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Article

Shari'a Governance in Bahrain: Analysing the Islamic Banking Industry's Implementation of the Newly Issued Regulatory Shari'a Governance Module

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Abstract: Shari'a governance is considered a crucial element of the Islamic banking industry. As recent as 2017, Islamic banks in the Kingdom of Bahrain were required by the regulator to have only a Shari'a Supervisory Board and an internal Shari'a function. In 2017, the Central Bank of Bahrain issued a new Shari'a Governance module (SG) in its rulebook, requiring all Islamic banks to have at least two internal Shari'a departments instead of one, mandated external Shari'a auditing, and maintaining the necessity of having a Shari'a Supervisory Board. In this study, through an empirical enquiry, we analyse how the Islamic banking industry implemented this new module. The empirical results revealed that there seems to be an implementation gap between Islamic retail and wholesale banks, where the former have fully implemented the new Shari'a governance requirements, while the latter were given exemptions to postpone its implementation.

Keywords: Shari'a governance; Shari'a audit; regulation; Islamic finance



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1. Introduction

The first Islamic bank in the Kingdom of Bahrain was established in 1979 [Bahrain Islamic Bank \(2020\)](#). During that time, there did not seem to be formal requirements to establish a Shari'a Supervisory Board, and even more so in the case of internal Shari'a audit. Furthermore, not only were the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) Governance Standards pertaining to Shari'a Supervisory Boards and Internal Shari'a Audit in-existent, rather, AAOIFI as an Islamic infrastructure organization itself did not exist at the time [AAOIFI \(2010\)](#).

Evidence suggests that, not necessarily as a formal requirement by the regulator at the time, the first Shari'a Supervisory Board (referred to as Shari'a Supervisory Committee at the time) was established in 1979 by Bahrain Islamic Bank, [BIsB \(2016\)](#), while the first hiring of a full-time internal Shari'a reviewer in the Kingdom of Bahrain occurred in 1992.¹ AAOIFI was established in 1991 and, thereafter, issued governance standards for both Shari'a Supervisory Boards and the Internal Shari'a Review in 1997 and 1999, respectively [AAOIFI \(2010\)](#). Even then, this did not necessarily mean that having an internal Shari'a review function at Islamic banks was a regulatory requirement.

Since 1979, the Kingdom of Bahrain has arguably become one of the global Islamic financial hubs, [Hidayat and Al-Khalifa \(2018\)](#). aided by its robust regulatory framework [Wilson \(2005\)](#). As of 2019, the Kingdom of Bahrain is home to twenty-one fully-fledged Islamic banks (Central Bank of Bahrain). Although having a Shari'a Supervisory Board may have been mandated at an earlier stage, evidence indicates that it was from around 2008–2010, [CBB \(2014\)](#) and up until 2017, where the formal regulatory requirements in terms of Shari'a governance for Islamic banks were to have both a Shari'a Supervisory Board and internal Shari'a audit function [CBB \(2018\)](#).

In 2016, the Central Bank of Bahrain established its own centralized Shari'a Supervisory Board known as the CSSB MIA (2015) and issued a new module in its rulebook entitled Shari'a Governance Module (SG) in 2017 CBB (2018). The regulator now started implementing new and perhaps stricter Shari'a governance requirements to be adopted by Islamic banks in the Kingdom of Bahrain. This includes having two internal Shari'a departments rather than one, the implementation of external Shari'a auditing, while maintaining the mandate to have a Shari'a Supervisory Board CBB (2018).

In light of these recent changes, there seems to be a research gap in terms of the implementation of the newly issued regulatory Shari'a Governance module by the Islamic banking industry. This is probably due to the fact that the requirement in terms of implementing the newly issued Shari'a governance framework was in 2018 and 2019. As such, we have viewed this practice as an imperative one that may need to be investigated and for which the empirical results may be a valuable contribution to knowledge. We have therefore developed the following aims for the research:

1. Analyse the newly issued Shari'a Governance module by the Central Bank of Bahrain;
2. Investigate the implementation practices of the new Shari'a governance framework requirements by Islamic banks in the Kingdom of Bahrain, as required by the regulator.

Following the introduction, Section 2 provides a literature review on Shari'a governance, including Shari'a governance in the Kingdom of Bahrain. It thereafter focuses on explaining the newly issued Shari'a Governance module by the Central Bank of Bahrain and concludes with a discussion. Section 3 explains the qualitative methodology used, especially the use of a thematic analysis as an empirical data analysis tool. Section 4 is the empirical section that analyses the implementation of the newly issued regulatory Shari'a governance module by the Islamic banking industry in the Kingdom of Bahrain by using four Islamic retail banks and two Islamic wholesale banks as a study sample. Section 5 concludes the paper.

2. Review of Literature

2.1. Shari'a Governance and Bahrain

The literature tends to suggest that prior to 2009, no formal definition for the concept of Shari'a governance existed Kassim et al. (2013). It suggests that the Islamic Financial Services Board (IFSB) may have issued the first official definition for Shari'a governance Hidayat and Al-Khalifa (2018). Shari'a governance has been defined by the IFSB (in IFSB-10) as a set of institutional and organizational arrangements that an Islamic financial institution uses to ensure that there is an effective and independent oversight for its activities in terms of Shari'a compliance Hidayat and Al-Khalifa (2018).

The term Shari'a governance has also not been explicitly defined by regulatory and supervisory authorities of Islamic banking and finance in Malaysia Bank Negara Malaysia (2019) and Pakistan State Bank of Pakistan (2015) and where the understanding, it seems, is derived from the objectives it seeks to achieve.

Although the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) does not seem to explicitly define the concept of Shari'a governance State Bank of Pakistan (2015), it nevertheless provides a number of imperative Governance Standards related to Shari'a Governance Kassim et al. (2013).² This includes: (1) Shari'a Supervisory Board: Appointment, Composition, and Report; (2) Shari'a Review; and (3) Internal Shari'a Review AAOIFI (2010). As these governance standards have been established by one of the leading Islamic financial infrastructure bodies (AAOIFI), this may indicate the significance of Shari'a Supervisory Boards and internal Shari'a review functions as crucial components for a Shari'a governance framework.

Shari'a Supervisory Boards are independent bodies that consist of Shari'a scholars specializing in the field of fiqh al-mu'amalat (Islamic jurisprudence for transactions) AAOIFI (2010). All Islamic banks in the Kingdom of Bahrain are required by the regulator to have a Shari'a Supervisory Board that consists of at least three members CBB (2014), in line with the recommendations of AAOIFI AAOIFI (2010). The main responsibility of

the Shari'a Supervisory Board is to review and ensure that the activities undertaken by an Islamic financial institution are Shari'a-compliant [Haqqi \(2014\)](#). Shari'a Supervisory Boards are appointed by the shareholders in their annual general meeting, upon recommendation by the board of directors of an Islamic financial institution [Muhammad \(2018\)](#).

Furthermore, internal Shari'a review functions at Islamic banks are also considered significant components of the Shari'a governance framework [Alkhan \(2016\)](#). This is because internal Shari'a departments are responsible for the day-to-day review activities in terms of Shari'a compliance and report any findings to the Shari'a Supervisory Board of an Islamic financial institution [Alkhan \(2016\)](#). As Shari'a Supervisory Board members meet a number of times per year and are not full-time employees, the in-house internal Shari'a review function is considered a vital organ as it transfers necessary information to the Shari'a Supervisory Board in relation to the practices taking place at Islamic banks (in terms of Shari'a compliance) [Alkhan \(2016\)](#). Without the internal Shari'a review function, the Shari'a Supervisory Board may not necessarily be aware of the day-to-day practices by Islamic banks on a detailed level [Alkhan \(2016\)](#). Furthermore, internal Shari'a audits may represent a significant segment of the internal Shari'a review function [Muhammad \(2018\)](#). These internal Shari'a audit reports would be viewed by the Shari'a Supervisory Board to assess the degree of Shari'a compliance by the Islamic financial institution [Alkhan \(2016\)](#).

The literature suggests that without a Shari'a governance system, it would be difficult for an Islamic financial institution to claim to be Islamic [Hassan et al. \(2012\)](#). This is because the compass required for Shari'a-compliant operations may be missing [Hassan et al. \(2012\)](#). We may conclude from this section that Shari'a governance may represent an imperative segment of an Islamic financial institution that must be present for it to claim to be adhering to Shari'a principles.

Up until 2017, the regulatory requirements in terms of Shari'a governance for Islamic banks in the Kingdom of Bahrain were to have a Shari'a Supervisory Board and an internal Shari'a review function [CBB \(2018\)](#). The Central Bank of Bahrain also required Islamic banks in the Kingdom of Bahrain to follow AAOIFI standards, including having a minimum of three Shari'a scholars in its Shari'a Supervisory Board [CBB \(2018\)](#).

Following signs of possible Shari'a governance weaknesses in the Bahraini Islamic banking industry, in 2014, the Central Bank of Bahrain issued a circular to all Islamic banks in the Kingdom of Bahrain reminding them of the necessity to follow AAOIFI Governance standards [CBB \(2014\)](#). The regulator also specifically emphasized that the internal Shari'a review function and Shari'a Supervisory Board of Islamic banks should ensure that the Islamic banks they represent are strictly following Shari'a principles [CBB \(2014\)](#). This may indicate that the regulator was keen to maintain an efficient and strong Shari'a governance framework, in addition to efficiently supervise Islamic banks in terms of Shari'a governance and compliance. However, the regulatory requirement then (in 2014) still remained that all Islamic banks solely needed to have a Shari'a Supervisory Board and internal Shari'a review function. In 2016, the Central Bank of Bahrain established its own Centralized Shari'a Supervisory Board (CSSB) [MIA \(2015\)](#). This may indicate that the Shari'a governance framework dynamics were now being altered in the Kingdom of Bahrain, although the Shari'a governance framework in terms of mandatory regulatory requirements for Islamic banks remained the same [CBB \(2020a\)](#). Furthermore, there does not seem to be much literature to suggest that the CSSB has been currently playing an active centralized Shari'a supervisory role at the time of conducting this research. This may be due to the fact that this component has been a fairly new one.

In 2017, not only did the Central Bank of Bahrain mandate additional Shari'a governance requirements, it also issued a new Shari'a Governance (SG) module in its rulebook [CBB \(2018\)](#). The regulator now mandated what seems to be a stricter Shari'a governance framework by altering existing components of the Shari'a governance framework and/or by adding new components [CBB \(2018\)](#). Therefore, and in line with the research objectives, the next section discusses the newly issued regulatory Shari'a governance module requirements in detail.

2.2. Shari'a Governance (SG) Module in the CBB Rulebook

As mentioned in the previous section and as of 2017, the regulator in the Kingdom of Bahrain required each Islamic bank to have only a Shari'a Supervisory Board and an internal Shari'a review function [CBB \(2018\)](#). Following the issuance of a new Shari'a Governance (SG) module in its rulebook, the Central Bank of Bahrain now mandates more comprehensive Shari'a governance requirements [CBB \(2018\)](#).

According to SG-1.1.2 of the Shari'a governance (SG) module, all Islamic banks in the Kingdom of Bahrain are now required to have at least the following components as part of their Shari'a governance structure:

- (a) Shari'a Supervisory Board (SSB);
- (b) Shari'a Coordination and Implementation Function;
- (c) Internal Shari'a Audit Function;
- (d) Independent External Shari'a Compliance Audit (IESCA) [CBB \(2018\)](#).

As seen above, the regulator maintained the mandate for each Islamic bank to have a Shari'a Supervisory Board. However, rather than having one internal Shari'a review function, the Central Bank of Bahrain now requires Islamic banks to have two internal Shari'a functions: one named the Shari'a Coordination and Implementation function, and the other named the Internal Shari'a Audit function. Section 2.1 explained how internal Shari'a auditing was conducted as a partial responsibility by the internal Shari'a review function [Muhammad \(2018\)](#). This indicated that the internal Shari'a review function has several duties such as reviewing contracts, providing internal guidance, and liaising with the Shari'a Supervisory Board of an Islamic bank, amongst which was internal Shari'a auditing.

However, as apparent in SG-1.1.2, the Bahraini regulator mandated that a separate function be created solely for the purpose of internal Shari'a auditing. As the title suggests, this function may need to be dedicated solely to conducting internal Shari'a audits. In contrast, it seems that the Shari'a Coordination and Implementation unit would be responsible for all other internal Shari'a duties. A detailed analysis for the duties of each of these two functions is provided in Sections 2.2.2 and 2.2.3.

In what seems to be a new practice in the Kingdom of Bahrain, the Bahraini regulator now also requires all Islamic banks to be externally Shari'a audited. As this may be considered a new practice, it remains to be seen how this practice would be actually implemented in the long run. This may also indicate that the Central Bank of Bahrain has been taking decisive measures in terms of mandating a more comprehensive Shari'a governance framework for the Islamic banking industry.

Considering the possible significance of understanding the above regulatory-required Shari'a governance components for Islamic banks in the Kingdom of Bahrain, and in line with the research aims, the following Sections 2.2.1–2.2.4 further elaborate on the roles of each component according to the Shari'a governance module issued by the Central Bank of Bahrain.

It is important to identify that the applicability of the Shari'a Governance (SG) module includes both Islamic retail and wholesale banks. In other words, no distinction has been made between the two types of banks allowing any specific provision or exemption for one over the other. Such an approach is consistent with the Shari'a Governance module/frameworks of those issued by other jurisdictions including Malaysia [Bank Negara Malaysia \(2019\)](#), Oman [Central Bank of Oman \(2012\)](#), and Pakistan [State Bank of Pakistan \(2015\)](#), respectively.

2.2.1. Shari'a Supervisory Board (SSB)

Since Shari'a Supervisory Boards was an existing component prior to the issuance of the new Shari'a Governance (SG) module, there may not be a much difference with regards to their roles and responsibilities.

The main role of the Shari'a Supervisory Board is to supervise the operations and activities of an Islamic bank to ensure their compliance with Shari'a principles [CBB \(2020b\)](#). They are also required to review and monitor the transactions of the Islamic bank to ensure

compliance with Shari'a principles and its own pronouncements [CBB \(2020b\)](#). Due to the existence of two internal Shari'a functions rather than one, SG-2.3.10 explicitly mentions that Shari'a Supervisory Boards are required to review the reports/observations of both the Shari'a Coordination and Implementation and Internal Shari'a Audit functions and provide advice in relation to those reports/observations [CBB \(2020b\)](#). In general, Shari'a Supervisory Boards are required to play an independent and strong oversight role while exercising their duties to ensure that the activities undertaken by an Islamic banks comply with Shari'a principles (as mentioned in SG-2.5.1).

We may conclude that, generally, no significant changes were made regarding the role of Shari'a Supervisory Boards at Islamic banks in the Kingdom of Bahrain, as this component along with its responsibilities existed in the previous regulatory Shari'a governance requirements [CBB \(2018\)](#). However, as previously explained, since a Centralized Shari'a Supervisory Board (CSSB) was established in 2016 [MIA \(2015\)](#), it may be imperative to understand the relationship between the CSSB and Shari'a Supervisory Board. The Shari'a Governance module discusses this matter specifically, where it mentions in SG-10 that Shari'a Supervisory Boards are required to comply with the Shari'a pronouncements issued by the CSSB and that the opinion of the CSSB shall prevail in case of a conflict or difference of opinions between the CSSB and Shari'a Supervisory Board in matters relating to Shari'a. This perhaps illustrates the higher authority given to the CSSB.

2.2.2. Shari'a Coordination and Implementation Function

We consider this component an interesting one, as it may be a new practice in the Islamic financial industry as a regulatorily required sole function. Generally, this regulatorily required dedicated function at Islamic banks are required to review and evaluate all the contracts, agreements, fees, charges, policies and procedures, product transaction structures and manuals, amongst others, prior to offering a product to the market [CBB \(2018\)](#).

The Shari'a Coordination and Implementation function is also required to be involved in the testing and implementation of new products/services to ensure compliance with the relevant fatawa (juristic opinions) [CBB \(2018\)](#). This function should also provide training to the employees of the Islamic bank, disseminate knowledge in the field of fiqh al-mu'amilat (Islamic jurisprudence of transactions), and assist the relevant staff in dealing with Shari'a non-compliance issues during the implementation stage of any product/service.

It seems that the responsibilities of this function are quite straightforward. They are required to engage in all internal Shari'a matters other than conducting/preparing internal Shari'a audit reports [CBB \(2014\)](#). The following section discusses internal Shari'a auditing in more detail.

2.2.3. Internal Shari'a Audit Function

Internal Shari'a auditing may not be a new phenomenon in Islamic banking [Muhammad \(2018\)](#). Rather, the requirement of having a function that is solely dedicated to conducting internal Shari'a audits without any other internal Shari'a duties may be a new practice. Furthermore, requiring certain internal Shari'a audit requirements in the regulatory rulebook in terms of the responsibilities of the internal Shari'a audit function, rather than solely requiring Islamic banks to follow AAOIFI governance standards, may be considered as a new regulatory practice. In this regard, SG-4.1.4 mentions five categories that heads of internal Shari'a audit are responsible for examining and evaluating when analysing the extent of the adherence to Shari'a compliance requirements by an Islamic bank (CBB). Namely, these are:

- (a) Shari'a principles;
- (b) The fatawa of the Shari'a Supervisory Boards, in addition to their guidelines, pronouncements and recommendations/instructions;
- (c) Shari'a-related regulations, resolutions, and directives issued by the CBB;
- (d) AAOIFI Shari'a standards;
- (e) Shari'a related policies and procedures of the Islamic bank.

Again, there seems to be no significant change in terms of implementing the practice of internal Shari'a auditing; rather, the requirement of having a dedicated function solely for internal Shari'a audit may be a new one. This may be especially true since Islamic banks in the Kingdom of Bahrain were required by the regulator to follow AAOIFI governance standards prior to the issuance of this new Shari'a governance module CBB (2018). Those standards do not necessarily indicate the need to have two separate internal Shari'a functions AAOIFI (2010). Even more so, AAOIFI governance standards state that the duties of internal Shari'a auditing may be conducted either as an independent function or as a part of the internal audit function AAOIFI (2010). Thus, this new Shari'a governance requirement of having a dedicated internal Shari'a audit function other than the Shari'a Coordination and Implementation function may be an imperative one. Although the practice of conducting Shari'a auditing may not be new as an internal process, it may be rather new as an external process. Thus, the following section discusses the requirement of conducting external Shari'a audits, as required by the regulator in the Kingdom of Bahrain.

2.2.4. Independent External Shari'a Compliance Audit (IESCA)

The regulator in the Kingdom of Bahrain now requires all Islamic banks to be externally Shari'a audited by an independent external Shari'a auditor on an annual basis. According to SG-5.2.1 of the Shari'a Governance (SG) module, the external Shari'a audit should be completed prior to the issuance of the annual Shari'a Supervisory Board report, should be submitted to the audit committee, and thereafter to the Shari'a Supervisory Board and management of an Islamic bank CBB (2014).

This may present a more effective auditing process for Islamic banks in the Kingdom of Bahrain in terms of Shari'a compliance, especially since the independent external Shari'a compliance report is required to be guided by the International Standards on Assurance Engagements 3000, Assurance other than Audits or Reviews of Historical Financial Information (according to SG-5.2.3). The main responsibility of the external Shari'a auditor is to ensure Shari'a compliance in accordance with the relevant regulations, applicable AAOIFI standards, rulings of the centralized Shari'a Supervisory Board, and the Shari'a Supervisory Board of the Islamic Bank. This practice may be a fairly new and significant one since it did not exist in the previous regulation CBB (2014).

2.3. Discussion

Following the new requirements by the Bahraini regulator in terms of Shari'a governance, one must ask how Islamic banks in the Kingdom of Bahrain are coping with the possible costs associated with such requirements. In an era where financial institutions have been trying to cut down costs to the extent possible, it may be informative to understand how Islamic banks in the Kingdom of Bahrain are implementing these new Shari'a governance requirements. Nonetheless, the regulator should be applauded for its decisive efforts in upgrading the Shari'a governance framework in the Kingdom of Bahrain to strengthen the Shari'a compliance of the Islamic financial industry. This step may increase the authenticity of the Shari'a compliance of the Islamic financial industry in the Kingdom of Bahrain.

The timing of the issuance of the new Shari'a Governance module by the regulator may also be a matter of interest to the researcher. This is because following the completion of a larger research project in 2016, where the research project pertained to a different topic in Islamic finance, one of the main conclusions was that the Kingdom of Bahrain may need a strong and efficient Shari'a governance framework to sustain the Shari'a compliance of the Islamic banking industry Alkhan (2016). This was because evidence indicated that there were signs of Shari'a compliance weaknesses in the Islamic banking industry, where it was proposed to take action in terms of Shari'a governance requirements. This may indicate that the regulator was aware of certain Shari'a governance weaknesses and took decisive measures to upgrade its Shari'a governance framework.

The empirical section analyses how Islamic banks in the Kingdom of Bahrain implemented the new Shari’a governance requirements. Did they set up new departments, employ new individuals for the required roles, appoint external Shari’a auditors, and/or change their practice in terms of internal Shari’a duties? Furthermore, if implemented, how did this change the practice of Shari’a compliance and internal Shari’a audits? We analyse in the empirical section the practice of the Islamic banking industry in terms of implementing these new Shari’a governance requirements.

3. Research Methodology

This research uses a qualitative methodology. Gray (2004). This section first shows the sample for this research, and thereafter explains the methods used for data collection and analysis.

3.1. Data Coverage

Six fully-fledged Islamic banks in the Kingdom of Bahrain were used in this research as a sample for the empirical enquiry. This includes four Islamic retail banks and two Islamic wholesale banks. It was thought to be necessary to have both the Islamic retail and Islamic wholesale banking sectors in order to cover the entire Islamic banking industry, rather than one sector. Furthermore, since Islamic retail banks have a relatively larger volume of daily operations compared to Islamic wholesale banks (as seen in the annual reports of Islamic banks) we selected four Islamic retail banks and two Islamic wholesale banks for the empirical enquiry. Namely, the four Islamic retail banks are Al-Baraka Islamic Bank-Bahrain; Al-Salam Bank-Bahrain; Bahrain Islamic Bank; and Ithmaar Bank, while the Islamic wholesale banks are Venture Capital Bank and GFH. The Figure 1 below illustrates the data coverage:

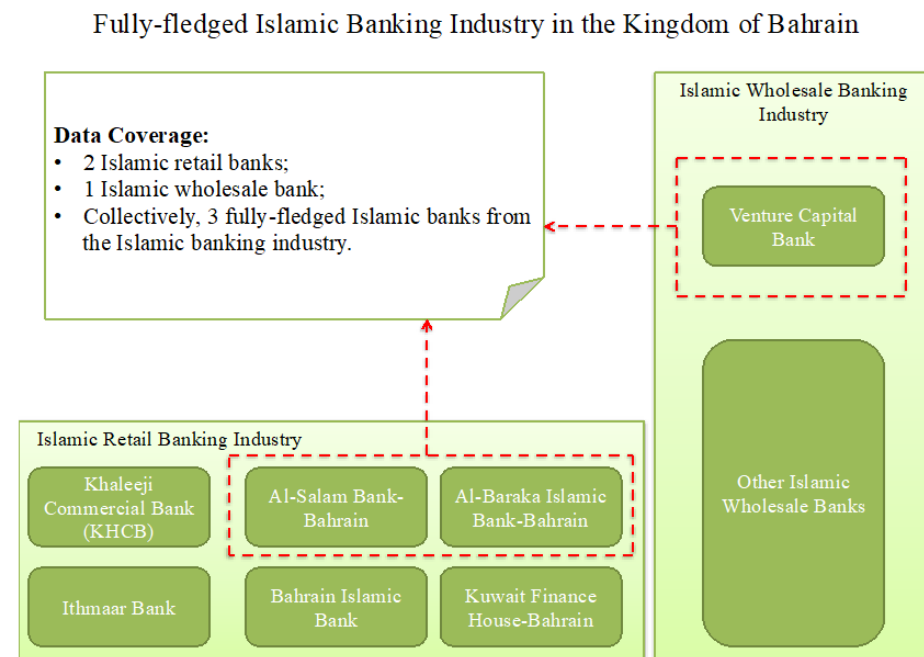


Figure 1. Data coverage.

3.2. Methods of Data Collection and Analysis

One of the most common data collection methods in qualitative research is interviews Jamshed (2014). We thus conducted interviews as a primary data collection method with internal Shari’a employees of the Islamic banks used as units of analysis in this research. This was in order to obtain information on whether (and how) they have implemented the new regulatory Shari’a governance requirements by the regulator. Interviews were unstructured as the researcher wanted to gain a general understanding of the practice regarding

the implementation of the new Shari’a governance framework [Corbin and Morse \(2003\)](#). The researcher simply asked whether, and how, the new Shari’a governance framework was adopted. The interviews were conducted on the following dates (Table 1):

Table 1. Interview dates with Islamic banks of Bahrain for this research.

Interviewee	Islamic Bank	Date
A	Al-Baraka Islamic Bank-Bahrain	5 January 2020
B	Al-Salam Bank-Bahrain	5 January 2020
C	Venture Capital Bank	6 January 2020
D	Bahrain Islamic Bank	15 August 2022
E	Ithmaar Bank	15 August 2022
F	GFH	15 August 2022

As for the data analysis method, Section 2.2 shows the new Shari’a governance requirements by the Central Bank of Bahrain. As the information provided were retrieved from the Shari’a Governance (SG) module in the Central Bank of Bahrain rulebook (which may also be considered secondary data), important themes emerged in terms of how to analyse the implementation of the Shari’a Governance module by the Islamic banking industry. This may be referred to as a thematic analysis [Boyatzis \(2004\)](#). The following Table 2 displays the two themes that emerged as a result of the review of literature section:³

Table 2. Two themes which emerged as a result of the literature review.

	Generated Theme	Ref
A	Implementation of having two internal Shari’a functions rather than one	SG-1.1.2
B	Implementation of appointing/conducting external Shari’a auditors/auditing	SG-5

To elaborate, as the review of literature for the Shari’a Governance (SG) module revealed that the mandate to have Shari’a Supervisory boards at Islamic banks remained almost intact, with having similar responsibilities prior to issuing the new Shari’a Governance module, we do not focus on analysing the practice of Shari’a Supervisory Boards. However, since all Islamic banks are now required to have two internal Shari’a functions rather than one, a generated theme was to analyse how Islamic banks implemented this requirement. Furthermore, since the requirement of conducting external Shari’a audits for Islamic banks is a new one, this theme was also generated for analysis. These two themes represent the main categories in terms of the changes made to the Shari’a governance requirements. We therefore focus on the above two themes in our empirical analysis to analyse the implementation of the new regulatory Shari’a Governance module by the Islamic banking industry in the Kingdom of Bahrain.

Following the qualitative thematic analysis, we thereafter illustratively display the Shari’a governance structure for each Islamic bank used in this research for the years 2017 and 2019. This is in order for the reader to obtain an understanding of the Shari’a governance structure of an Islamic bank prior to, and after the issuance of, the new Shari’a Governance (SG) module.

4. Empirical Data and Analysis

4.1. Al-Baraka Islamic Bank-Bahrain

4.1.1. Theme A: Implementation of Having Two Internal Shari’a Functions Rather Than One

As of 2017, the Shari’a governance structure of Al-Baraka Islamic Bank included having a Shari’a Supervisory Board consisting of three members and an internal Shari’a function called the Shari’a department. This was consistent with the regulatory requirements in

terms of Shari'a governance prior to issuing the new Shari'a Governance module. Following the issuance of the new Shari'a Governance module, Al-Baraka Islamic Bank implemented the new regulatory requirements by establishing two internal Shari'a functions, one for the Shari'a Coordination and Implementation and the other for Internal Shari'a Audit. The interviewee responses suggested that this practice was implemented in 2018.

In 2017, prior to the issuance of the Shari'a Governance (SG) module, the Shari'a department of Al-Baraka Islamic Bank consisted of only one employee. Considering the large operations of Al-Baraka Islamic Bank, it may be considered that the Shari'a department lacked the necessary resources in terms of conducting its internal Shari'a duties.

After implementing the mandate of having two internal Shari'a functions, the respected individual who was the sole employee of the Shari'a department became the Head of the Shari'a Coordination and Implementation department, known as the Shari'a Officer. In addition, an existing trainee at Al-Baraka Islamic Bank was given a permanent contract to join the Shari'a Coordination and Implementation department. Thus, the Shari'a Coordination and Implementation department now has two employees. This may be an interesting matter since prior to the implementation of the new regulatory Shari'a governance requirements, there was one employee responsible for wider roles and responsibilities, while now there are two employees who are responsible for only a portion of those responsibilities. This may indicate an increased amount of efficiency in terms of human resources for Shari'a governance.

As for the Internal Shari'a Audit department, Al-Baraka Islamic Bank established the department and appointed three individuals to join the department. Through an internal transfer from the financial control department, a respected individual with knowledge in Shari'a was given the mandate to join the Internal Shari'a Audit department as Head of Internal Shari'a Audit. Another internal transfer was conducted by transferring a respected branch manager to join the Internal Shari'a Audit department as a senior internal Shari'a audit employee. This was mainly because the respected individual had the necessary educational Shari'a background. The third respected individual joined as a new employee consuming a role equivalent to a junior internal Shari'a audit employee.

We thus conclude that from having only one employee in the Shari'a department prior to the implementation of the new Shari'a governance framework, Al-Baraka Islamic Bank now has three dedicated employees in the newly established Internal Shari'a Audit department. Three dedicated employees are now only responsible for internal Shari'a audits, which may be considered a significant change relative to the previous practice of Al-Baraka Islamic Bank.

Considering this significant change, the researcher asked whether there may have been a change in practice in terms of internal Shari'a audit reporting. Interviewee responses indicated that this might be the case. This is because the previous Shari'a department had only one employee with larger responsibilities. Thus, there was not necessarily a detailed Shari'a auditing process, including risk assessments and documenting evidentiary files. Rather, it was mainly reporting finalised observations that were reported to the Shari'a Supervisory Board. As the new Internal Shari'a Audit department has three respected employees with a focused role, there is now what may be considered a more official Shari'a audit process, significantly larger data coverage, and with the use of official/professional audit techniques. This may indicate a more efficient practice in terms of internal Shari'a audit. Thus, it may be concluded that the Shari'a governance requirements imposed by the regulator enhanced the practices of Al-Baraka Islamic Bank in terms of Shari'a compliance.

4.1.2. Theme B: Implementation of Appointing/Conducting External Shari'a Auditors/Auditing

Interviewee responses revealed that the regulatory requirement for external Shari'a auditing to be conducted in Islamic banks started for the year 2019. As such, the first officially issued external Shari'a audit report would be issued towards the end of the first quarter of 2020. Thus, we were not able to verify or analyse the practice of external Shari'a

audits in terms of reporting as of yet. However, interviewee responses revealed that KPMG-Bahrain was the entity appointed to conduct the external Shari’a audit for Al-Baraka Islamic Bank. It may be useful to emphasize that while undertaking this research, the practice of external Shari’a auditing was being implemented; however, no formal external Shari’a audit reports were issued as of yet.

4.1.3. Shari’a Governance Structure for 2017 and 2019

The analysis in Sections 4.1.1 and 4.1.2 revealed that Al-Baraka Islamic Bank adopted the new Shari’a governance structure as required by the regulator. We therefore display in this section two figures to illustrate the Shari’a governance structure of Al-Baraka Islamic Bank for the years 2017 and 2019, representing the Shari’a governance structure prior to, and after, the issuance of the new Shari’a governance module to illustrate this matter further. Figures 2 and 3 below present the Shari’a governance structure of Al-Baraka Islamic Bank for the years 2017 and 2019, respectively:

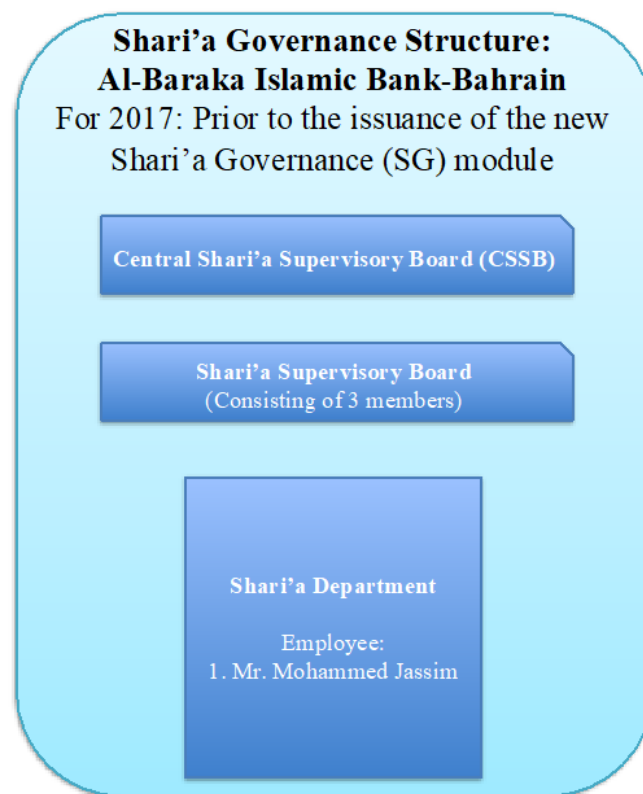


Figure 2. Al-Baraka Islamic Bank Shari’a governance structure: 2017.



Figure 3. Al-Baraka Islamic Bank Shari'a governance structure: 2019.

4.2. Al-Salam Bank-Bahrain

4.2.1. Theme A: Implementation of the Two Internal Shari'a Functions Rather Than One

Prior to the issuance of the Shari'a Governance (SG) module in 2017, Al-Salam Bank had only one internal Shari'a function, called the Shari'a Compliance department. The department consisted of two qualified internal Shari'a reviewers and a temporary trainee. Again, similar to the case of Al-Baraka Bank-Bahrain and considering the large operations of Al-Salam Bank, this may be viewed as having somewhat of a shortage in terms of internal Shari'a resources.

Following the issuance of the Shari'a Governance (SG) module and similar to Al-Baraka Islamic Bank, Al-Salam Bank implemented the regulatory requirements by establishing two internal Shari'a functions rather than one, namely the Shari'a Coordination and Implementation and the Internal Shari'a Audit departments. The respected interviewee explained that this was implemented on 1 July 2018 because the regulator gave Islamic banks in the Kingdom of Bahrain a deadline of 30 June 2018 to implement the new Shari'a governance requirements.

The then head of the Shari'a Compliance department became the head of the Shari'a Coordination and Implementation department, known as the Shari'a Officer, while the trainee was given a permanent contract to assist the Shari'a Officer. The other qualified internal Shari'a reviewer became the head of the Internal Shari'a Audit department. Through an internal transfer, an experienced auditor in the internal audit department also joined the Internal Shari'a Audit department. The respective interviewee explained that this was an initiative to bring forth experienced auditors to further enhance the internal Shari'a audit practice. Therefore, both the Shari'a Coordination and Implementation and the Internal Shari'a Audit departments now have two respected individuals in each department.

Similar to the case of Al-Baraka Islamic Bank, the researcher then enquired whether there was a change in the internal Shari'a audit practice, since more resources are now available for a relatively lesser portion of responsibilities. Interviewee responses indicated that this might indeed be the case. This was because previously, the Shari'a Compliance department used to spend a significant amount of time in liaising with the Shari'a Supervisory Board, preparing their meetings, along with other related responsibilities such as preparing Shari'a Supervisory Board minutes of meetings and fatawa documentation.

The same individuals responsible for this hefty work were also responsible of conducting internal Shari'a audits.

Following the segregation of the internal Shari'a department, the interviewee explained that the Internal Shari'a Audit department now readily receives all Shari'a Supervisory Board fatwas and other necessary Shari'a documentation. No time is spent for preparing this documentation by the Internal Shari'a Audit department as the Shari'a Coordination and Implementation department conducts them. Therefore, the Internal Shari'a Department is now solely responsible for receiving the necessary documentation and conducting internal Shari'a audits accordingly.

Perhaps more noteworthy, due to more resources and with a more focused responsibility, is that the Internal Shari'a Audit department currently covers a lot more areas of the bank in terms of data coverage, and in a relatively significantly shorter period of time. This may evidence that the internal Shari'a audit practice of Al-Salam Bank has become more efficient. In addition, due to the upgrade in resources, the Shari'a Supervisory Board officially requested more areas in terms of departments/investments and data coverage to be included in the annual Shari'a audit. An interesting phenomenon was that the interviewee responses indicated that what used to be covered in three years might now be accomplished in one year, thereby representing a clearly more efficient process of internal Shari'a auditing. Thus, it may be concluded that similar to Al-Baraka Islamic Bank, the new regulatory requirements may have enhanced the operations of Al-Salam Bank in terms of Shari'a compliance.

4.2.2. Theme B: Implementation of Appointing/Conducting External Shari'a Auditors/Auditing

Again, similar to the case of Al-Baraka Islamic Bank, an external Shari'a audit was being conducted upon Al-Salam Bank for the year 2019 to be published towards the end of the first quarter of 2020. Therefore, the external Shari'a audit report was not yet published as at the time of this research.

It may be interesting to note that Al-Salam Bank appointed the Shariyah Review Bureau as the independent external entity to conduct the external Shari'a audit. This is because the primary data collection process initially suggested that the regulator in the Kingdom of Bahrain was approving only the well-known big four audit firms (such as KPMG, Ernst & Young) to conduct external Shari'a audits. The approval of the Central Bank of Bahrain to allow the Shariyah Review Bureau to conduct external Shari'a audits may therefore indicate that entities other than the big four may be approved to conduct external Shari'a audits. It may be concluded that it may be difficult to conduct an in-depth analysis of the practice of external Shari'a audit in the Kingdom of Bahrain as of yet, since it may still be in its infant stage.

4.2.3. Shari'a Governance Structure for 2017 and 2019

The analysis in Sections 4.2.1 and 4.2.2 revealed that Al-Salam Bank implemented the Shari'a governance structure as required by the Central Bank of Bahrain, similar to the case of Al-Baraka Islamic Bank. We therefore display in Figures 4 and 5 the Shari'a governance structure of Al-Salam Bank for the years 2017 and 2019, respectively, to illustrate this matter further:



Figure 4. Al-Salam Bank Shari'a Governance Structure: 2017.



Figure 5. Al-Salam Bank Shari'a governance structure: 2019.

4.3. Venture Capital Bank

4.3.1. Theme A: Implementation of Having Two Internal Shari'a Functions Rather Than One

Prior to the issuance of the Shari'a Governance (SG) module in 2017, Venture Capital Bank had one internal Shari'a function, called the Shari'a Review department. This department was responsible for all internal Shari'a related duties, including the preparation of Shari'a Supervisory Board meetings and internal Shari'a audits. The department consisted of two qualified internal Shari'a reviewers (one of which retired prior to the issuance of the Shari'a Governance module) and therefore included only one qualified internal Shari'a

reviewer. Still, however, there was no indication to suggest a lack of resources in terms of Shari'a review, since Islamic wholesale banks generally have lesser volumes of transactions relative to Islamic retail banks. Furthermore, the internal Shari'a function hired a new respected individual as a second internal Shari'a reviewer. However, evidence suggests that this may not have occurred as a result of the issuance of the Shari'a Governance (SG) module.

Following the issuance of the Shari'a Governance (SG) module, evidence suggests that there may have been minor changes in terms of the Shari'a governance for Venture Capital Bank, contrary to Al-Baraka Islamic Bank and Al-Salam Bank. This was because the existing Shari'a Review department was officially changed to the Shari'a Coordination and Implementation department; however, no Internal Shari'a Audit department was established in 2019. The researcher therefore enquired about this matter in order to gain a broader understanding in relation to this matter.

It was revealed that although all Islamic banks were given a deadline of 30 June 2018 to implement the new regulatory Shari'a governance requirements, Venture Capital Bank sought an exemption from the regulator to postpone this deadline. It was not clear why this exemption was sought. Thus, following the issuance of the Shari'a Governance (SG) module, Venture Capital Bank still has only one internal Shari'a function, but the name was altered to the Shari'a Coordination and Implementation department.

A further enquiry by the researcher was related to how internal Shari'a audits were being conducted due to the lack of an Internal Shari'a Audit department. Interviewee responses clarified that as part of the exemption provided by the regulator, the roles and responsibilities of the Internal Shari'a Audit department were temporarily (officially) assigned to the Shari'a Coordination and Implementation department. It may therefore be concluded from this data that the Shari'a governance structure in 2019 may be similar to that of 2017, where minor steps have been taken to fully adopt the Shari'a governance structure in the future and as required by the regulator. It may also be concluded that the Shari'a compliance oversight practice might not have had significant changes as of yet.

4.3.2. Theme B: Implementation of Appointing/Conducting External Shari'a Auditors/Auditing

It was unclear through the interviews whether an external Shari'a audit was being conducted upon Venture Capital Bank as of 2019 or if any external entity had been appointed for this purpose. We considered this to be a research limitation for which detailed suggestions will be provided in the conclusion section.

4.3.3. Shari'a Governance Structure for 2017 and 2019

The Shari'a Governance structure for Venture Capital Bank for the years 2017 and 2019 seem to be similar in nature with minor differences. However, these minor differences may indicate that Venture Capital Bank undertook initial measures to fully adopt the regulatorily required Shari'a governance framework at a future date. We nevertheless present in Figures 6 and 7 below both Shari'a governance structures of 2017 and 2019 for Venture Capital Bank to illustrate this matter further:

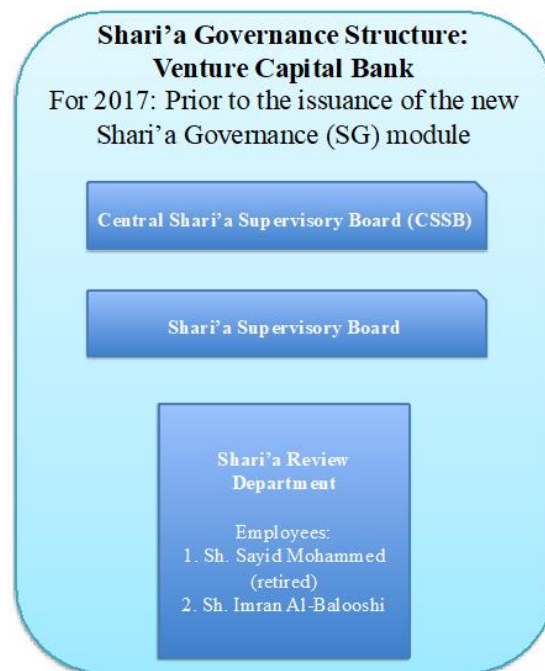


Figure 6. Venture Capital Bank Shari'a governance structure: 2017.



Figure 7. Venture Capital Bank Shari'a governance structure: 2019.

4.4. Bahrain Islamic Bank (BiSB)

4.4.1. Theme A: Implementation of Having Two Internal Shari'a Functions Rather Than One

Prior to the issuance of the Shari'a Governance (SG) module in 2017, Bahrain Islamic Bank had one internal Shari'a function, called the Shari'a Supervision Department. The department was comprised of the head of the department supported by two other employees. The head of the department specialized in the tasks of the secretariat of the Shari'a board and followed-up on its work in addition to reviewing transactions, products, and contracts before their implementation; managed the Zakat and Donations committee; managed Qard

Al-Hassan related matters; conducted employee trainings; and responded to various inquiries when received. Moreover, the head of the department also audited a single product of Mudarabah. The rest of the tasks of the Shari’a audit were divided between the two other employees.

Following the issuance of the Sharia’ Governance (SG) module, Bahrain Islamic Bank divided the single Shari’a Supervision Department into two separate departments, namely: the (i) Department of Coordination and Shari’a implementation and (ii) Shari’a Audit Department. The former department continued to be headed by the same employee whereas the latter department was headed by one of two other employees.

It was revealed that the division of the Shari’a Supervision Department into Department of Coordination and Shari’a implementation and Shari’a Audit Department did not result in significant change of tasks and responsibilities of the employees. The change, as such, was in the organizational structure and separation of functions.

4.4.2. Theme B: Implementation of Appointing/Conducting External Shari’a Auditors/Auditing

The issuance of the Shari’a Governance (SG) module resulted in a requirement for Bahrain Islamic Bank to appoint an independent external Shari’a audit. This requirement, as was mandatory for all market players, was fulfilled with the hiring of Ernst & Young (EY) in the year 2019.

4.4.3. Shari’a Governance Structure for 2017 and 2019

The analysis in Sections 4.4.1 and 4.4.2 revealed that Bahrain Islamic Bank implemented the Shari’a governance structure as required by the Central Bank of Bahrain. We therefore display in Figures 8 and 9 the Shari’a governance structure of Bahrain Islamic Bank for the years 2017 and 2019, respectively, to illustrate this matter further:



Figure 8. Bahrain Islamic Bank Shari’a governance structure: 2017.

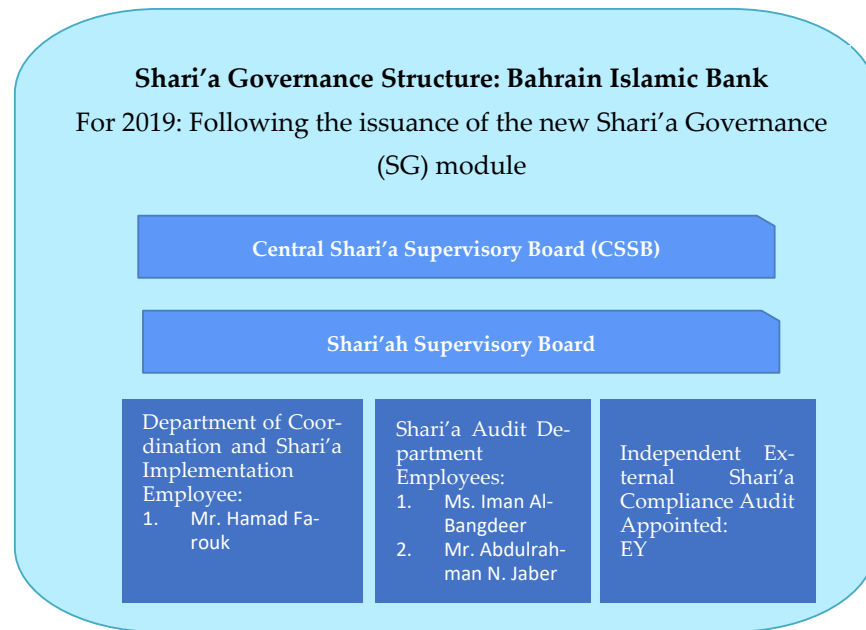


Figure 9. Bahrain Islamic Bank Shari'a governance structure: 2019.

4.5. Ithmaar Bank

4.5.1. Theme A: Implementation of Having Two Internal Shari'a Functions Rather Than One

Prior to the issuance of the Shari'a Governance (SG) module in 2017, Ithmaar Bank had one internal Shari'a function, the Shari'a Department. Following the issuance of the Shari'a Governance (SG) module, Ithmaar Bank split the department into two separate and independent departments: one department specializing in coordination and Shari'a implementation and the other department specializing in Shari'a Audit.

4.5.2. Theme B: Implementation of Appointing/Conducting External Shari'a Auditors/Auditing

The issuance of the Shari'a Governance (SG) module resulted in a requirement for Ithmaar Bank to appoint an independent external Shari'a audit. This requirement, as was mandatory for all market players, was fulfilled by Ithmaar Bank.

4.5.3. Shari'a Governance Structure for 2017 and 2019

The analysis in Sections 4.5.1 and 4.5.2 revealed that Ithmaar Bank implemented the Shari'a governance structure as required by the Central Bank of Bahrain. We therefore display in Figures 10 and 11 the Shari'a governance structure of Ithmaar Bank for the years 2017 and 2019, respectively, to illustrate this matter further:

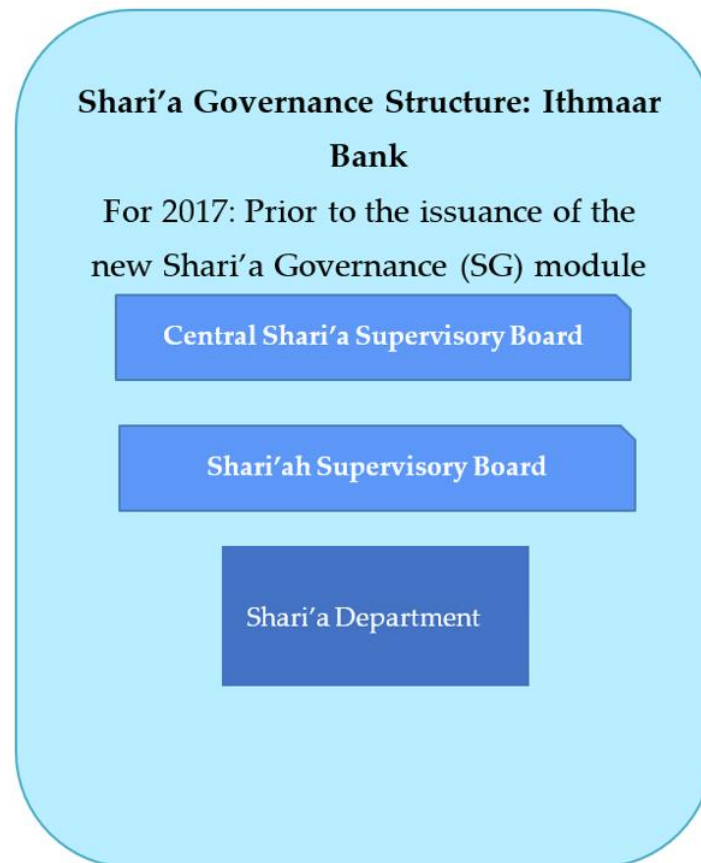


Figure 10. Ithmaar Bank Shari'a governance structure: 2017.



Figure 11. Ithmaar Bank Shari'a governance structure: 2019.

4.6. GFH

4.6.1. Theme A: Implementation of Having Two Internal Shari'a Functions Rather Than One

Prior to the issuance of the Shari'a Governance (SG) module in 2017, GFH had one internal Shari'a function, the Shari'a Department. Following the issuance of the Sharia' Governance (SG) module, GFH split the department into two separate and independent departments: one department specializing in coordination and Shari'a implementation and the other department specializing in Internal Shari'a Audit.

Both the departments are headed by the same person. Since the beginning of the year 2022, the Internal Shari’a Audit department has been outsourced. Both the decisions were taken after securing approval from the Central Bank of Bahrain.

4.6.2. Theme B: Implementation of Appointing/Conducting External Shari’a Auditors/Auditing

The issuance of the Shari’a Governance (SG) module resulted in a requirement for GFH to appoint an independent external Shari’a audit. This requirement, as was mandatory for all market players, was fulfilled by GFH.

4.6.3. Shari’a Governance Structure for 2017 and 2019

The analysis in Sections 4.6.1 and 4.6.2 revealed that GFH implemented the Shari’a governance structure as required by the Central Bank of Bahrain. We therefore display in Figures 12 and 13 the Shari’a governance structure of GFH for the years 2017 and 2019, respectively, to illustrate this matter further:



Figure 12. GFH Shari’a governance structure: 2017.



Figure 13. GFH Shari’a governance structure: 2019.

4.7. Empirical Summary and Remarks

The empirical results generally suggest that the implementation of the new regulatory issued Shari'a governance module by the Islamic banking industry may have differed based on the type of Islamic bank. According to the units used for analysis, the four Islamic retail banks fully adopted the new Shari'a governance module, while the Islamic wholesale bank did not (as of yet) adopt the new Shari'a governance module. This was because the Islamic wholesale bank obtained an official exemption by the regulator to postpone the implementation deadline.

This led the researcher to generally verify with other Islamic banks whether they have implemented the new regulatory Shari'a governance requirements. The responses received may be simple, it seems that all Islamic retail banks adopted the Shari'a governance regulatory requirements,⁴ while no evidence suggested that any Islamic wholesale bank adopted the new Shari'a governance module as of 2019.⁵ Furthermore, all Islamic wholesale banks that did not yet adopt the new Shari'a governance regulatory requirements seemed to have obtained exemptions by the regulator through official correspondences.

This raises a query, why is there a distinction between Islamic retail and wholesale banks? For example, why were exemptions not given to Islamic retail banks rather than Islamic wholesale banks?

We recall in this regard an opinion obtained through a primary data collection process of another research project, as its significance may be a matter of importance in relation to this research.⁶ A respected Shari'a scholar expressed an opinion that the new Shari'a governance framework may be applicable to Islamic retail banks but not necessarily to Islamic wholesale banks. In his respected view, this was because Islamic retail banks generally have many transactions on a daily basis, while Islamic wholesale banks may have three or four transactions on an annual basis. Thus, he held the view that mandating the new Shari'a governance framework upon the Islamic retail banking industry may be justifiable, but not necessarily upon the Islamic wholesale banking industry.

The above opinion is displayed without necessarily opining on it in a theoretical sense. However, considering the findings of this research, it may be understandable why there seems to be a distinction in the implementation of the Shari'a governance framework between Islamic retail and wholesale banks. This may mainly be because of the additional costs that may be associated with the implementation of the new Shari'a Governance module. Still, however, why did the regulator mandate the new Shari'a governance framework upon the entire Islamic banking industry, while giving exemptions solely to the Islamic wholesale banking industry? If adopting the new Shari'a Governance module by Islamic wholesale banks might negatively affect their performance, why not mandate the new Shari'a Governance module solely upon Islamic retail banks?

Having mentioned the above, we nevertheless hold the view that adopting or maintaining an efficient and effective Shari'a governance framework for the entire Islamic banking industry may be equally important. This is because as there were indications of Shari'a governance weaknesses prior to the issuance of the new Shari'a governance module, it may be difficult to suggest that the Shari'a governance requirements for Islamic wholesale banks should have remained intact.

We thus conclude with the following: it may be noticeably effective if a new, but different, Shari'a governance framework was designed for Islamic wholesale banks. For example, the new Shari'a governance requirements specifically designed for Islamic wholesale banks may be having only one internal Shari'a function, however mandating a minimum number of internal Shari'a reviewers. This may be more efficient than the old Shari'a governance requirements, while not overburdening Islamic wholesale banks with unnecessary additional requirements (as in the new Shari'a governance (SG) module). Furthermore, the mandate of external Shari'a audit may still be applied to Islamic wholesale banks. This may represent an example as to how a new Shari'a governance structure solely designed for Islamic wholesale banks may be composed for, and applied without, providing the Islamic wholesale banking industry with exemptions.

The above argument may be supported by the findings in this research since the empirical findings indicate that the Shari'a governance practices of Islamic wholesale banks may not have been enhanced following the issuance of the new Sharia Governance module (nor was it weakened) due to a lack of implementation and regulatory exemptions. Therefore, a more practical Shari'a governance framework may be required for Islamic wholesale banks in order to possibly enhance the Shari'a governance practices of the Islamic wholesale banking industry. This may also lead to a more robust and comprehensive Shari'a governance structure for the entire Islamic banking industry, increasing the Shari'a-compliant authenticity of the industry.

5. Conclusions

Shari'a governance is a crucial element of the Islamic financial industry. It includes a set of institutional arrangements to ensure an effective and independent oversight of the Shari'a compliance of an Islamic financial institution. In 2017, the regulator in the Kingdom of Bahrain issued a new Shari'a Governance (SG) module in its rulebook, mandating Shari'a governance requirements that are perhaps stricter and more efficient. This includes establishing two internal Shari'a departments rather than one, an external Shari'a audit, and maintaining the mandate to have a Shari'a Supervisory Board.

The study analysed how the Islamic banking industry implemented these new Shari'a governance requirements. The study revealed that evidence tends to suggest that the Islamic retail banking industry implemented the new Shari'a governance requirements by the required deadline, while the Islamic wholesale banking industry sought/obtained exemptions and therefore did not implement the requirements as of yet (2019). As a result, the efficiency of the Islamic retail banking industry in terms of Shari'a governance (and internal Shari'a audits) may have been enhanced, while it may have remained the same for Islamic wholesale banks.

The empirical analysis indicates that the new Shari'a governance requirements may have been overburdening for the Islamic wholesale banking industry, and therefore no evidence suggested that the Sharia governance performance of the Islamic wholesale banking industry have necessarily been enhanced. The study therefore suggests that mandating a new Shari'a governance structure specifically designed for Islamic wholesale banks may be a more practical approach. The implementation of a Shari'a governance structure designed specifically for Islamic wholesale banks may enhance the efficiency of the Islamic wholesale banking industry in terms of Shari'a governance.

There may be a number of noteworthy limitations in relation to the research. First, there seems to be no evidence to suggest that the centralized Shari'a Supervisory Board was active or assigned active roles. Therefore, this crucial Shari'a governance component is not analysed in an in-depth manner. Second, and perhaps more importantly, although external Shari'a audits were being conducted whilst undertaking this research, external Shari'a audit reports were not published yet. This may indicate that a crucial practice in terms of the new Shari'a governance requirements may not have been analysed in a comprehensive manner. As such, we highly suggest conducting an empirical study focusing on the practice of external Shari'a audits in the Kingdom of Bahrain following the issuance of the external Shari'a audit reports.

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Conflicts of Interest: The authors declare no conflict of interest.

Notes

- ¹ This is based on a primary data collection for another research endeavor, where evidence suggests that a bank named 'Bank Al-Arabi Al-Islami' hired a full-time internal Shari'a reviewer in 1992. This information has been confirmed with the respected Shari'a scholar who filled this position at the time.
- ² Please refer to Section 2.2.
- ³ For example: Bahrain Islamic Bank.
- ⁴ For example: First Energy Bank.
- ⁵ This opinion may also be a matter of significance since the respected individual is a Shari'a scholar serving on numerous Shari'a Supervisory Boards in the Kingdom of Bahrain, in addition to the Central Shari'a Supervisory Board.
- ⁶ This may also serve as an explanation as to why Venture Capital Bank (and other Islamic wholesale banks) sought an exemption from the regulator to implement the new Shari'a governance requirements before the required implementation deadline.

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