



**GLOBAL ISLAMIC FINANCE FORUM**  
KUALA LUMPUR 26-29 MARCH 2007

*FINANCIAL REGULATORS FORUM IN ISLAMIC FINANCE*

*Panel Discussion 2:*

*Optimal Shariah Governance in Islamic Finance:*

*Reporting Perspective*

*March 28, 2007*

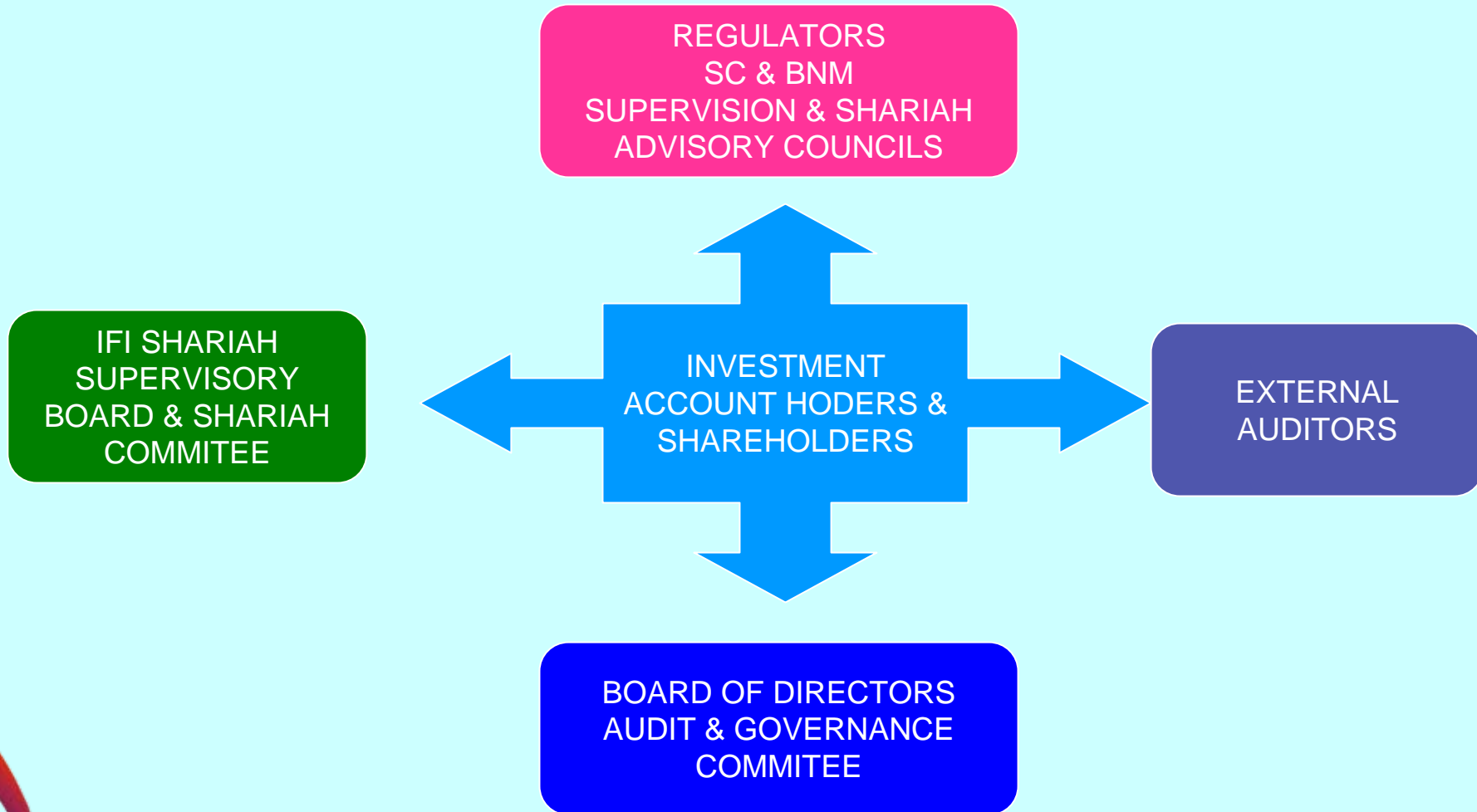
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# Shariah Governance: By Whom? For Whom?





# Optimality – Trade Off Considerations

- Opportunistic *vis-a-vis* Efficiency Behavior
- Agency (conflict) *vis a vis* Stewardship Relationship (congruence)
- Rule *vis a vis* Principle Based Approach
- Regulation *vis a vis* Governance Mechanism
- Internalization *vis a vis* Transaction costs
- Proprietary (confidentiality) *vis a vis* Transparency (Disclosure)
- Economic Decision Usefulness *vis a vis* Reporting Accountability
- Public confidence *vis a vis* Market discipline
- Investor *vis a vis* Stakeholder Perspectives
- Investment Account Holders *vis a vis* Shareholders Interest
- Profitability *vis a vis* liquidity objectives



## Areas of Concern:

- Product Endorsement & Approvals
- System, Procedure & Documentation
- Positioning, Branding and Promotion
- Disclosures & Reporting
- Risk Assessment & Management
- Performance, Efficiency and Equitable
- Conflict Resolution and Arbitration

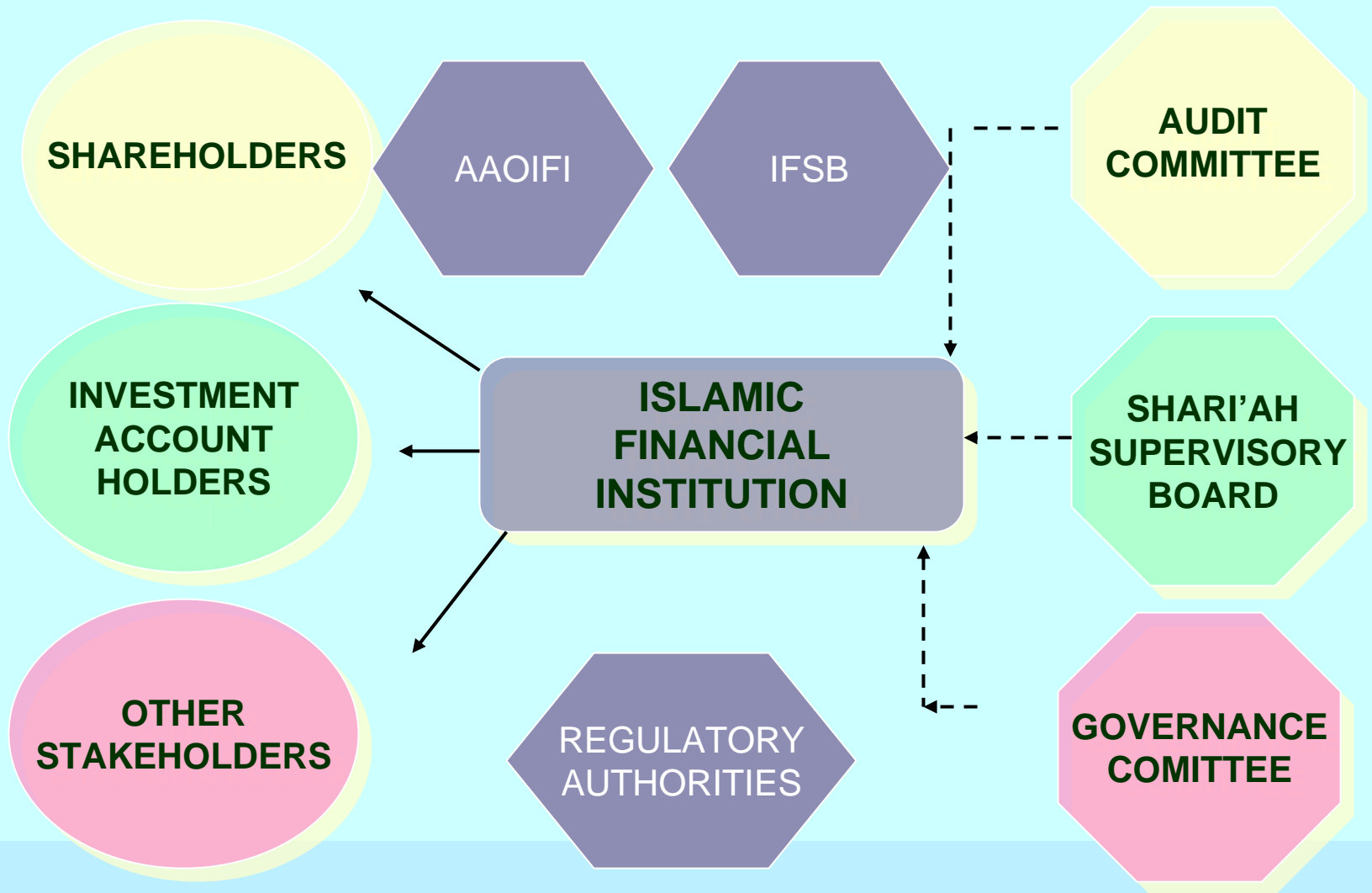


# Levels of Shariah Compliance Behavior

Levels	Activity	Assurance	For Whom
<b>Product</b>	Endorsement	Lawful, Valid, Equitable	Counter Party Interest
<b>Transaction</b>	Endorsement	Lawful & Valid	Counter Party Interest
<b>Entity</b>	Policy, Governance & Opinion	Lawful, Valid, Reliable & Equitable	Investors (Shareholders & IAH) & Stakeholders
<b>National Policy</b>	Policy, Governance & Regulation	Sound, Stable, Sustainable & International Acceptance	Investors (Shareholders & IAH), Stakeholders & Public Interest



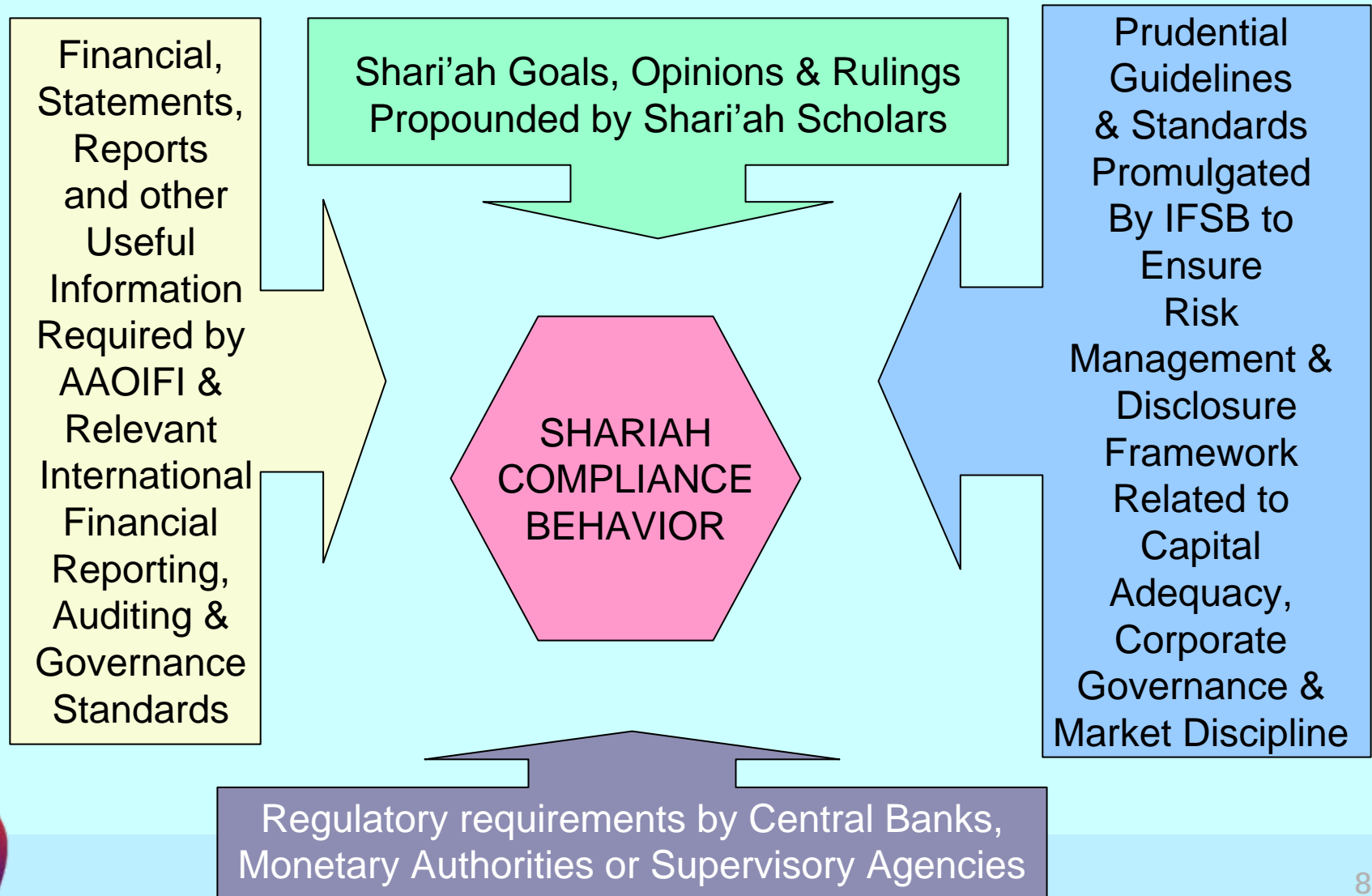
# FINANCIAL REPORTING, AUDITING & GOVERNANCE FRAMEWORK





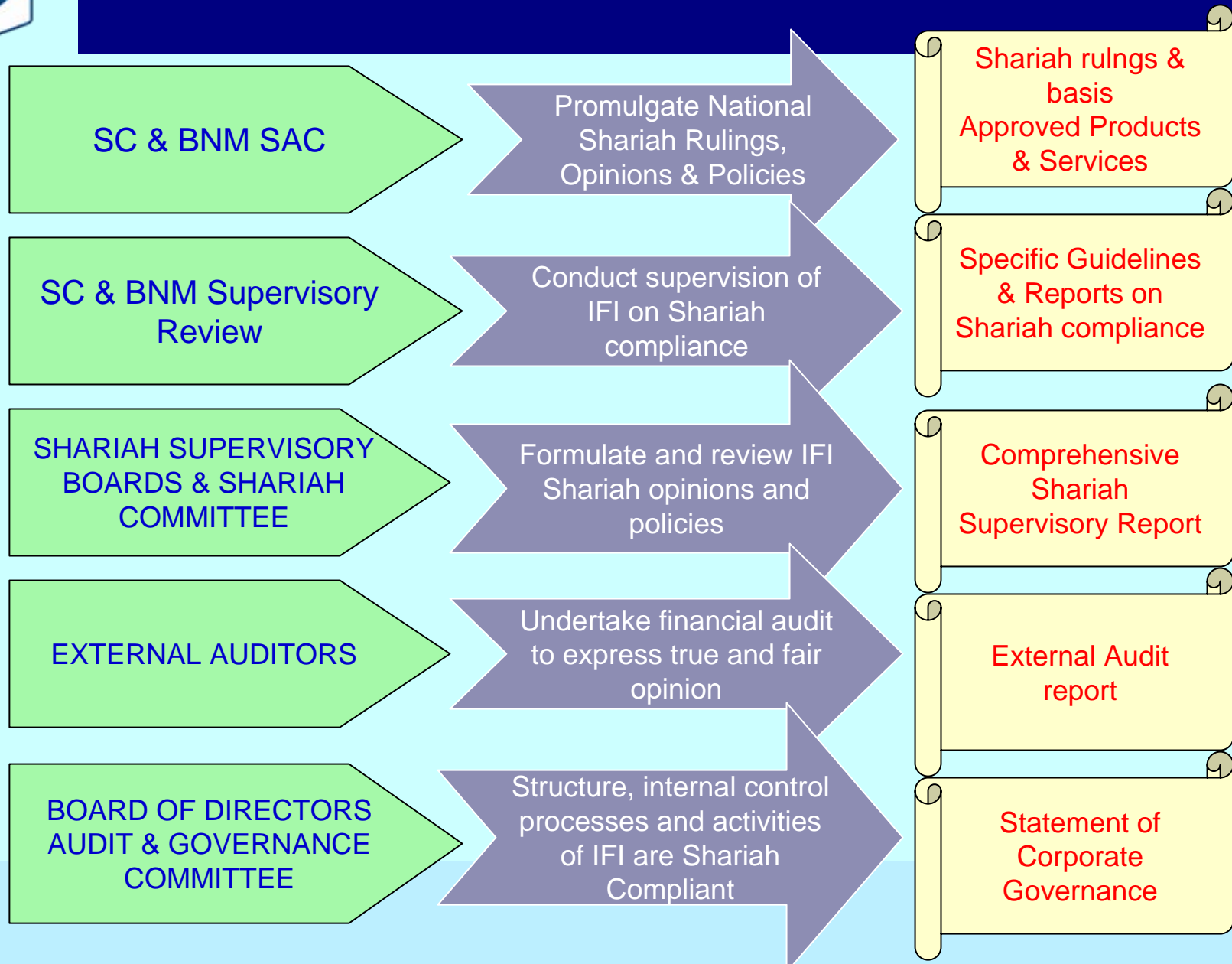


# Multi-Disciplinary Perspectives on Role of Shariah Review, Audit & Governance





# Shariah Governance Assurance Framework





**THANK YOU & WASSALAM**