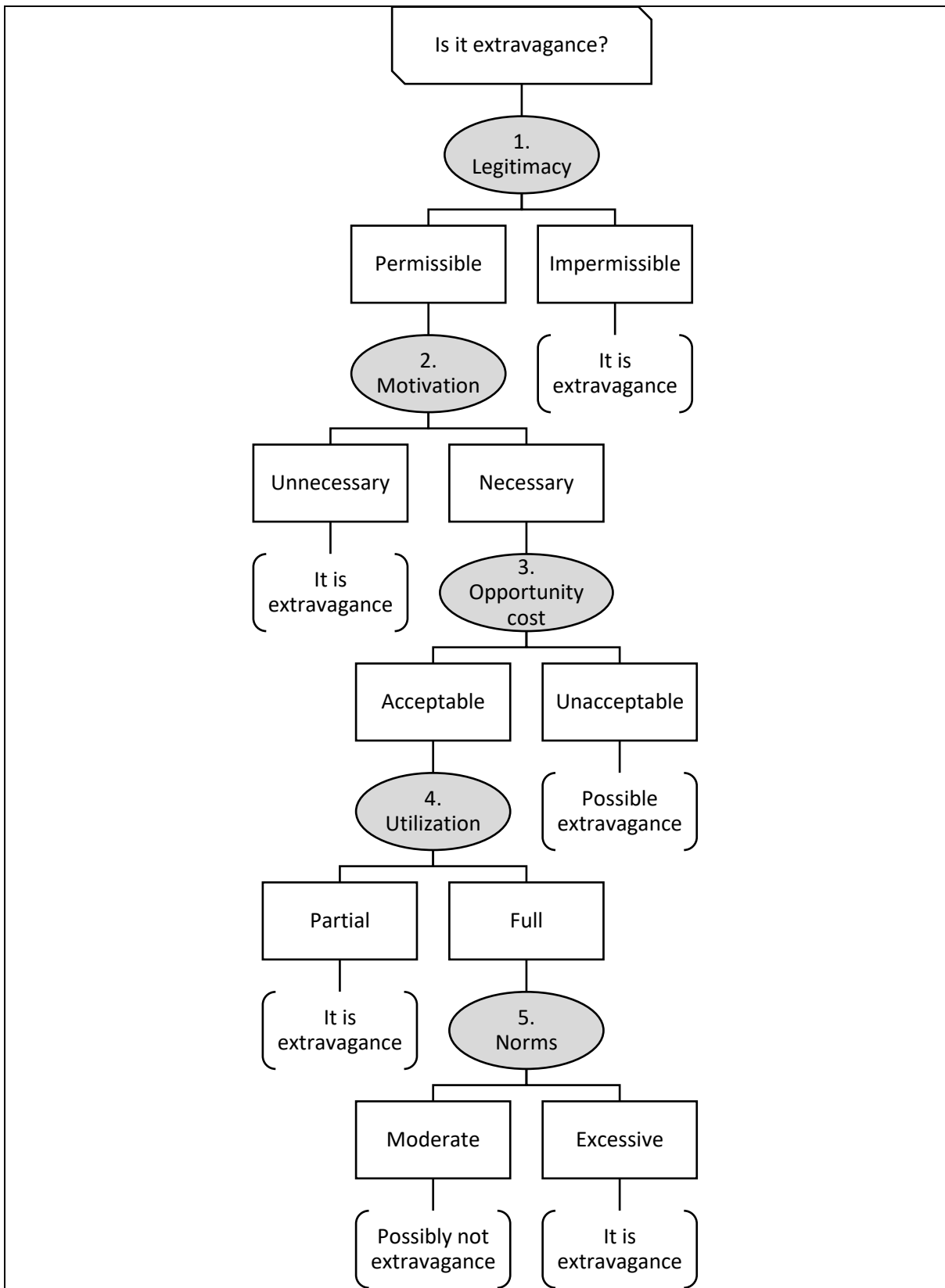


Fig. 7: Excessive spending or Israaf

- g. stinginess – lacking in generosity or a general unwillingness and reluctance to part with money;

- h. excessive greed – having a very strong desire to continuously get more and more of something;
- i. bribery – promising or paying money (or other inducement) to influence the judgment or conduct of a person in a position of trust. It also includes offering, accepting or soliciting material gifts, discounts, favors, travel, hospitality or donations which may create a perception of conflict of interest and potentially diminish or impair independence and objectivity. A gift—defined as anything of value which the recipient does not pay for or pays only a negligible percentage of its fair market value—may potentially turn into a bribe. To avoid this, consider the following check posts:
 - i. intention – inquire about the intention of the gift and refuse to accept material gifts where the intention is distinctly to make the recipient feel obligated and / or to exert influence and extract compensation, advantage or benefit in return, which could be financial or non-financial, major or minor. ‘Grease’ payments which induce the person to do what his job requires are also considered a bribe;
 - ii. value – in case of indistinct or purportedly pure intention, establish the value of the gift as either material or nominal. Nominal gifts are standard advertising and promotional items and offered indiscriminately, such as pens, diaries, mugs, USBs, and calendars, etc. which may be accepted;
 - iii. timing – in case of material gift, ascertain its timing and as a precaution, avoid accepting it, especially when it is being given during the initiation, negotiation or finalization phases of any major agreement, transaction or project; and
 - iv. manner – a material gift can only be accepted after ensuring that (i) it is not required to be kept a secret; (ii) it does not create conflict of interest; and (iii) a written clearance from the relevant authority is obtained;

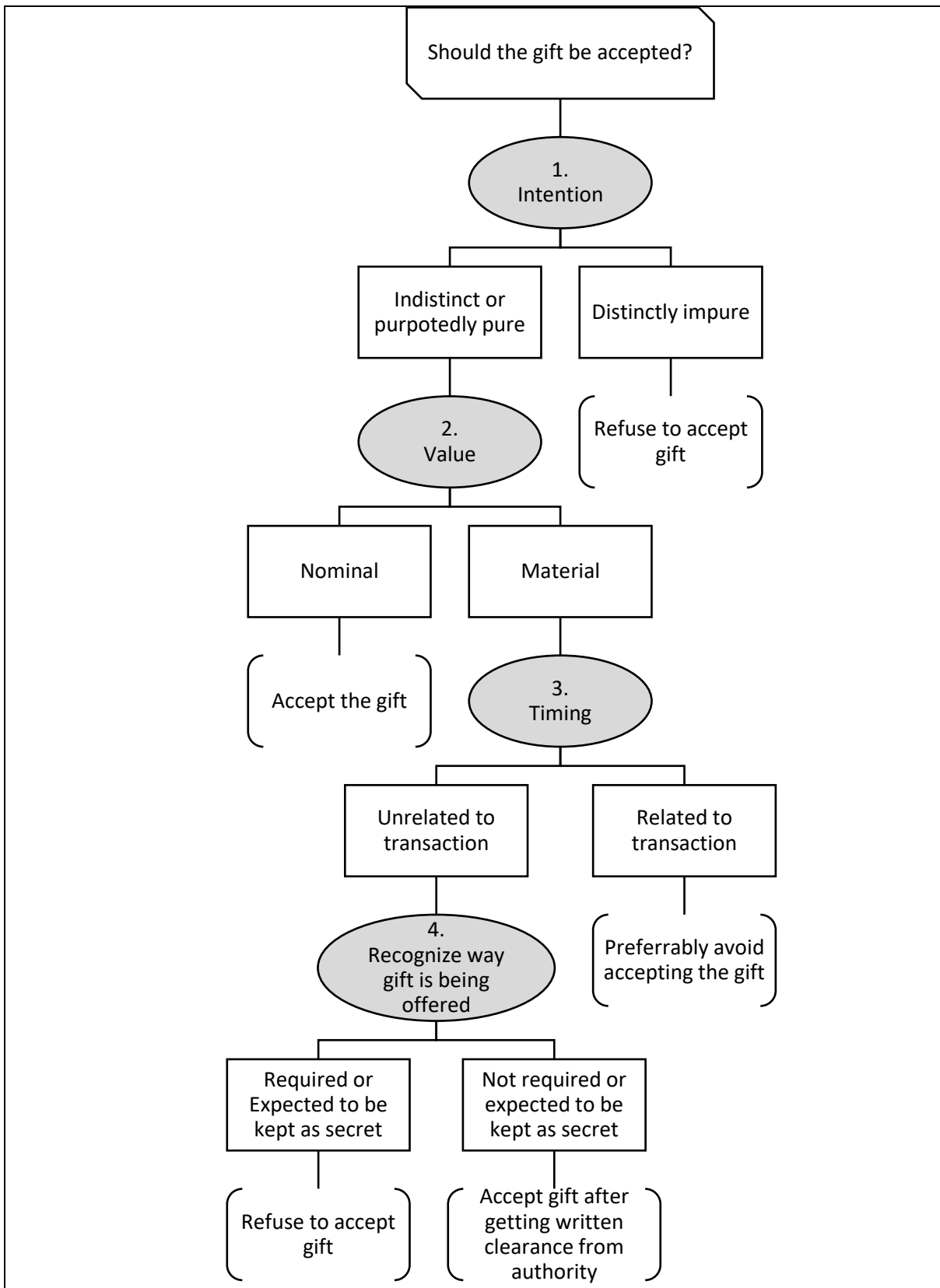


Fig. 8: Bribery

- j. lacking in due diligence – lacking in actions which are considered reasonable for people to take in order to keep themselves or others and their assets safe;

- k. unauthorized use – using another’s assets without their approval (whether for legal or illegal purposes).

Resources: information

- 24. The violations of the Amanah virtue with respect to treatment of or dealing with information are defined as follows in paragraph 23a to 23k:
 - a. earnings management – altering financial reports either to mislead some stakeholders about the underlying financial performance or to influence contractual outcomes that depend on reported accounting numbers;
 - b. insider trading – trading, or inducing others to trade, in a security on material nonpublic information to generate larger profits than any typical investor otherwise can. To avoid insider trading, consider the following check posts:
 - i. availability – establish the information as either public or nonpublic information, where public information is that which is disseminated and made available to all market participants, by way of publishing of company report, issuance of press release or making social posts, etc., and accessible with or without payment. Information available to only a group of investors or analysts is considered as nonpublic information;
 - ii. impact – establish the potential impact of the nonpublic information on the price of the security. If the price of the security is susceptible to alter (either increase or decrease) as a result of the use of nonpublic information, such information is to be treated as material and is not to be used for trading until it becomes public. Trading is, however, permitted on nonpublic information whose impact on the price of the security is immaterial. An effective way to confirm the materiality of the nonpublic information is to check if an analyst or an investor is willing to pay a reasonable amount to purchase the nonpublic information; and
 - iii. source – establish the strength of the source of the nonpublic information as either factual and reliable or speculative and unreliable. The closer the source is to the nonpublic information, the higher is the degree of its materiality. Conversely, the farther the source is to the nonpublic information, the lower is the degree of its materiality;

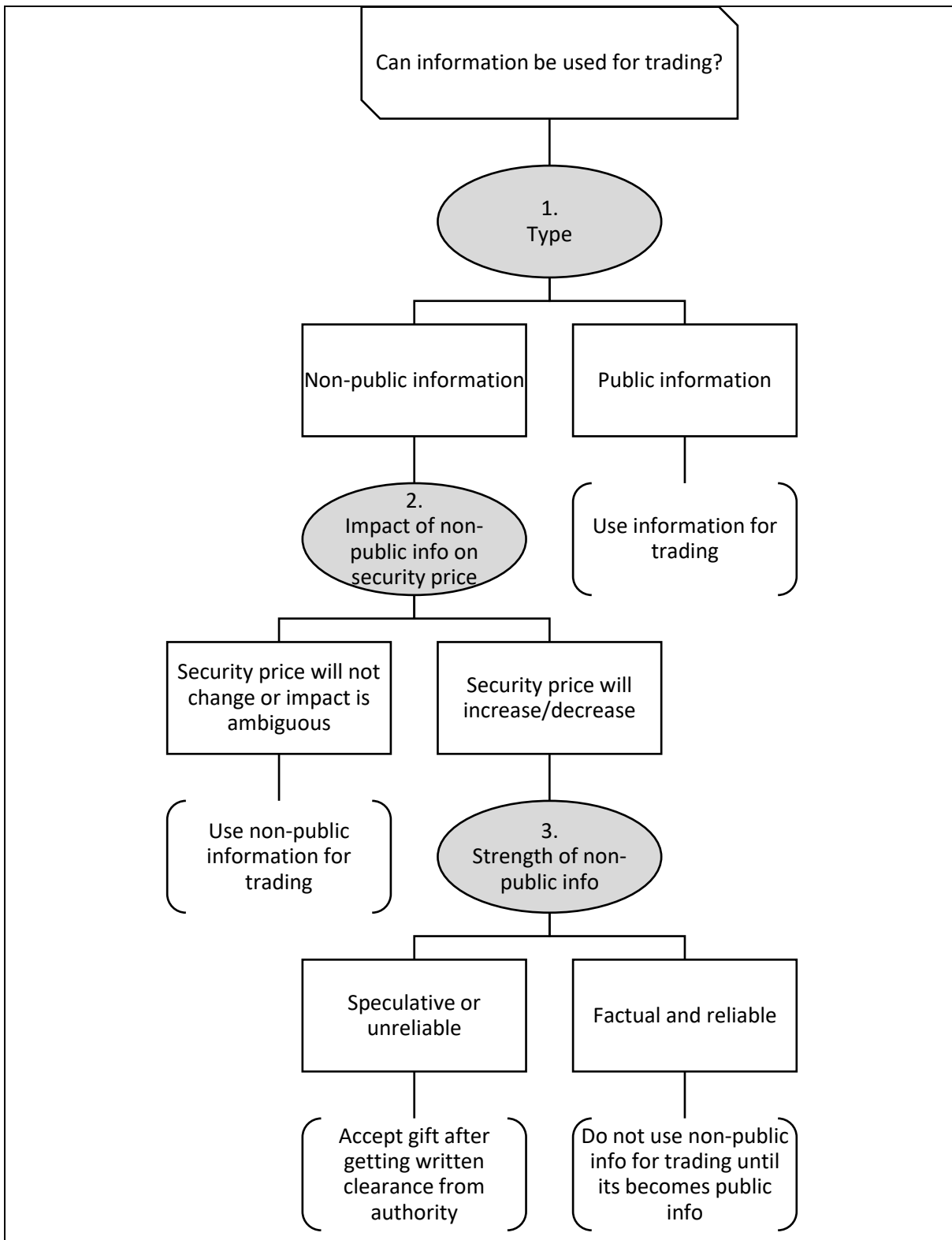


Fig. 9: Insider trading

- c. confidentiality breach – disclosing material nonpublic information or any other information, conversation, document or record marked or identified as confidential to an unauthorized person, without the consent of its owner or relevant authority;

- d. invasion of privacy – spying on one another to obtain unjustifiable access to someone’s personality or personal and private affairs without his permission and / or knowledge, especially when the person has a reasonable expectation of privacy;
- e. backbiting – revealing the true faults or weaknesses of a person in his absence knowing that the person would dislike hearing about it, when there is no legitimate need to mention them. To avoid backbiting and slander, consider the following check posts:
 - i. type – establish the statement to be made about the target person as either positive and true or as negative. Positive and true statements about any person can be spoken with anyone at any time, even in the target person’s absence;
 - ii. recipient – identify the recipient of the negative statement as either the target person or a third person. Negative statements such as personal failings or deficiencies in truthfulness, trustworthiness or competency, etc., can be uttered directly on the face of the target person either in privacy or in front of others, but not to a third person in absence of the target person. To speak ill of the target person in general terms without mentioning the target person’s name and ensuring his anonymity is acceptable. However, for such behavior to conclusively qualify as backbiting or slander, the authenticity of the negative statement and the motivation behind the utterance must be clearly established;
 - iii. authenticity – all negative statements about the target person, if untrue, and when spoken in his absence, are considered as slander. However, for the same to qualify as backbiting, the motivation behind the utterance must be clearly established; and
 - iv. motivation – establish the motivation or the purpose of uttering factual negative statements about the target person in his absence as either sincere or insincere. If the motivation is to inform, forewarn or forbid a third person about the possible (and likely) harm that can be caused by the target person, or to lodge a formal complaint against the target person to relevant authority while seeking a resolution, such statements are not to be considered as backbiting. However, if the motivation is to sow and nurture seeds of discord amongst people, amuse and entertain others, or seek revenge against the target person, such insincere behavior tantamount to backbiting;

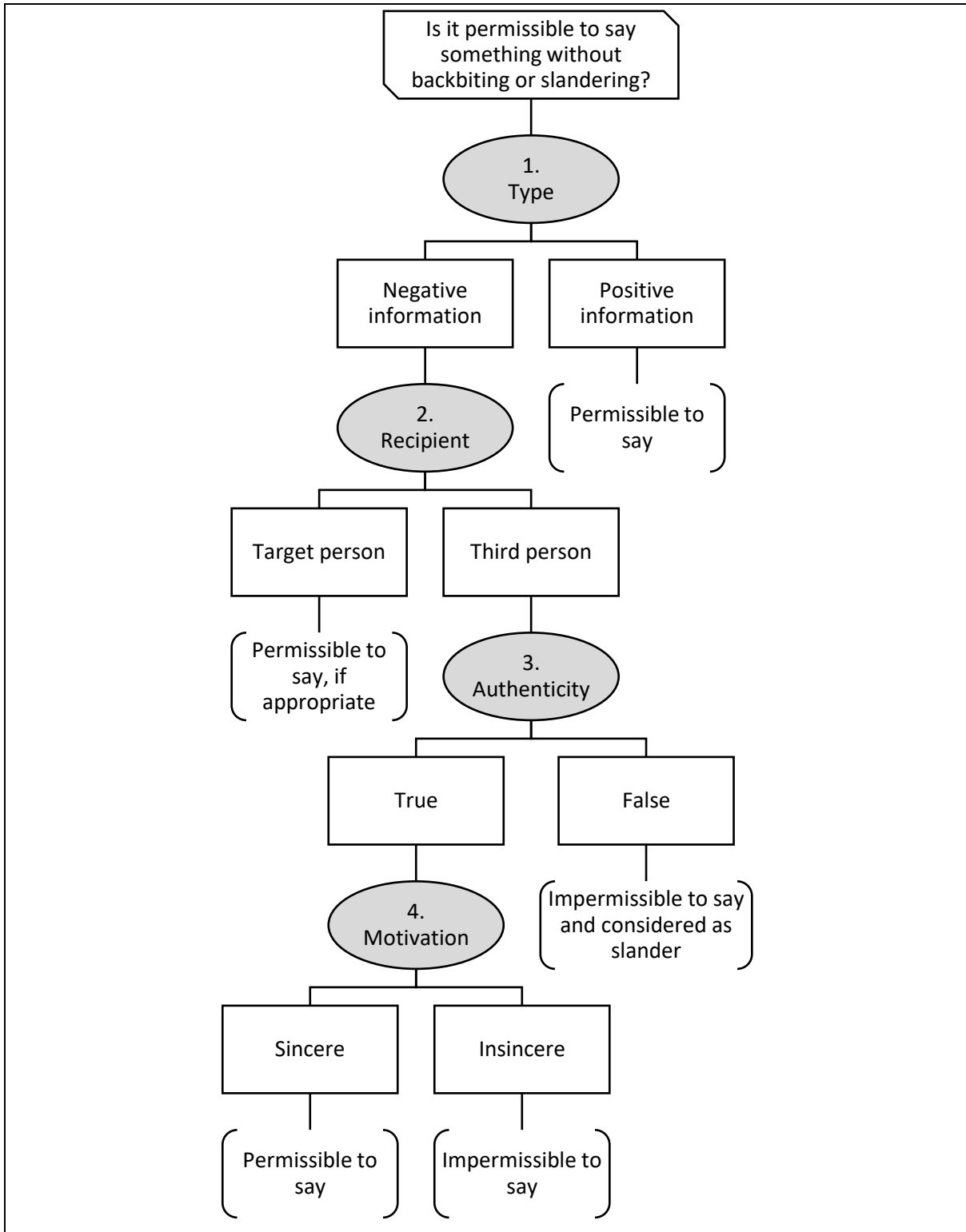


Fig. 10: Backbiting

- f. blackmailing – threatening another person with some form of punishment by disclosing a secret or damaging information if they do not offer some form of concession.

Resources: intellectual property

25. The violations of the Amanah virtue with respect to intellectual property are defined as follows in paragraph 25a to 25c:
- a. copyright and patent infringement – using works (by way of reproduction, distribution, display or performance of protected work, or to make a derivative thereof) which is protected by copyright law without permission of the copyright holder;
 - b. trade secret infringement – using information, developed through the effort and expense of the IFI, which is contained in secrecy and has economic value because it is not generally known to or readily ascertainable by competitors;
 - c. data theft – act of stealing information stored on computers, servers or other devices. To avoid the accusation of and involvement in data theft and copyrights infringement, consider the following check posts:
 - i. authorization status – establish whether the employee is authorized to access certain types of data. For example, an IT manager may gain unauthorized access to sensitive HR data related to senior management compensation. Similarly, some IFIs have a policy whereby an employee who has resigned is prevented from accessing client data. In such cases continued access by the employee may lead to data theft;
 - ii. data type – establish the type of data as either paper or electronic (such as any computer file) or other than paper or electronic (such as knowledge, skills, experience, insights, relationships, etc. developed or acquired during the course of employment). The latter category is the type of data which can be taken by the leaving employee and utilized to the benefit of the new employer without it being considered as data theft; and
 - iii. duty – establish whether the data was developed or acquired as a job requirement / duty to the employer. If so, and stored in paper or file, whether using personal equipment and premises or done after official working hours, the leaving employee cannot take it with him without being involved in data theft as the ownership and intellectual property rights belong to the IFI. On the contrary, if the work performed by the employee was not part of job requirement, then the ownership and intellectual property rights of that work belong to him;

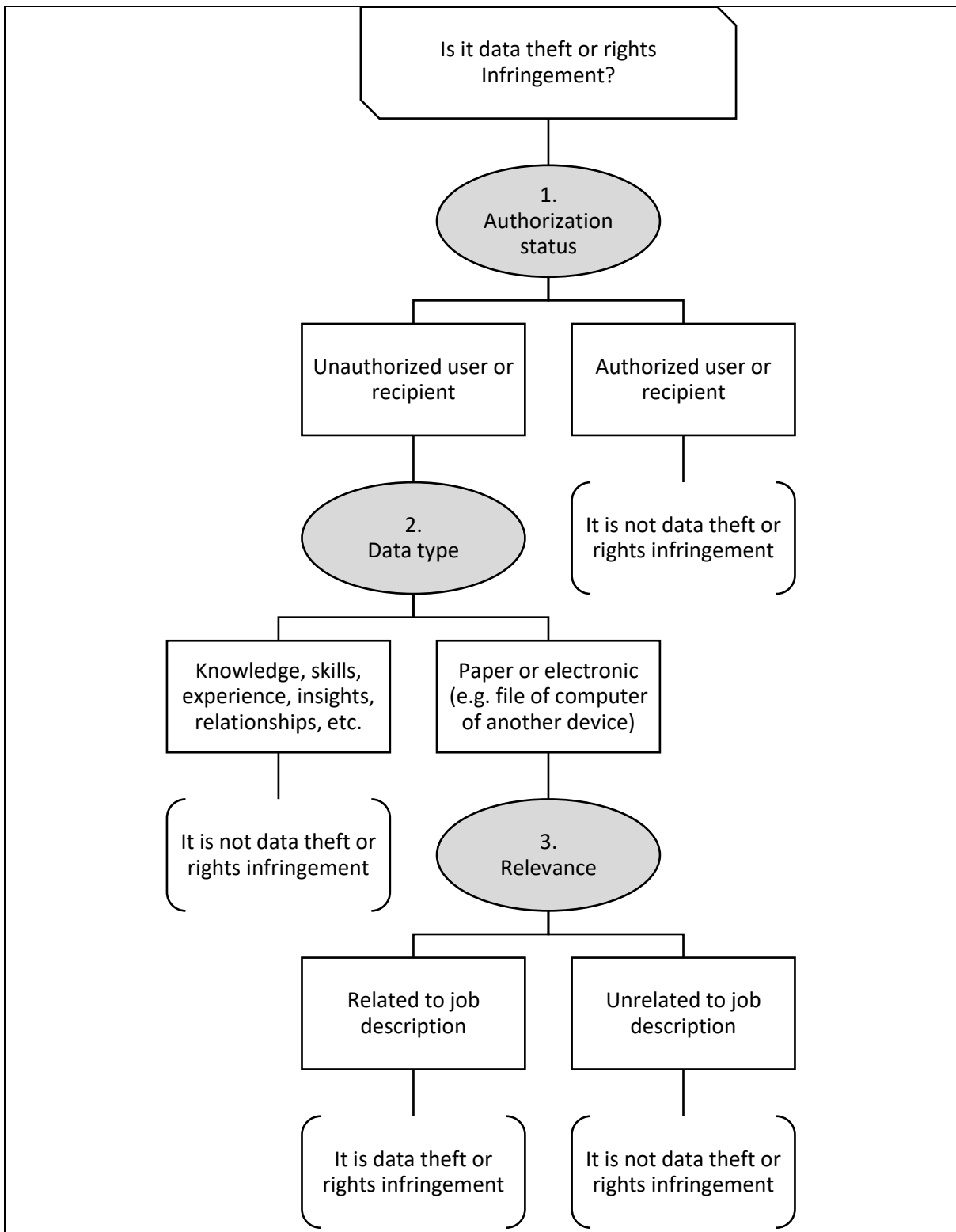


Fig. 11: Data theft and copyright infringement

Resources: responsibility and power (representation)

26. The violations of the Amanah virtue with respect to responsibility and power (collectively referred to as representation) are defined as follows in paragraph 26a to 26l:
- a. neglect of duties – not fulfilling one’s obligations;
 - b. poor decision-making – jumping to conclusions, rushing to judgment and making key decisions without proper rationalization and supporting evidence. This also involves the failure to cross-check information before using it;
 - c. disloyalty – breaching fidelity, allegiance, devotion, obligation or loyalty to someone whom a duty of loyalty or care is owed;
 - d. breach of fiduciary duty – breaching obligation to act in the best interest of another party to whom one owes a duty of trust;
 - e. mis-governance – lacking in rules, practices and processes used to govern the IFI, and / or poorly implementing those rules, practices and processes;
 - f. totalitarianism – requiring complete subservience from the other person or refusing to provide basis of conclusion to decisions taken;
 - g. lack of or poor consultation – shunning or not seeking advice from the concerned and / or competent parties in critical matters which could have a strong financial or reputational impact;
 - h. unavailability and inaccessibility – being difficult to reach, approach or understand thereby slowing down decision-making process and reducing the quality of output;
 - i. lack of self-accountability – feeling unobligated or be unwilling to accept responsibility and take ownership of one’s actions and its outcomes, and / or trying to find excuses for every failure;
 - j. not disclosing conflict of interest – hiding the conflict between one’s unofficial interests with that of the official interests of those to whom a duty of loyalty is owed e.g. employer or customer. To recognize and avoid a real, perceived, or potential conflict of interest, consider the following check posts:
 - i. work relatedness – establish if the personal interests of an employee are related to an area that is the domain of the employer. For example, for an investment manager at an IFI to run his own investment consultancy business on the side is a clear conflict of interest because the manager is engaging in direct competition with the IFI;
 - ii. resources – establish whether the official resources at disposal such as confidential information, company property and equipment, trade secrets, official work hours and designation, are being used to serve unofficial interests. For example, to spend hours on end to resolve a personal and / or private business issue during work hours (other than in case of an unavoidable emergency) is a conflict of interest;
 - iii. representation – establish whether the official representation is intact or impaired due to external influence through offers of material gifts, entertainment, travel, etc. from third parties such as suppliers, customers

and / or even colleagues. Representation may also be impaired in the event of lending and borrowing material amounts between employees;

- iv. association – establish the association with the third party as either close or distant/non-existent, where close association includes members of the family, relatives, friends or business partners. Decisions involving closely associated third parties impair objectivity and exacerbate conflict of interest;
- v. authority / Influence – determine whether the authority and the influence one has by virtue of occupying a given official position and rank can be used in favor of unofficial interests at the cost of official interests. For example, to participate in the decision-making process involving a closely associated third-party is a conflict of interest due to misuse of position; and
- vi. motivation – when the basis of decision-making is anything other than furtherance of official interests it is improper motivation and will likely result in a conflict of interest;

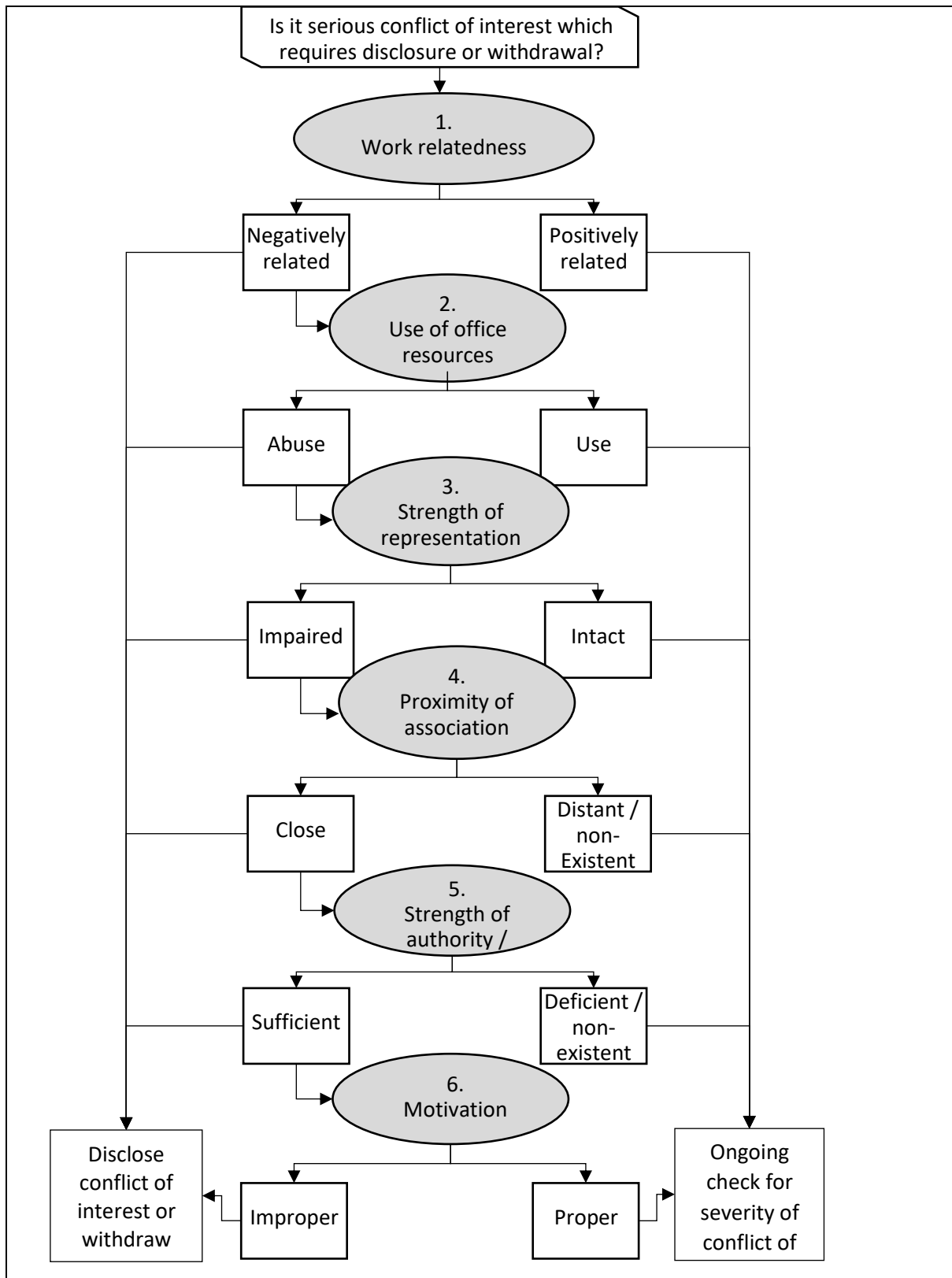


Fig. 12: Not disclosing conflict of interest

- k. covering up – preventing people from discovering the truth about a serious mistake or violation, and / or failing to report a violation. Inclusive in the meaning is the act of sabotaging the investigation process for an ethics violation; and

- I. deliberate hiring of inept people – deliberately hiring someone who is inexperienced, unqualified or otherwise unsuitable for a senior position with the intention to hijack his decision-making capacity.

Quwwah

27. An Islamic finance professional shall not violate the ethical virtue of Quwwah. He shall maintain Adl by not indulging in, for instance, the following violations related to proficiency, compliance and continuing personal and professional development:

Proficiency

28. The violations of the Quwwah virtue with respect to proficiency at work are defined as follows in paragraph 28a to 28g:
 - a. ineptitude – continually lack in skill or ability required to perform the task for which the person was hired;
 - b. indolence – being lazy or idle or disliking work and avoiding activity or exertion;
 - c. poor work output – lacking in attention to detail or submitting or accepting sloppy or incomplete work;
 - d. improper record-keeping and incomplete documentation – failing to develop and maintain records and documentation of professional work, contracts, approvals, etc.;
 - e. procrastination – delaying something that must be done especially due to laziness and dislike for work;
 - f. indecisiveness – failing to make decisions, especially tough decisions, confidently, effectively and in a timely manner; and
 - g. unpreparedness – being unprepared and unready for meetings, projects or other tasks.

Compliance

29. The violations of the Quwwah virtue with respect to compliance at work are defined as follows in paragraph 29a to 29b:
 - a. insubordination – being openly defiant to authority, refusing to obey orders and policies; and
 - b. illegal actions – not according to or unauthorized by law or undermining and subverting the law for vested interests.

Continuing personal and professional development: knowledge

30. The violations of the Quwwah virtue with respect to seeking knowledge as part of continuing personal and professional development are defined as follows in paragraphs 30a and 30b:
 - a. not seeking religious knowledge – failing to continually broaden and deepen one's knowledge about Islam, especially the rulings about commercial dealings in Islam (which is the basis of Islamic finance) and rights and obligations of various stakeholders (e.g. employer, employee, customers, investment account holders, suppliers, community, regulator, environment, society, etc.); and

- b. not seeking professional knowledge – failing to continually broaden and deepen one’s knowledge and skills in the field of his professional expertise, especially involving:
 - i. ignorance about laws, rules and regulations – being ignorant about the relevant and applicable laws, rules and regulations, whether local or global, applicable in the respective work area; and
 - ii. ignorance about one’s area of expertise – failing to narrow the knowledge gap between what one knows and what is there to know in one’s area of expertise. A professional, irrespective of position and role, shall have in-depth knowledge of his core area of expertise (such as accounting, auditing, risk management, Shari’ah, etc.). In addition, he shall develop reasonable understanding of the following package of fundamental introductory Islamic concepts in order to do justice with his role as an employee of an IFI:
 - I. basic understanding of Islamic economics and Islamic financial system and how they differ from the conventional systems;
 - II. major prohibitions in Islamic finance (e.g. Riba, Gharar and Qimar / Maysir, etc.);
 - III. legal and regulatory environment of the jurisdiction with respect to Islamic finance; and
 - IV. knowledge of Islamic financial contracts (such as Murabaha, Mudaraba, Ijarah, etc.).

Continuing personal and professional development: skills

- 31. The violations of the Quwwah virtue with respect to developing skills as part of continuing personal and professional development are defined as follows in paragraphs 31a and 31b:
 - a. not developing personal skills – failing to continually improve and enhance one’s personal skillset, especially with respect to:
 - i. mismanagement of time – mismanaging time resulting in delays and losses which could be due to poor planning, ineffective delegation of work, faulty prioritization, being disorganized, etc;
 - b. not developing professional skills – failing to continually improve and enhance one’s professional skillset, especially with respect to:
 - i. lack of teamwork – continually working in isolation, not lending a helping hand to others or becoming an impediment; and
 - ii. conflict mis-management – leaving conflicts and tensions unresolved, whether one’s own with others or between different people.

Continuing personal and professional development: attitude

32. The violations of the Quwwah virtue with respect to improving attitude as part of continuing personal and professional development are defined as follows in paragraphs 32a to 32e:
- a. not pursuing lifelong learning – giving up on the pursuit of personal and professional development and acquisition of relevant new skills;
 - b. arrogance / narcissism – being unpleasantly proud and behaving as if one is more important or knows more than other people. This may take different forms:
 - i. not admitting to one’s mistakes – failing to confess that what one said or did was wrong;
 - ii. monopolizing discussions – interrupting, interjecting and / or not letting another person speak, argue or rebut;
 - iii. disrespecting and rudeness – showing low regard for and undermining someone or something;
 - iv. hot or unjust temper – becoming angry easily and quickly without a justifiable reason; and
 - v. jealousy – harboring resentment, ill-will and malice against another person for having something what one wants or simply not wanting to see that person enjoy success or advantage;
 - c. ungratefulness – feeling or expressing ingratitude, nonappreciation or thanklessness for a blessing, benefit or gesture;
 - d. mercilessness – lacking in compassion or forgiveness towards someone whom it is within one’s power to punish or harm; and
 - e. cowardliness – fearing to do or say what is right, good and of help to others and to oneself at the time of need.

Tawasi bil Haq

33. An Islamic finance professional shall not violate the ethical virtue of Tawasi bil Haq. He shall maintain Adl by not indulging in, for instance, the following violations, as describe in paragraphs 33a to 33e:
- a. impatience – showing irritability or restlessness when trying to behave ethically and in accordance with the applicable law;
 - b. selfishness – lacking consideration for other people and instead being concerned chiefly with one’s own personal profit, benefit or pleasure;
 - c. indifference / neutrality – lacking in care, concern or interest in something or someone important. It involves not taking a stance when required or not intervening when needed;
 - d. unethical-for-unethical – responding unethically in response to someone’s unethical behavior; and
 - e. failure to cooperate in investigations – sabotaging the investigation process for an ethics violation either deliberately or through incompetence.

Part C – Illustrative ideals

Taqwa

34. An Islamic finance professional should pursue excellence in the ethical virtue of Taqwa by striving for the following ideals, which are illustrative, as defined in paragraphs 34a to 34g:
- a. spirituality – achieve the state or quality of being dedicated to Allah Almighty, His religion and to ethics as a way of life;
 - b. take responsibility – make an honest effort to pursue the highest standards of being as a means to fulfill the Will of Allah Almighty in all spheres of life;
 - c. selflessness – concern oneself more with the needs and wishes of others than with one’s own;
 - d. keep good company – choose friends who appreciate the significance of ethics and make it the primary concern of their lives;
 - e. moderation and balance – reject extremes in favor of the middle path;
 - f. reduce clutter – adopt a minimalist approach to acquiring material objects in order to concentrate on the most important things in personal and professional lives, such as ethics; and
 - g. tawba – frequently turn back to Allah Almighty in repentance.

Tawakkul

35. An Islamic finance professional should pursue excellence in the ethical virtue of Tawakkul by striving for the following ideals, which are illustrative, as defined in paragraphs 35a to 35d:
- a. preserve Shari’ah authenticity – withhold a controversial product that has dubious Shari’ah authenticity and instead trust Allah Almighty to compensate through other means;
 - b. be hopeful and positive – develop a strong belief that Allah Almighty looks out for one’s best interest and at all times;
 - c. make regular Dua – regularly supplicate to Allah Almighty for success in this world and the world hereafter; and
 - d. defer gratification – exercise self-control by resisting the temptation of an immediate reward in preference for a later reward.

Sidq

36. An Islamic finance professional should pursue excellence in the ethical virtue of Sidq by striving for the following ideals, which are illustrative:

Enhance transparency and openness

37. The ideals of the Sidq virtue with respect to transparency and openness are defined as follows in paragraphs 37a to 37e:
- a. communicate intentions clearly – voluntarily and clearly communicate one’s intention to the other person to lower the chances of misinterpretation of any action or decision;
 - b. put in writing and have witnesses – put statements, understandings, key decisions and agreements in writing in the presence of witnesses not only to clarify communication and reduce the possibility of misunderstanding, but also to force vigilance in upholding and promoting the truth;
 - c. introspect bias and prejudice – be consciously aware of personal bias and prejudice which may unjustly impair behavior and decisions and actively seek for its elimination;
 - d. open information and dialogue – be candid and forthcoming in supplying information and engaging with others such that information becomes easily accessible, understandable and usable for all concerned; and
 - e. avoid excessive indebtedness – do not exceed the usual, necessary or appropriate limit or degree of indebtedness to avoid various troubles associated with it including a tendency to lie, cheat and deceive.

Detect and control unethical practices

38. The ideals of the Sidq virtue in terms of detecting and controlling unethical practices at work are defined as follows in paragraphs 38a to 38d:
- a. make flexible and accommodating rules – do not have too many rules, overly rigid policies and inflexible and unaccommodating attitudes for one’s subordinates which are counterproductive for efficiency, motivation and loyalty, and typically force dishonesty;
 - b. evaluate the means taken to achieve results – conduct periodic check of the tools and techniques (e.g. financial incentives) and protocols and processes used to achieve a result, especially when the result is exceptional;
 - c. seek stakeholder feedback – request others to provide honest feedback about one’s ethical behavior; and
 - d. disregard and discourage negative rumors – ignore rumors and where needed dismantle them in a factual, well evidenced manner.

Build and strengthen communication

39. The ideals of the Sidq virtue in terms of building and strengthening communication at work are defined as follows in paragraphs 39a to 39c:
- a. remove fear of retribution – develop high tolerance for mistakes and keep the doors of criticism open for everyone, including those who are lower in rank, not only to benefit from the opportunity to self-improve but also, and more importantly, to facilitate others to act honestly;
 - b. maintain high expectations – set high standards of honesty for oneself and hold similar high expectations from others; and
 - c. remind others of the evil in dishonesty – share with others from time to time information and motivational material about the negative consequences of dishonest behavior both in this world and the hereafter.

Amanah

40. An Islamic finance professional should pursue excellence in the ethical virtue of Amanah by striving for the following ideals, which are illustrative, as defined in paragraphs 40a and 40b:
- a. promote industry interests – utilize one’s position and rank, opportunity and contacts to lobby for, influence and promote Islamic finance industry’s interests such as standardization of practices, human resource development, etc.; and
 - b. pay voluntary charity – make a habit of paying regular charity which could be in the form of a kind word or a smile, removing obstacle, and / or paying money to those in need.

Quwwah

41. An Islamic finance professional should pursue excellence in the ethical virtue of Quwwah by striving for the following ideals, which are illustrative:

Proficiency

42. The ideals of the Quwwah virtue with respect to work proficiency are defined as follows in paragraphs 42a to 42d:
- a. learn from everyone – leverage every interaction with another person as an opportunity to learn and improve oneself;
 - b. self-evaluation – systematically observe and analyze one’s own intention, behavior, attitude, abilities, aspirations, achievements, failures, strengths and weaknesses, in order to identify areas of improvement, on a continuing basis;
 - c. establish an informal personal panel of mentors – identify persons who one is inspired from and establish a diverse personal panel of mentors to seek advice, counselling, connections and encouragement to achieve greater heights in one’s spiritual journey, ethical standing, career growth, and knowledge and skills; and
 - d. be organized – plan and develop a systematic life to coordinate and carry out activities in a highly optimized and sustainable manner.

Continuing personal and professional development: knowledge

43. The ideals of the Quwwah virtue with respect to seeking knowledge as part of continuing personal and professional development defined as follows in paragraphs 43a and 43b:
- a. teach others – spread knowledge by teaching others what one knows; and
 - b. critical thinking – develop a mode of thinking which is disciplined, clear, rational, open-minded and informed by evidence to arrive at an answer or a conclusion.

Continuing personal and professional development: skills

44. The ideals of the Quwwah virtue with respect to developing skills as part of continuing personal and professional development defined as follows in paragraphs 44a to 44e:
- a. communication – develop the ability to convey or share ideas and feelings effectively; pay attention to other people in order to understand their perspective properly;
 - b. relationship management – strive to develop and foster productive relationships with and between different parties;
 - c. leadership – assume responsibility for the subordinates and inspire and transform them to realize their true potential while emphasizing on their welfare and long-term success;
 - d. project management – develop the ability to initiate, plan, execute, control and close a project as per the pre-determined criteria; and
 - e. collaborate – partner and work with others to achieve a common aim.

Continuing personal and professional development: attitude

45. The ideals of the Quwwah virtue with respect to developing attitude as part of continuing personal and professional development defined as follows in paragraphs 45a to 45c:
- a. curiosity – develop curiosity, inquisitiveness and the urge to know more about something or to learn new things especially by stepping out of one's comfort zone;
 - b. embrace responsibilities wholeheartedly – embrace responsibilities, commitments and obligations enthusiastically, viewing them as an opportunity for self-improvement and as a means to make a difference; and
 - c. redefine the concept of competition – encourage intrinsically motivated competition wherein one competes in terms of excellence at work, innovation, creativity and ethical behavior, rather than merely for status, position, influence and / or material benefits.

Tawasi bil Haq

46. An Islamic finance professional should pursue excellence in the ethical virtue of Tawasi bil Haq by striving for the following ideals, which are illustrative, as defined in paragraphs 46a to 46f:
- a. understand others – take time out and make the effort to genuinely know about, understand, relate to, and care for others at a personal level;

- b. empathy – put oneself in others’ shoes and understand and appreciate their perspectives while having genuine care for their welfare and interests;
- c. be a role model and a mentor – voluntarily share knowledge, skills, expertise and wisdom; take personal interest in others’ success; provide guidance and feedback when requested;
- d. become a facilitator – make things easy for people whether by forgiving and being merciful, having a sense of humor and / or by resolving differences between colleagues and coworkers as an arbitrator;
- e. be humble– having modest opinion or estimate of one’s own importance, rank, etc.; and
- f. stand up for the truth – have the courage to stand up for the truth even if it means negative consequences for one’s own interests and those closely associated.

Effective date

- 47. This code is effective on Islamic finance professionals and others stated in Para 2 for the periods beginning on or after 01 January 2021.

Amendments to other codes

- 48. This code supersedes the following two codes of ethics previously issued by AAOIFI:
 - a. Code of ethics for accountants and auditors of Islamic financial institutions; and
 - b. Code of ethics for the employees of Islamic financial institutions.

APPENDICES

Appendix A: Adoption of the code

This code was presented for the approval in the AAOIFI Governance and Ethics Board's (AGEB) meeting No. _____ held on _____, 1440H corresponding to ____ 2019 and was duly approved and adopted. After due process of incorporation of instructions of AGEB, the code was issued on _____1440H, corresponding to _____, 2019.

Members of the board

1. Dr. Ishrat Husain – Chairman
2. Sh. Esam Ishaq – Deputy Chairman
3. Dr. Abdulbari Mashal
4. Dr. Abdurrahman Habil
5. Mr. Ahmad Mishari Al Faris
6. Mr. Ebrahim Sidat
7. Mr. Fawad Laique
8. Dr. Gaffar Abdalla Ahmed Khalid
9. Mr. Hasan Gul
10. Dr. Hussein Said Saifan
11. Mr. Kazi Mohammad Mortuza Ali
12. Mr. Mohammad Farrukh Raza
13. Dr. Mohammad Mahdy Mohammad Radwan
14. Mr. Sohaib Umar
15. Dr. Walid Hegazy

Reservations

This code was adopted unanimously.

Working group

1. Mr. Sohaib Umar – Chairman
2. Dr. Aida Othman
3. Mr. Almir Colan
4. Dr. Hatim El Tahir
5. Muhammad Nadeem Aslam
6. Dr. Omar Farooq
7. Mr. Shadab Fariduddin
8. Sheikh Irshad Ahmad Aijaz
9. Mr. Sohail Nadeem
10. Mr. Waleed Hegazy

Executive team

1. Mr. Omar Mustafa Ansari (AAOIFI)
2. Mr. Farhan Noor (AAOIFI)
3. Ms. Zahra Jassim ALSairafi (AAOIFI)

Appendix B: Basis for conclusions

BC1 [To be inserted, once body text of the code is finalized, and industry comments are obtained and evaluated]

Appendix C: Brief history of the preparation of the code

- H1 The newly formed AAOIFI Governance and Ethics Board (AGEB) held its first meeting on 21 Jumada II 1437H, corresponding to 30 March 2016, at Ramee Grand Hotel, Seef District, Kingdom of Bahrain. In this meeting, the need for a new / revised code of ethics was discussed and approved.
- H2 AGEB directed the AAOIFI Secretariat to create a working group for Ethics which was formed on 02 Rabi Al-Thani 1438H, corresponding to 01 January 2017, comprising of 10 members. The first meeting of the group was held on 09 Jumada Al-awal 1438H, corresponding to 06 February 2017, during which the preliminary study, developed internally by AAOIFI, was discussed and finalized.
- H3 The working group met again on 02 Dhul-Qa'dah 1438 AH, corresponding to 26 July 2017, to discuss the need for and plan the conduct of primary research. It was decided that, in order to accommodate and reflect the ethical needs and concerns of the industry in the code, personal interviews of minimum 125 industry stakeholders representing diverse positions and roles from at least 12 different countries or jurisdictions should take place, subject to availability of financial resources. The countries included in the list were Bahrain, Oman, Kuwait, UAE, Saudi Arabia, Pakistan, Malaysia, UK, Indonesia, Turkey, Sudan, and Egypt, respectively.
- H4 As a result, a total of 59 interviews were conducted in Bahrain, Pakistan, Turkey, and Oman. Furthermore, a condensed version of the questionnaire was set up online on the AAOIFI website in December 2018 to maximize the reach to stakeholders.
- H5 The AAOIFI Secretariat compiled and categorized all the interview responses and prepared the consultation notes which was approved during the third meeting of the working group held on 07 Jumada Al-Thani 7 1440AH, corresponding to 13 Feb 2019, as well as by the AGEB in its ___ meeting held on 14 Jumada Al-Thani 1440AH, corresponding to 20 February 2019.
- H6 The AAOIFI secretariat then undertook the task of developing the exposure draft of the code of ethics. The working group finalized the draft in its third meeting held on 22 Sha`ban 1440AH, corresponding to 28 April 2019. The AGEB discussed the exposure draft at length in its ___ meeting held on 07 Dhul-Qa`dah 1440, corresponding to 10 July 2019, and later approved it by way of email circulation.