

UNIVERSITI TEKNOLOGI MARA

**EXPLORING THE BEST INDUSTRY
PRACTICE OF SHARIAH REVIEW
FUNCTION UNDER SHARIAH
GOVERNANCE FRAMEWORK 2010**

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Thesis submitted in partial fulfillment
of the requirements for the degree of
Master of Islamic Banking and Finance

Arshad Ayub Graduate Business School

July 2019

ABSTRACT

Shariah Governance Framework introduced by Bank Negara Malaysia (BNM) stood firmly on the foundation of Shariah compliance and risk platform, with Shariah risk management, Shariah research, Shariah audit and Shariah review as the mechanisms to ensure Shariah compliance in the operations and business activities of the Islamic financial institution. The objective of this paper is to investigate the understanding of Shariah review function among Heads of Shariah review department from selected Islamic financial institutions (IFIs), which are Bank Islam Malaysia Berhad, CIMB Islamic and Bank Simpanan Nasional. The second objective is to identify the arrangements of Shariah Governance Framework model in the respective IFIs particularly on Shariah review function. Moreover, this research analyses the methodology, challenges and problems faced by the IFIs in managing Shariah review function with the provisions in Shariah Governance Framework in the respective IFIs. Finally, this research explores the best industry practice in the management of Shariah review function as stipulated under the Shariah Governance Framework. The qualitative method is adopted, where the information on the Shariah review practices of three Islamic banks in Malaysia is gained through semi-structured interviews conducted with the Heads of Shariah review department of selected IFIs. Apparently, this paper discovered that each of IFIs in Malaysia adopted the Shariah Governance Framework in different set-up because of the flexibility given by regulator to the IFIs and other factors such as nature and the size of the IFI. Additionally, it is found that all of the selected IFIs adopted the same methodology on managing Shariah review function in their institution. Lastly, based on the findings and analysis from the interviews, a proposed model of Shariah Governance Framework is presented to enhance the independency and effectiveness of Shariah review function is recommended to Bank Negara Malaysia and industry players.

ACKNOWLEDGEMENT

In the name of Allah, the most Merciful and the most Beneficent.

First and foremost, we thank to Allah S.W.T for endowing us with mental and physical health, patience, knowledge as well as other positive attributes notably perseverance to complete this challenging research paper. Special gratitude goes to our research advisor, Associate Professor Dr Sharifah Faigah Syed Alwi for her guidance, supervision and encouragement. Her constructive comments and suggestions greatly assist in the successful completion of this research paper.

Special thanks to my beloved parents, Mr. Azlan Shah bin Abdul Majid and Mrs. Hayati binti Ismail, my siblings as well as other close family members for their understanding and unwavering support, love, invaluable assistance and sincere blessings.

Sincere thanks to all my friends, who directly or indirectly have lent their hands and thank you for the understanding and moral support during the testing time to complete this research. Lastly, I would like to place our gratitude to everyone who have assisted us in one way or another.

I would like to thank all of you from the bottom of my heart, may Allah shower His countless blessings on us and our family.

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