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RESPONSIBILITY OF SHARIAH ADVISORY IN ISLAMIC FINANCE

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We hereby acknowledge that in fact all of the work in the preparation of this academic work is the result of our own efforts and works except as expressly stated.

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ABSTRACT

Shariah officers are among the individuals responsible for ensuring that IKI's activities and operations are always compliant Shariah requirements as stipulated in the Islamic Financial Services Act 2013 (IFSA 2013). However, IFSA does not specifically state the role and responsibilities of sharia officers, thus raising questions about the position in Islamic financial institutions. Therefore, this study is to analyze the Responsibility of Shariah Advisory In Islamic Finance. This study is qualitative which uses the document analysis method as a data collection method and the descriptive method as a data analysis method. The study found the concept of shariah advisory council, The duties and responsibilities of the Shariah Advisory Council (SAC) and the positive effects of the existence of a shariah advisory council. In general, the shariah advisory council plays an important role in finance in Malaysia, because Sharia Officers are people who carry out internal functions to ensure Sharia compliance. The task carried out is a heavy task because the task is a guide to the Shariah Committee to make it easier for JKS to carry out its responsibility to determine the level of shariah compliance.

Keywords: Shariah officers, Responsibility, Islamic Finance.

INTRODUCTION

Financial institutions are very important to the national economy's economic development, whether conventional or Islamic. Although Malaysia uses both in financial institutions, Islamic finance is more dominant because there are no illegal elements such as *riba*, fraud, *gharar*, etc. (Mat Zain et al., 2022). According to Dr. Shamsiah Mohamad, the Islamic financial industry is very dependent on Shariah advisors (SA) or Shariah Advisory Committees (SAC) to ensure that the products and services provided are Shariah-compliant. It is a legal requirement in Malaysia for all Islamic financial institutions under the regulation of the Central Bank of Malaysia (CBA) and those under the regulation of the Securities Commission of Malaysia (SCM) to have SA or SAC at the institutional level, both in Islamic banking institutions and *Takaful*, or institutions involved in the Islamic capital market. (Muah. 2021).

The Islamic Financial Services Act 2013 was created by CBA to ensure that syariah compliance is always guaranteed by ensuring that the Islamic finance industry is truly consistent and meticulous with syariah compliance aspects as the main core (Maybank t.h.). In IFSA 2013, there are many provisions that touch human resources from the aspect of syariah compliance and responsibility. (Mat Zain et al., 2022).

Next, the Shariah Advisory Council (SAC) plays an important role in ensuring the consistency of Shariah decisions adopted by Islamic financial institutions in Malaysia. The Shariah decision made by SAC is the main reference for Islamic financial institutions to ensure full Shariah compliance in product structuring and the implementation of their financial activities. In addition, the CBA Act 2009 provides that Shariah issues brought to court or raised in any arbitration proceedings should be referred to the SAC for the purpose of clarity and certainty.

SAC provides the Shariah basis for the development of a comprehensive Shariah contract-based regulatory framework for Islamic financial institutions in Malaysia. In this regard, the SAC determines the important features of the contract by taking into account various Shariah views, research findings, and market customs and practises. (Central Bank of Malaysia 2009).

So, it can be seen that the role of the syariah advisor is very important in Islamic finance because this matter needs to be based on the Islamic Financial Institution act, which is to comply with the syariah.