

## Muhammad bin Ibrahim: Reflections on Malaysia's advancing Islamic finance industry

Welcoming remarks by Mr Muhammad bin Ibrahim, Governor of the Central Bank of Malaysia (Bank Negara Malaysia), at the Shariah Advisory Council (SAC) 20-Year Anniversary Dinner, Kuala Lumpur, 12 December 2017.

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Welcome to the 20th Anniversary Dinner of the Shariah Advisory Council of Bank Negara Malaysia, or in short the SAC. On behalf of Bank Negara Malaysia and the audience here, we would like to express our utmost gratitude to His Royal Highness Sultan of Perak Darul Ridzuan and Her Royal Highness for gracing tonight's dinner.

This event is a special occasion. Gathered here tonight are a coterie of intellectuals who help shape the development of Islamic finance in Malaysia. The SAC, in its 20-year history, has established itself as the foremost institution in developing and expanding the tenets of Shariah for Islamic finance. I would like to take the opportunity to express our heartfelt thanks to the distinguished members of the SAC – past and present – for their contributions to the advancement of the Islamic Finance industry in Malaysia.

As we reflect on the journey of the SAC, I reminisce of the great Shariah scholars from the glory days of Islam. Islamic civilisation during this era flourished upon a strong foundation of knowledge, wisdom and tolerance by its leaders and scholars. While consensus building was a key part of the culture, differing views, conclusions and preferences helped unite, rather than divide. Critical thinking and independent reasoning – or *ijtihad* – was geared towards fostering harmony and was celebrated as it enriched the body of knowledge.

Today, the SAC continues this tradition, applying its collective wisdom, diligence and inquisitive minds in the contemporary setting of Islamic finance. Many practical and contemporary issues confronting the Islamic finance industry were resolved through more than 500 rulings. We have grown stronger, wiser and more inclusive over the years.

Looking back at history, the Golden Age of Islam was replete with polymaths who helped build Islamic civilisation, turning it into one of the world's greatest. Scholars such as Ibn Sina, Ibn Rushd and Ibn Al Haytham have left behind a legacy not only in the area of theology, but also in other modern disciplines, including medicine, astronomy and mathematics.

Drawing from these inspiring examples, we can play an even bigger role in ensuring Islamic finance is able to deliver a lasting and metamorphic impact to the world we live in. This calls for the reinvention and reimagination of the Shariah profession in a number of ways.

First, enlarging our worldview. No doubt, theology is core to ascertaining the integrity of Islamic finance transactions, rooted in the principles of the Quran and Sunnah. However, Islam offers so much freedom for intellectual and cultural explorations. Such explorations – to experiment with new ideas and critically assess existing norms – are in fact, highly encouraged.

It is this intellectual and cultural freedom that has characterised the long line of great Islamic traditions throughout history; from Ibn Battutta who traveled the world and eventually produced his famous work the “Rihlah”, to Ibn Khaldun who challenged the existing traditions and wrote the acclaimed “Muqaddimah”. Hundreds of years after they were written, these works are still revered and widely used as a reference today.

Speaking of freedom allowed in Islam, I am reminded of a famous episode in the early days of Islam during the Battle of Khandak. It was during the eve of the battle when the Prophet received a suggestion from one of his companions<sup>1</sup> to employ a novel battle strategy – one that is, as

many of you know, based on digging trenches around the city. This new strategy, generally unheard of among the Muslims and Arabs at the time, was in fact, borrowed and imitated from the Persians<sup>2</sup>. Regardless, the Prophet agreed to and pushed for the unconventional strategy and as a result, secured an emphatic victory.

In line with the significant flexibility afforded in Islam, I believe that Shariah must not be confined to a rigid framework. The way I see it, Shariah should not and cannot, be applied in a vacuum. Rather, it has to be contextualised and applied into business realities. We can learn valuable lessons from the practices of great Muslim thinkers of the past such as Al-Farabi and Ibn Sina who drew strong influences from the writings of Greek philosophers such as Aristotle, but revolutionised and updated the knowledge into the context of Islam and their contemporary times. The benefits are immense.

It allows knowledge to thrive and develop further as it becomes more applicable and easier to grasp.

It is therefore wise for us to widen our "peripheral vision" to encompass business considerations in interpreting and applying the principles of Shariah. This is essential, if we aspire to break away from a compliance-based mentality into an outcome-based worldview. The mental shift would position Shariah scholars as not merely the leaders in Shariah knowledge, but also as the catalyst for business innovations.

It is in this spirit that Bank Negara Malaysia is enhancing the Shariah Governance Framework for Islamic financial institutions. The new framework calls upon the Shariah Committees to integrate relevant business and risk considerations in Shariah decisions. Our aim is to position these committees as an enabler and catalyst in supporting the board and senior management. One that drives innovation by providing practical, actionable and impactful Shariah advice. By capturing multifaceted challenges faced by the industry, this framework ensures an ongoing support to Shariah advice amid the fast-changing business environment.

Second is the pursuit of lifelong learning. It is through the relentless quest for knowledge that the great scholars of the past have left a lasting impact on our world. This ought to be no different today. Modern day Shariah scholars, as with all of us here, must likewise continuously up-skill ourselves. After all, as the Islamic finance industry grows and evolves, so will the complexity of Shariah issues. A sound understanding of other domains – such as of accounting, law, economics and technology – is necessary to strengthen and bolster comprehensive and practical ijtihad.

This pursuit of various spectrums of knowledge was the basis for the great achievements of Islamic scholars in the past. It is hard to think of a scholar who was the master of only one discipline, be it Ibn Sina, Ibn Rushd or Ibn Khaldun. In fact, their mastery of knowledge crossed multiple subject matters, from theology to philosophy, mathematics and the sciences. With an expanded breadth of capabilities and knowledge, the Shariah fraternity will be in a credible position to influence and shape the future direction of the industry.

The recent launch of the Certified Shariah Advisors (CSA) and Certified Shariah Practitioner (CSP) programmes demonstrates our commitment towards shaping and nurturing high quality Shariah talent locally and internationally. The professional certification programmes will raise the bar for the industry by elevating the professionalism of Shariah advisors and upskilling competencies in the community.

To support the noble initiative by the Association of Shariah Advisors in Islamic Finance, and to further deepen talent capacity, Bank Negara Malaysia will make the certification a pre-requisite for the appointment and re-appointment of Shariah Committee members. This applies as well for key Shariah personnel in Islamic financial institutions, including Islamic windows. The aim is to ensure Shariah advisors and personnel are equipped with the necessary knowledge that

transcends across various disciplines including legal, finance and taxation matters. The timeline for compliance will be decided later.

My final point is to engage the world more openly. Issues of Shariah are complex and sometimes difficult to discern. But they are important, and matter very much to a wide range of stakeholders. As Imam Ash-Shafi'i reportedly said, "Knowledge is that which benefits, not that which is memorised"<sup>3</sup>.

Hence, in keeping with the changing landscape of the industry, engaging more openly and transparently about views and decisions will enhance understanding and acceptance. Views and opinions are man-made and should be challenged, questioned and debated through civil and intellectual discourse.

During the Islamic Golden Age, such discourses and challenging of ideas were commonplace to assess the veracity of knowledge. Al Haytham, who wrote the influential 'Book of Optics', once said: "The duty of the man who investigates the writings of scientists, if learning the truth is his goal, is to make himself an enemy of all that he reads.... He should also suspect himself as he performs his critical examination of it.."

The goal for us today should be to forge greater understanding and acceptance. Contentious differences in Shariah opinion is a given but it must not hold us back, but rather be resolved through debate and discussion with a view to find truth and justice.

In setting an example to inspire such exchanges, beginning January 2018, Bank Negara Malaysia's website will feature an enhanced version of the SAC microsite, starting with the Bahasa version to provide more detailed disclosure of the SAC's works. Over the years, the SAC has accumulated a treasure trove of knowledge which has been shared through various publications. In this digital age, it is high time that this be made even more accessible to the whole world. This new microsite will among others, serve as a repository for key discussions on fiqh matters and underlying reasoning of Shariah rulings. This is expected to promote greater understanding and appreciation of the thought process and rationale in arriving at a ruling by our learned scholars.

I trust that this repository of knowledge will encourage more open and transparent conversations on Shariah issues. Our hope is that this will build greater mutual respect and understanding within the Shariah fraternity and the wider financial communities, and in turn, pave the way towards greater harmonisation of Shariah interpretation globally.

## Conclusion

Let me conclude by quoting the words of Imam Al-Ghazali: "Knowledge without action is insanity, action without knowledge is vanity."

Let's ponder that point.

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<sup>1</sup> This companion refers to Salman al-Farisi.

<sup>2</sup> Sayyed Abul Hassan Ali Nadwi, *Muhammad the Last Prophet: A Model For All Time*

<sup>3</sup> Imam Al-Dhahabi, *Siyar A'lam Al-Nubala'*.