

## Call to regulate Sharia advisory to prevent chaos in services

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Dubai: It's high time that Sharia advisory be regulated to overcome the continuing vacuum and to avoid chaos in the wider advisory services sector, said Humayon Dar, CEO of BMB Islamic.

"Codification and standardisation of sharia opinions are mere academic exercises if not backed by governmental or regulatory authorities," he said.

Although some initiatives have been taken in this regard, such as the creation of the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) in Bahrain, most regulators, he pointed out, have "shied away from the Sharia domain and have not shown any serious interest in codification or standardisation related to Islamic finance, either because of no inherent interest or because they don't feel competent to have some kind of involvement."

Dar further added that there should be a separation of roles between those scholars who develop new sharia structures and instruments and those who approve specific products issued by banks and institutions.

### **Four steps**

He suggested four steps to ensure such regulation. First, a code of best practices in sharia advisory should be developed; second, detailed prudential guidelines must be delineated and implemented by a regulator such as the Dubai Financial Services Authority (DFSA); third, the regulator must either have a centralised sharia council (as in Malaysia or Sudan) or at least sponsor one such independent body; and finally, all the regulators can then contribute to a Global Sharia Council.

In this regard, he said AAOIFI's role should be redefined by providing guidance to Sharia advisors and Islamic Financial Services Board (IFSB) in Malaysia would provide regulatory services - ideal arrangement would be some kind of a collaboration between the two.

To ensure more transparency in the advisory sector, the two categories of Sharia scholars should be independent of each other, Dar said.