

## Shari'ah Standards

AAOIFI has issued 59 Shari'ah standards <sup>1</sup>. Each standard provides Islamic legal rulings for specific financial products or contracts. Key Shari'ah standards include:

- **SS (1) Trading in Currencies** – Rules for Shari'ah-compliant foreign exchange transactions, prohibiting interest and requiring immediate exchange of currencies <sup>1</sup>.
- **SS (2) Debit Card, Charge Card and Credit Card** – Shari'ah guidance on issuance and use of payment cards, forbidding interest-based features and stipulating permissible fees.
- **SS (3) Procrastinating Debtor** – Prohibits a debtor from intentionally delaying repayment; outlines penalties and discourages usurious delay.
- **SS (4) Settlement of Debt by Set-Off** – Permits offsetting mutual debts under Shari'ah, subject to conditions (e.g. debts are due and of same nature).
- **SS (5) Guarantees** – Rules on providing and accepting guarantees in Islamic contracts, allowing guarantees but barring interest.
- **SS (6) Conversion of a Conventional Bank to an Islamic Bank** – Procedures and approvals required to transform a conventional bank into a fully Shari'ah-compliant Islamic bank.
- **SS (7) Hawalah (Transfer of Debt)** – Guidance on Shari'ah-compliant transfer of debt obligations (hawalah), ensuring no usury and that obligations are explicitly assigned.
- **SS (8) Murabahah** – Permits cost-plus sales financing (Murabahah); requires disclosure of cost and profit margin, and delivery of the asset.
- **SS (9) Ijarah and Ijarah Muntahia Bittamleek** – Covers Islamic leasing: Ijarah (lease) and lease-to-own (Ijarah Muntahia Bittamleek), including rental terms and transfer of ownership.
- **SS (10) Salam and Parallel Salam** – Authorizes forward sales (Salam) of commodities by Islamic financial institutions, including parallel Salam contracts, under specified conditions.
- **SS (11) Istisnaa and Parallel Istisnaa** – Islamic manufacturing contracts; covers rules for Istisnaa (commissioned manufacturing) and its parallel form, including payment schedules.
- **SS (12) Sharikah (Musharakah) and Modern Corporations** – Defines equity-based partnership (Musharakah) and governs shareholding structures and corporate forms under Shari'ah.
- **SS (13) Mudarabah** – Profit-sharing finance (Mudarabah); lays out rights and obligations of capital provider (rabb-al-mal) and entrepreneur (mudarib), and profit/loss sharing.
- **SS (14) Documentary Credit (Letters of Credit)** – Shari'ah rules for letters of credit used in trade finance, ensuring compliance (e.g. no interest) in documentary transactions.
- **SS (15) Jualah** – Service contract (Jualah) standards, where payment is made for delivering a specified result (e.g. commodity or service).
- **SS (16) Commercial Papers** – Permits issuance of Shari'ah-compliant commercial paper (short-term debt instruments), subject to Islamic contract rules.
- **SS (17) Investment Sukuk** – Rules governing issuance of Sukuk (Islamic bonds), including asset backing, redemption, and profit distribution under Shari'ah.
- **SS (18) Possession (Qabd)** – Defines the concept of ownership and possession in transactions; requires that ownership (qabd) be transferred to validate sales.
- **SS (19) Loan (Qard)** – Guidelines for interest-free loans (Qard), emphasizing that charging extra (riba) is prohibited and specifying repayment terms.
- **SS (20) Sale of Commodities in Organized Markets** – Permits selling Shari'ah-permissible commodities in approved markets; addresses spot vs. forward sales conditions.

- **SS (21) Financial Paper (Shares and Bonds)** – Regulates trading of investment papers like shares and Sukuk, requiring market approval and Shari’ah conformity.
- **SS (22) Concession Contracts** – Rules for granting or acquiring concessions (e.g. build-operate-transfer) in Islamic finance, ensuring transparency and compliance.
- **SS (23) Agency and Act of an Uncommissioned Agent (Fudooli)** – Defines Wakala (agency) contracts and unauthorized acts by agents, outlining how Shari’ah is applied.
- **SS (24) Syndicated Financing** – Governance of group financing deals (syndicated loans), ensuring each contract element is Shari’ah-compliant.
- **SS (25) Combination of Contracts** – Restricts linking or combining contracts (e.g. sale+loan) that could hide Riba or Gharar (excessive uncertainty).
- **SS (26) Islamic Insurance (Takaful)** – Principles for Takaful operations: mutual insurance on Islamic principles, including participants’ contributions and surplus sharing.
- **SS (27) Indices** – Shari’ah criteria for creating stock indices (e.g. Shari’ah-screened equity indices) to ensure underlying assets are halal.
- **SS (28) Banking Services in Islamic Banks** – Permitted and prohibited services (e.g. safe-deposit boxes, non-Shari’ah deposits) offered by Islamic banks.
- **SS (29) Stipulations and Ethics of Fatwa in the Institutional Framework** – Guidelines on Shari’ah rulings (fatwas) by institutional Shari’ah boards, promoting integrity and ethics in issuing fatwas.
- **SS (30) Monetization (Tawarruq)** – Rules on Tawarruq (commodity murabaha for liquidity), outlining conditions to avoid violating Shari’ah (e.g. no spiraling trades).
- **SS (31) Controls on Gharar in Financial Transactions** – Measures to eliminate excessive uncertainty (gharar) in contracts (e.g. clear terms, specifications).
- **SS (32) Arbitration** – Legitimacy of arbitration in Islamic finance disputes, including arbitrator qualifications and compliance with Shari’ah rulings.
- **SS (33) Waqf** – Rules for creation and management of Waqf (Islamic endowments), including defining endowed assets and trusteeship.
- **SS (34) Hiring of Persons (Ijarah at-Ashkhas)** – Shari’ah guidelines on hiring labor/services, differentiating from asset leasing.
- **SS (35) Zakah** – Principles of Zakah (almsgiving) calculation and disclosure for Islamic financial institutions and their customers.
- **SS (36) Impact of Contingent Incidents on Commitments** – Treatment of obligations when unexpected events occur (e.g. default or force majeure) under Shari’ah.
- **SS (37) Credit Agreement** – Standard Shari’ah-compliant loan contract framework for Islamic banks, specifying rights, obligations and prohibitions (e.g. Riba).
- **SS (38) Online Financial Dealings** – Shari’ah rules for internet banking and electronic financial transactions, addressing digital contracts and verification.
- **SS (39) Mortgage and its Contemporary Applications** – Conditions for Islamic mortgages (Rahn) and modern variations, ensuring no interest and valid title transfer.
- **SS (40) Distribution of Profit in Mudarabah-Based Investment Accounts** – How profits and losses are shared with depositors in profit-sharing investment accounts.
- **SS (41) Islamic Reinsurance (Retakaful)** – Principles for Islamic reinsurance, including underwriting and surplus distribution consistent with Takaful.
- **SS (42) Financial Rights and How They Are Exercised and Transferred** – Legitimacy and transferability of financial rights (e.g. pre-emption rights) under Shari’ah.
- **SS (43) Insolvency** – Shari’ah-compliant treatment of an Islamic financial institution’s bankruptcy, including priority of claims (with Zakāh and equity protected).
- **SS (44) Obtaining and Deploying Liquidity** – Permissible means for liquidity management (e.g. short-term financing) without engaging in Riba.

- **SS (45) Protection of Capital and Investments** – Obligations to protect depositors' capital; governs guarantees offered to investment accounts (e.g. no guaranteed return on unrestricted accounts).
- **SS (46) Al-Wakalah Bi Al-Istithmar (Investment Agency)** – Rules for investment agency contracts (Wakalah), delineating agent's duties and fees.
- **SS (47) Rules for Calculating Profit in Financial Transactions** – Standard formulas (Mudarib/owner share) for profit calculation in various Islamic contracts.
- **SS (48) Options to Terminate Due to Breach of Trust (Trust-Based Options)** – Permissible contractual cancellation options (Khiyar) when trust is breached.
- **SS (49) Unilateral and Bilateral Promise (Wa'd and Muwa'adah)** – Validity of pledges and promises; rules for using unilateral/bilateral promises in contracts.
- **SS (50) Irrigation Partnership (Musaqat)** – Guidelines for agricultural partnership contracts where sharecropping (musaqat) is used.
- **SS (51) Options to Revoke Contracts Due to Incomplete Performance** – Conditions under which a contracting party can annul a sale if defects are later discovered.
- **SS (52) Options to Reconsider** – Details on resale rights (Khiyar al-Tarwi) and conditional sale options if contract parameters change.
- **SS (53) Arboun (Earnest Money)** – Treatment of upfront payments (Arboun) as a binding deposit and conditions for refund.
- **SS (54) Revocation of Contracts by Exercise of a Cooling-Off Option** – Allows cancellation within a specified period (e.g. combined with Darura); defines conditions.
- **SS (55) Competitions and Prizes** – Shari'ah criteria for organizing contests and prize schemes (ensuring no gambling elements).
- **SS (56) Guarantee by an Investment Manager** – Rules on providing performance or capital guarantees by fund managers; limits to protect fairness.
- **SS (57) The Gold Standard** – Regulations on using gold and silver in contracts (e.g. as currency or collateral), reflecting the classical gold-dirham standard.
- **SS (58) Repurchase (Buy-Back)** – Conditions for bona fide repurchase agreements (similar to reverse Murabaha) under Shari'ah.
- **SS (59) Sale of Debt** – Permits trading of debts (e.g. loan portfolios) at no more than nominal value or with permissible rate, avoiding interest on debt transfers.
- **SS (60) Waqf** – Further guidance on endowments, clarifying governance of modern Waqf institutions.

## Accounting Standards

AAOIFI has issued 33 financial accounting standards <sup>1</sup>, aligning conventional accounting with Islamic principles. These **FAS** (Financial Accounting Standards) include:

- **FAS 1: General Presentation and Disclosure in the Financial Statements of Islamic Banks and Financial Institutions** – Establishes the overall structure, presentation requirements, and basic disclosures for Islamic financial statements. (Revised 2021) <sup>2</sup>.
- **Conceptual Framework for Financial Reporting by Islamic Financial Institutions** – Outlines fundamental accounting concepts and objectives specific to Islamic finance. (Revised 2020)
- **FAS 3: Mudaraba Financing** – Accounting treatment for capital-entrepreneur profit-sharing finance (Mudaraba); recognition of income, profit distribution, and losses.
- **FAS 4: Musharaka Financing** – Accounting for joint-venture financing (Musharaka); equity contributions, profit allocation, and loss-sharing based on agreed ratios.
- **FAS 7: Salam and Parallel Salam** – Requirements for advance sale contracts: initial receipt of funds,

inventory recognition, and deferred delivery accounting.

- **FAS 9: Zakah** – Guidelines for recognizing and disclosing Zakah obligations: measuring Zakah liabilities and reporting social contribution.

- **FAS 10: Istisna'a and Parallel Istisna'a** – Accounting for manufacturing contracts: progress payments, production in work-in-process, and recognition of profit on completion.

- **FAS 12: General Presentation and Disclosure in the Financial Statements of Islamic Insurance Companies** – Presentation rules and disclosure obligations for takaful (Islamic insurance) companies.

- **FAS 13: Disclosure of Bases for Determining and Allocating Surplus or Deficit in Islamic Insurance Companies** – Requires insurers to disclose the method of distributing underwriting surplus or deficit among stakeholders (participants, shareholders) <sup>3</sup>.

- **FAS 14: Investment Funds** – Treatment of Shari'ah-compliant investment funds; net asset value calculation and disclosures.

- **FAS 15: Provisions and Reserves in Islamic Insurance Companies** – Sets rules for creating actuarial reserves and general provision in takaful operations.

- **FAS 16: Foreign Currency Transactions and Foreign Operations** – Accounting for foreign currency dealings, applicable to Islamic institutions, using the historical and closing rate method.

- **FAS 18: Islamic Financial Services Offered by Conventional Financial Institutions** – Reporting for 'Islamic windows' within conventional banks; segregation of Islamic products from conventional operations <sup>4</sup>.

- **FAS 19: Contributions in Islamic Insurance Companies** – Defines the treatment of participant contributions in takaful (rather than premiums) and investment of takaful funds.

- **FAS 21: Disclosure on Transfer of Assets** – Requirements to disclose transfers of assets under Shari'ah (e.g. Tawarruq), including rationale and accounting treatment.

- **FAS 22: Segment Reporting** – Islamic finance adaptation of segment reporting: disclosure of major business lines or geographic segments.

- **FAS 23: Consolidation** – Principles for consolidating subsidiaries: control definition under Shari'ah, and presentation of consolidated financials.

- **FAS 24: Investments in Associates** – Accounting for significant influence investments (associates) using equity method, consistent with Islamic ownership rules.

- **FAS 25: Investment in Sukuk, Shares and Similar Instruments** – Measurement and disclosure for equity and Sukuk holdings: fair value, cost, and income recognition <sup>5</sup>.

- **FAS 26: Investment in Real Estate** – Criteria for classifying real estate (held for use or sale) and rules for valuing and disclosing property investments.

- **FAS 27: Investment Accounts** – Replaces earlier FAS 5/6; governs profit distribution and governance of unrestricted Islamic investment accounts (funds invested on behalf of depositors).

- **FAS 28: Murabaha and Other Deferred Payment Sales** – Covers accounting for Murabaha receivables and other credit sales: recognition of margin income over the term of receivable.

- **FAS 30: Impairment, Credit Losses and Onerous Commitments** – Impairment testing for Islamic finance assets: measuring credit provisions and write-offs for financings and foreclosed assets.

- **FAS 31: Investment Agency (Al-Wakala Bi Al-Istithmar)** – Accounting for wakala contracts: fees paid/received, and treatment of underlying investments held by agent.

- **FAS 32: Ijarah** – Lease accounting rules: depreciation of leased assets, recognition of lease income, and termination conditions for Ijarah and lease-to-own.

- **FAS 33: Investment in Sukuk, Shares and Similar Instruments** – (Revision of FAS25) Clarifies classification (trading, available-for-sale) and measurement of equity/Sukuk investments.

- **FAS 34: Financial Reporting for Sukuk-holders** – How issuers report on Sukuk: claims of Sukuk-holders and restrictions on issuer's financing activities.

- **FAS 35: Risk Reserve Finalization** – (Also called Risk Reserves) Permits Islamic banks to create special reserves (e.g. for credit or rate fluctuations); final rules for completing such reserves.
- **FAS 36: First Time Adoption of AAOIFI Financial Accounting Standards** – Guidance for institutions converting from other standards to AAOIFI standards on initial application.
- **FAS 37: Financial Reporting by Waqf Institutions** – Specifies accounting and disclosure for endowment (waqf) organizations: fund accounting and stewardship of endowed assets.
- **FAS 38: Wa'ad, Khiyar and Tahawwut** – Accounting for unilateral/bilateral promises (Wa'ad) and hedging tools (Tahawwut) under Shari'ah, including reporting of options and profit-rates swaps.
- **FAS 39: Financial Reporting for Zakah** – Requires disclosure of Zakah base, rate, amount due, and how Zakah liability is calculated by Islamic institutions.
- **FAS 40: Financial Reporting for Islamic Windows** – (Finalized) Sets presentation rules for standalone Islamic branches or windows in non-Islamic banks, to ensure users see Islamic and conventional activities separately.
- **FAS 41: Interim Financial Reporting** – Requires condensed interim (e.g. quarterly) financial statements with disclosures, following Shari'ah-compliant accounting policies.
- **FAS 42: Presentation and Disclosures in the Financial Statements of Takaful Institutions** – Layout and primary disclosures for takaful operators' annual and interim reports (akin to FAS12/13 combined).
- **FAS 43: Accounting for Takaful: Recognition and Measurement** – (Final) Defines how to recognize takaful contributions, claims, and the surplus for participants and shareholders.
- **FAS 44: Determining Control of Assets and Business (Final)** – (Final) Criteria for whether an Islamic investment or service constitutes control (and thus consolidation) vs. agency or restrictions.
- **FAS 45: Quasi-equity (Including Investment Accounts) (Final)** – (Final) Accounting for instruments (like convertible notes) that have features between debt and equity, including unrestricted investment account holders.
- **FAS 46: Off-Balance-Sheet Assets Under Management (Final)** – (Final) Reporting for assets held by Islamic institutions on behalf of others (e.g. custodial holdings of Shari'ah-allowed securities).
- **FAS 47: Transfer of Assets between Investment Pools (Final)** – (Final) Rules for shifting assets between different investment pools (e.g. mutual funds) managed by an Islamic fund manager.
- **FAS 48: Promotional Gifts and Prizes** – (Final) Accounting for marketing gifts: conditions under which giveaways are expensed vs. recognized as advertising.
- **FAS 49: Financial Reporting for Institutions Operating in Hyperinflationary Economies** – (Final) Adjusts presentation of Islamic financial statements in hyperinflation, following IAS 29 principles.
- **FAS 50: Financial Reporting for Islamic Investment Institutions (Including Investment Funds)** – (Final) Standards for investment management entities (e.g. Shari'ah-compliant funds), including revenue recognition and fund valuation.

## Auditing Standards

AAOIFI has issued 8 auditing standards <sup>1</sup> (ASA/AS), which adapt external audit practice to Islamic finance. Key Auditing Standards include:

- **AS (AS1) Objective and Principles of Auditing** – Defines the purpose of an audit (reasonable assurance of Shari'ah-compliant financials) and general principles (ethics, professional skepticism).
- **AS 2: The Auditor's Report** – Requires inclusion of Shari'ah compliance in the audit opinion; format of report and required disclosures under Shari'ah rules.
- **AS 3: Terms of Audit Engagement** – Sets content of audit engagement letters: scope, rights and duties of auditor and client, including Shari'ah scope.

- **AS 4: Testing for Compliance with Shari’ah Rules and Principles by an External Auditor** – Mandates audit procedures to verify transactions adhere to fatwas and Shari’ah standards, similar to financial audit tests.
- **AS 5: The Auditor’s Responsibility to Consider Fraud and Error in an Audit of Financial Statements** – Adaptation of fraud-risk assessment specifically addressing Shari’ah-related fraud (e.g. concealing non-compliance).
- **AS 6: External Shari’ah Audit (Independent Assurance on Shari’ah Compliance)** – Governs conduct of a dedicated Shari’ah audit engagement (see AAOIFI ASIFI6) to attest an institution’s overall Shari’ah compliance <sup>6</sup>.
- **AS 7 (other auditing standards)** – Additional standards covering aspects like auditing of Islamic windows or specialized Islamic finance engagements (under development).
- **AS 8** – Further standards (for example, audit of Sukuk or Takaful) as issued by AAOIFI’s Auditing Board.

## Ethics Standards

AAOIFI has issued 3 codes of ethics <sup>1</sup> for Islamic finance:

- **Code of Ethics for Professional Accountants of Islamic Financial Institutions** – Outlines integrity, objectivity, confidentiality, and professional behavior standards for accountants and auditors working in or for Islamic financial institutions (superseded by new codes).
- **Code of Ethics for Employees of Islamic Financial Institutions** – Sets general ethical conduct (e.g. honesty, competence, client confidentiality) for all staff in Islamic banks and insurers.
- **Code of Ethics for Islamic Finance Professionals** – The new comprehensive ethics code (2018) for all industry professionals <sup>7</sup>, harmonizing form and spirit of Islamic finance. It emphasizes Islamic values in professional behavior and seeks to prevent misconduct, replacing the 1999/2003 codes.

## Governance Standards

AAOIFI has issued 14 governance standards <sup>1</sup>, providing frameworks for Shari’ah oversight and institutional governance:

- **GS 1: Shari’ah Governance Framework** – Establishes the overall structure for Islamic finance governance, detailing roles of shareholders, board, Shari’ah supervisory board (SSB), and management. *(Revised 2024)*
- **GS 8: Central Shari’ah Board** – Guidelines for establishing a central SSB (e.g. industry or country-level board), defining its authority and membership criteria.
- **GS 9: Shari’ah Compliance Function** – Rules for the compliance department that monitors daily operations; outlines duties of the Shari’ah compliance officer and reporting lines.
- **GS 10: Shari’ah Compliance and Fiduciary Ratings for IFIs** – Criteria and process for rating institutions on Shari’ah compliance quality and fiduciary responsibility to depositors.
- **GS 11: Internal Shari’ah Audit** – Defines scope and procedures for internal Shari’ah audit function to review product compliance, including interaction with internal audit.
- **GS 12: Sukuk Governance** – Oversight requirements for Sukuk issuances: roles of trustees, Sukuk holders’ rights, and continuous disclosure.
- **GS 13: Waqf Governance** – Governance framework for endowment (waqf) institutions: board responsibilities, safeguarding of endowed assets, and reporting.
- **GS 14: Islamic Crowdfunding Governance** – Applies to Shari’ah crowdfunding platforms: sets minimum governance (e.g. anti-fraud measures, investor protections) for emerging crowdfunding models.

- **GS 15: Syndicated Financing** – Governance of consortium financing; defines the roles of lead banks, disclosure to participants, and Shari’ah approval of syndicated deals.
- **GS 16: Institutional Framework for Implementation of Ethics** – Guide for Islamic financial institutions to implement a corporate ethics infrastructure (e.g. ethics committees) in line with the new ethics code.
- **GS 17: Shari’ah Compliance and Fiduciary Ratings of Sukuk and Other Instruments** – (Related to GS10) Standards for rating Shari’ah quality of Islamic securities beyond banks, aiding investors in due diligence.
- **GS 18: Shari’ah Decision-Making Process** – Processes for decision-making by SSBs and management: documentation of fatwas, internal controls to ensure decisions comply with Shari’ah.
- **GS 19: Shari’ah Supervisory Board (SSB) Appointment and Composition** – Criteria for selecting SSB members: qualifications, independence, term of service, and appointment procedures.
- **GS 20: SSB Functions and Operations** – Defines SSB duties (e.g. approving products, reviewing operations), meeting procedures, and reporting responsibilities.
- **GS 21: SSB Review and Report** – Requires periodic assessment of SSB effectiveness; standardizes the contents of the SSB annual report on Shari’ah compliance.
- **GS 22: Islamic Finance Subsidiaries and Associates** – Governance of Islamic subsidiaries or windows in non-Islamic groups: ensuring proper oversight and compliance within corporate groups.

**Sources:** Official AAOIFI standards and announcements (standards titles from AAOIFI website, counts from AAOIFI news <sup>1</sup> ; descriptions based on AAOIFI guidance and industry summaries).

- 
- <sup>1</sup> **Accounting and Auditing Organization for Islamic Financial Institutions**  
<https://aaoifi.com/announcement/aaoifi-makes-all-its-standards-accessible-on-its-website-on-a-complimentary-basis/?lang=en>
  - <sup>2</sup> **Accounting and Auditing Organization for Islamic Financial Institutions**  
<https://aaoifi.com/cpfas-introduction/?lang=en>
  - <sup>3</sup> <sup>4</sup> <sup>5</sup> **Accounting and Auditing Organization for Islamic Financial Institutions**  
<https://aaoifi.com/accounting-standards-2/?lang=en>
  - <sup>6</sup> **Accounting and Auditing Organization for Islamic Financial Institutions**  
<https://aaoifi.com/announcement/the-aaoifi-governance-and-ethics-board-holds-its-20th-meeting-and-discusses-islamic-crowdfunding-exposure-draft/?lang=en>
  - <sup>7</sup> **Accounting and Auditing Organization for Islamic Financial Institutions**  
<https://aaoifi.com/announcement/aaoifi-issues-the-final-standard-on-code-of-ethics-for-islamic-finance-professionals-for-industry-adoption/?lang=en>