

## Foreword by AAOIFI Secretary General

Praise be to Allah, Lord of the Worlds, and Allah's blessings and peace be upon the noblest of Messengers, Prophet Muhammad, and upon his household and the companions, and those who follow their example with good conduct until the Day of Judgment.

It is of Allah's Grace that He bestowed on us the great religion of Islam, and made us the best Ummah raised up for mankind, one that is graced with the noblest of Prophets and Heavenly Books and religious codes. This comprehensive religious code encompassed and ordained all things beneficial to humankind in this life and in the Hereafter, and prohibited and banned all evils and vices, as made clear in the Noble Qur'an:

*{“...Today, I have perfected your religion for you, and completed My favour upon you, and have granted Islam as a religion for you...”}.<sup>(1)</sup>*

One of the basic pillars of Islamic Faith is the belief in, and perseverance towards, the preservation of the well-being of people, and solid establishment of markets, trade, finances, and to distance all of which from prohibitions sanctioned in the Qur'an and the Sunnah; namely, Riba, Gharar, gambling, illegal appropriation of peoples' wealth, etc. This is also embodied in the keenness to observe prohibitions in the area of financial transactions and contracts, especially when it comes to honoring obligations, honesty and straightforwardness, mutual consent of contracting parties, and so on.

Based on this set of norms and values, the Islamic finance industry was established and has attained its current paramount status, as manifested in its growth at a pace greater than that of all other financial sectors. By so doing, it will hopefully be a boon for all peoples and nations of the world.

The cornerstone of the Islamic finance industry is, and will always be, the adherence to, and compliance with, the rules and principles of Shari'ah,

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(1) [Al-Ma'idah (The Table): 3]

under the broader collective reasoning by prominent Shari'ah scholars and jurists, and based on evidences found in the Qur'an and the Sunnah, in an attempt to deduce Shari'ah rulings that fit current-day reality and practices.

In this regard, the volume of Shari'ah Standards has become the major compilation of contemporary Fiqh reasoning in the area of *Fiqh al-Mu'amalat* (Jurisprudence of Financial Transactions) around the globe. The standards cover a large array of Islamic financial contracts and products, including those pertaining to banking, Islamic insurance, investment banking, capital markets, financing, and so on.

These standards have acclaimed wide popularity within the global Islamic finance industry, and are deemed the most outstanding Shari'ah reference for this industry and its various stakeholders, including legislative bodies, regulatory authorities, and financial institutions, and other professional entities such as law firms, accounting and consultancy firms, in addition to universities, academic institutions and research centers and Fatwa issuing bodies.

Currently, AAOIFI Standards are officially adopted by a number of central banks and financial authorities on a mandatory basis or as guidance. Hence, these standards are viewed as a major hallmark for the Islamic finance industry and one of its principal accomplishments.

These standards would have not achieved such a prominence and outreach, with Allah's Grace and Guidance first and utmost, had there been no great efforts exerted by the Shari'ah scholars and Fuqaha and a host of experts and professionals, volunteering a great deal of their time towards this great cause.

The success of these standards can be attributed to a set of factors, primarily the thorough scholarly methodology (the due process) that AAOIFI follows in its efforts to develop and issue the standards. The development process is carried out through more than ten stages, commencing with the commissioning of consultants to prepare the exposure drafts. The exposure draft is then submitted to the respective Shari'ah Standards Committee which discusses and reviews it, and then forwards it to the Shari'ah Board to

further discuss and review it, coming up with the draft standard. The draft standard is then presented at a public hearing (one or more) where the Islamic finance institutions can discuss it with Fuqaha, experts and professionals hailing from these institutions in order to make certain the draft standard is meticulous and of high quality, covering all practical aspects and emerging practices faced by the industry practitioners. The remarks and comments presented at the public hearing will be discussed by the Shari'ah Board to introduce the changes it deemed suitable and finally adopt the standard. At this stage, the standard is presented to the drafting committee to edit its text for publication.

One of the major strengths of these standards is reflected in the collective efforts made by the Shari'ah Board which consists of 20 prominent Shari'ah scholars from around the world. This ensures globality and wide geographical outreach of these standards in addition to accounting for various localities, jurisdictions, applications and customary practices, etc. The standards also embody the scholarly background diversification among board members, as all major schools of Islamic Law are duly represented, and various specializations are taken into consideration in its formation (from judiciary to Fatwa issuing, consultancy, research, authorship, law, and economic and financial advisory, etc.).

These standards also pay special attention to noting down classical Fiqh compendiums across ages, in the area of financial transactions, selecting the most practical and convenient out of these references, and giving preponderance to specific rulings in the form of a classified and typified standard. Furthermore, the standards account for modern applications of Islamic financial contracts and products and relevant emerging matters. They also grant special consideration to the use of unified terminology and disambiguation of its different components and aspects: technical, legal, accounting, financial, etc. Moreover, the standards involve the process of deriving Shari'ah rulings to address all pertaining matters and to provide guidance to the process of differentiation between impermissible and permissible transactions and practices all in one neat, summarized compilation.

The Shari'ah Board has made incumbent upon itself, in view of the fast pace of development and change in the Islamic finance industry, to review

existing standards. It formed from amongst its members a special committee for that purpose. The committee reviews all remarks and comments raised by scholars and experts on the form and substance of the standards. The reviews, in a bid to address the industry's requirements as to emerging matters, have resulted in three classes of standards: (I) Standards whose items and paragraphs were updated to remove ambiguity and clarify their meanings and the rulings embedded therein, or to present more precise presentation of content and so on. (II) Standards to which new paragraphs were added or existing paragraphs were merged or omitted, so that the general structure of the standard is maintained. (III) Standards which the board deemed in need of a new preparation and development, in order to account for the sizable emerging matters and changes relating to the topic of the standard such as the Shari'ah Standards on Sukuk, Debit Card, Charge Card and Credit Card, and so on. The development process for such standards has commenced and is under way.

The new version of AAOIFI Shari'ah Standards has included a number of reviewed and revised standards (of types 1 and 2, as mentioned above). These standards are labeled with a "Revised Standard" designation.

We are ever thankful to Allah that issuance of the new version in its elegant layout has been completed both in hardcopy and digital formats. A total of 15 new Shari'ah standards have been translated and added to the English volume. As such, all Shari'ah standards, included in this edition, have been issued both in Arabic and English. New standards are also under preparation and are currently at different stages of the due process.

The newly translated standards that have been added to this edition went through three extensive stages in implementation of proper quality control measures. The first stage constituted institutional efforts made by the International Shari'ah Research Academy for Islamic Finance (ISRA) and the Islamic Development Bank (IDB). The second stage involved revision by a legal expert (lawyer) who examined the translation from the angle of accuracy and faithfulness to the original text and legal vocabulary. Finally, in the third stage, the Translation Committee, consisting of the Honorable Chairman of the Shari'ah Board and four esteemed members, edited and

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fine-tuned the translation through ten meetings, some of which spanned 3 successive days. To all of them, we extend our sincere appreciation and best wishes. I would also like to thank my colleague Mr. Mohammad Majd Bakir (Corporate Development Manager, AAOIFI) for his outstanding efforts to accomplish this project.

We warmly welcome your remarks and feedback, including errata, on existing standards and your proposals as to new standards, on our email: [sharia@aaoifi.com](mailto:sharia@aaoifi.com)

With sincere wishes and best regards,

***Dr. Hamed Hassan Merah***

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