

**SIXTH ISLAMIC FINANCIAL STABILITY FORUM**  
*Jeddah, Kingdom of Saudi Arabia - 12 December 2012*



*Forum Theme: Promoting Resilience and Stability of the Islamic Financial Services Industry: Strengthening Consumer Protection and Business Conduct*

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## **Developing A Platform for Consumer Protection in the Islamic Financial Services Industry**

*Paper by:*

**Dr Nik Ramlah Mahmood**

**Deputy Chief Executive, Securities Commission Malaysia**

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Contact information:  
Islamic Financial Services Board  
Level 5, Sasana Kijang, Bank Negara Malaysia,  
No. 2, Jalan Dato' Onn,  
50480 Kuala Lumpur, Malaysia  
Tel : + 6 03 9195 1400  
Fax : + 6 03 9195 1405  
Email : [ifsb\\_sec@ifsb.org](mailto:ifsb_sec@ifsb.org)



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The IFSB is an international standard-setting organisation which was officially inaugurated on 3 November 2002 and started operations on 10 March 2003. The organisation promotes and enhances the soundness and stability of the Islamic financial services industry by issuing global prudential standards and guiding principles for the industry, broadly defined to include banking, capital markets and insurance sectors. The standards prepared by the IFSB follow a lengthy due process as outlined in its Guidelines and Procedures for the Preparation of Standards/Guidelines, which includes the issuance of exposure drafts and the holding of workshops and, where necessary, public hearings. The IFSB also conducts research and coordinates initiatives on industry-related issues, as well as organises roundtables, seminars and conferences for regulators and industry stakeholders. Towards this end, the IFSB works closely with relevant international, regional and national organisations, research/educational institutions and market players.

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# DEVELOPING A PLATFORM FOR CONSUMER PROTECTION IN THE ISLAMIC FINANCIAL SERVICES INDUSTRY

*Dr Nik Ramlah Mahmood  
Deputy Chief Executive, Securities Commission Malaysia*

## INTRODUCTION

In the aftermath of the Global Financial Crisis, securities regulators in many jurisdictions have reviewed their approach to investor protection. In some countries the sale of complex products to uninformed investors (hereinafter, “mis-selling”) has raised questions about the effectiveness of an approach to investor protection that is built on the twin pillars of disclosure and *caveat emptor*. Regulators in many jurisdictions have found that investors do not always understand fully the risks and rewards of the investment products they are buying. Furthermore, competitive and commercial pressure also means that intermediaries responsible for manufacturing and distributing such products cannot always be relied upon to ensure the suitability of the products to the investors or that adequate and meaningful disclosures are provided to ensure that investors make informed decisions. The consent of contracting parties means little when information available to one party is much less than that available to other parties. Given these realities, there must be legal – or at least moral – limits to the use of the age-old principle of commerce, *caveat emptor*, or let the buyer beware.

It is therefore fair to say that, since the Global Financial Crisis, regulators are taking a more hands-on, more pro-active approach to investor protection.

So, what do these developments mean for the Islamic financial services industry? Are there lessons that can be learned so that pre-emptive and pro-active regulatory measures can be introduced? The Islamic financial services industry has registered remarkable growth over the past three decades. It is currently estimated to be worth about US\$1.1 trillion,<sup>1</sup> having expanded at an average rate of 14.1% per annum over the past decade,<sup>2</sup> and is expected to grow further to US\$1.8 trillion by 2016.<sup>3</sup> While Islamic financial assets still constitute less than 1% of global financial assets, the growth projection is a clear indication of the potential market to be tapped. As the industry extends its reach to more jurisdictions and across more stakeholder groups, it becomes

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<sup>1</sup> Ernst & Young, *The World Islamic Banking Competitiveness Report: A Brave New World of Sustainable Growth 2011–2012*, p. 5.

<sup>2</sup> AT Kearney, *The Future of Islamic Banking*, April 2012.

<sup>3</sup> Sarasin Alphen *Islamic Wealth Management Report 2012*, p. 7.

increasingly essential that the development of the relevant frameworks and supporting infrastructure keeps pace with the level of market activities. In this regard, having in place an effective consumer protection framework is important not only to facilitate the industry's growth but also to ensure confidence in, and the sustainability of, the industry.

In Malaysia, as at the end of 2011, total Islamic financial assets stood at US\$272.5 billion, comprising Islamic banking assets (US\$105.5 billion), *Sukūk* outstanding (US\$107 billion), Islamic fund assets (US\$11.8 billion) and *Takāful* assets (US\$5.3 billion).<sup>4</sup> The industry's growth in Malaysia continues to be driven by demand for both wholesale products, such as *Sukūk*, and retail investment products. This is evident from the growth of these products over the years. Malaysia's *Sukūk* market is the largest in the world, with US\$148 billion worth of *Sukūk* outstanding as at Q3 2012. In terms of retail investment products, the number of Islamic unit trust funds has increased from 17 in 2000 to 168, with a net asset value (NAV) of US\$11 billion as at Q3 2012. We also have *Sharī'ah*-compliant Real Estate Investment Trusts (REITs) and Exchange-Traded Funds (ETFs). The regulatory infrastructure for retail bonds and *Sukūk* is also now in place, and the first retail *Sukūk* is expected to be introduced before the end of 2012. Today, Malaysia is home to a wide range of wholesale and retail products covering the whole spectrum of the industry.

### **Aspects of Consumer Protection are Inherent in Islamic Finance**

Many of the problems faced by the financial industry today seem to involve, albeit in varying degrees, elements of greed, exploitation of contracting parties, asymmetry of information, and excessive risk-taking, which are facilitated by deficits in morality and governance.

Thus, any discussion on a framework for consumer protection in Islamic finance must recognise that consumer or investor interests lie at the very heart of Islamic finance. Various elements such as ensuring fairness and certainty and avoiding exploitation between the transacting parties form the foundational values of Islamic finance. These values serve, *inter alia*, to ensure that consumers are not disadvantaged, misled or defrauded by the product or service providers, as well as to justify the need for meaningful and timely disclosure of information. Other inherent features include the promotion of ethical<sup>5</sup> conduct in business, such as ensuring justice and fair dealing.

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<sup>4</sup> Kuwait Finance House Research Ltd, *Islamic Finance Opportunities: Country and Business Guide*, September 2012, p. 77.

<sup>5</sup> Muhammad Ayub, *Understanding Islamic Finance*, John Wiley & Sons Ltd, 2007.

In addition, Islam prohibits certain types of businesses or transactions. This is based on the three main injunctions – namely, prohibition on interest (*Riba*), uncertainty (*Gharar*) and gambling (*Maisir*).<sup>6</sup>

These injunctions in essence seek to protect the weak from exploitation. For example, the injunction against interest prohibits a capital or financial provider from gaining returns from a venture or activity undertaken by the capital user without sharing risks in that venture as this constitutes *zulm*, or injustice. The injunction against uncertainty seeks, *inter alia*, to prevent fraud; while the injunction against gambling seeks to avoid harm from excessive risk-taking or speculative activities.

While these inherent features provide Islamic finance with a strong foundation for investor protection, they cannot guarantee adequate protection for consumers of Islamic finance products. After all, Islamic finance products are introduced within the same moral, regulatory and economic paradigm as conventional products. Greed, commercial and competitive pressures, and lack of sophistication on the part of consumers can negate the inherent consumer protection elements that lie at the heart of Islamic finance. Also, given the centrality of *Sharī'ah* in Islamic finance, these issues can be further compounded by the absence of a strong, transparent and effective *Sharī'ah* governance framework.

### **The Growth Drivers of Islamic Finance Determine the Approach to Investor Protection**

For Islamic capital market products to be acceptable to both institutional and retail investors, these investors must be assured of the same level of protection as accorded to investors in conventional products. Hence, Islamic capital market products must, *inter alia*, be true to label and must be offered within markets that are fair, efficient and transparent. To inspire confidence, *Sharī'ah* compliance must be achieved without compromising the universal regulatory principles.

There are two main growth drivers of the Islamic finance industry. The first is the availability of vast pools of funds seeking *Sharī'ah*-compliant investments. These can be in the form of assets of governments, Islamic banks, and other institutions such as the Tabung Haji – or Pilgrim's Fund – in Malaysia. Globally, these assets are estimated at US\$321 billion.<sup>7</sup> The development and growth of the *Sukūk* market is arguably mainly driven by efforts to tap this liquidity. Thus, on the demand side, this space is dominated by institutional and professional players with little, if any, participation by retail investors. Typically for wholesale products of this nature, the regulatory framework is introduced

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<sup>6</sup> *Ibid.*

<sup>7</sup> "The World Islamic Banking Competitiveness Report: A Brave New World of Sustainable Growth 2011–2012."



mainly to facilitate the issuance of the products, with the emphasis being on the product structure, disclosure and legal certainty.

The second growth driver for the Islamic finance industry is retail demand. Many jurisdictions have introduced retail *Shari'ah*-compliant products to meet the investment and financing needs of investors seeking alternatives to conventional products; such products range from banking products, including home loans, to capital market and insurance products. As these products are introduced to meet retail demand, the regulatory framework will necessarily place greater emphasis on the needs and interests of the investors. This is arguably the original *raison d'être* of Islamic finance. If we were to continue to ensure inclusiveness and strong linkage between Islamic finance and the real economy, then this is the space that must be protected and strengthened.

Thus, the approach to investor protection in Islamic finance, as with conventional finance, varies with the type of products. For retail products, greater emphasis is placed on, *inter alia*, sales practices, “know your client” (KYC) rules and investor education, while for wholesale products the emphasis is on the quality of disclosure and related documentation.

Given Malaysia's comprehensive Islamic financial services industry and the availability of both wholesale and retail products, both approaches to investor protection are adopted. The Islamic Capital Market (ICM), for instance, saw concurrent growth in the wholesale *Sukūk* market and retail investment products. This necessitated continuing efforts to ensure that the investor protection frameworks are relevant, well-calibrated to ensure fitness-for-purpose, and do not impose undue regulatory costs or burdens which will make these products less competitive than conventional ones.

### **Key Elements of an Effective Platform for Investor Protection**

Consumer protection is not about guarding the consumer from making bad decisions, but about enabling or empowering them to make informed decisions in a marketplace free of misrepresentation, fraud, misconduct and abuse. This principle is consistent with the inherent values of Islamic finance. The United Nations Guidelines for Consumer Protection state that governments should provide or maintain an adequate infrastructure to develop, implement and monitor consumer protection policies.<sup>8</sup>

What, then, is an adequate infrastructure in the context of the Islamic finance industry or, more specifically, the ICM? Is there a need to put in place a separate and distinct framework specifically for investors in this market segment?

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<sup>8</sup> Available at: [http://www.un.org/esa/sustdev/publications/consumption\\_en.pdf](http://www.un.org/esa/sustdev/publications/consumption_en.pdf), p 3.

A fact-finding report by the International Organization of Securities Commissions (IOSCO) in 2004 concluded that the ICM constitutes a segment of the wider global securities market, the regulatory health and proper functioning of which falls within IOSCO's objectives. Thus, according to the report, a capital market with a sound regulatory framework and appropriate supporting infrastructure must first be present in order to nurture and support an ICM component. ICM products and services therefore can be introduced and developed within any existing well-structured securities market. The report further added that while conventional principles of securities regulation may be applied to the ICM, *there may in certain instances be a need for more specific guidelines to be introduced to ensure that the unique aspects of such products are appropriately regulated.*<sup>9</sup> A follow-up report in 2008 reaffirmed that there are no concerns with respect to the compatibility of the IOSCO core principles with the Islamic securities market even though the implementation of the principles may benefit from further consideration in some specific areas. The 2008 report further identified issues in the implementation of IOSCO core principles for consideration of regulators. These issues include relevant disclosure standards for *Sukūk* and for Islamic funds.<sup>10</sup>

From the findings of the two IOSCO reports, it can be reasonably concluded that a sound regulatory framework and appropriate supporting infrastructure must first be present in order to develop and support the ICM. In this regard, there is no necessity to develop an entirely separate platform for investor protection for the ICM, as it can and should be built upon the existing platform.

Investor protection is a key mission of capital market regulators and this is normally expressed as a statutory mandate of the regulator. For instance, the Securities Commission (SC) Malaysia is required by law "to take all reasonable measures to maintain the confidence of investors in the securities and derivatives markets by ensuring adequate protection for such investors".<sup>11</sup> Like other capital market regulators, investor protection is therefore pervasive in all aspects of our regulatory functions – from intermediary licensing and supervision to product regulation, corporate and market surveillance, to M&A regulation, enforcement, investor education and awareness, as well as complaints handling, dispute resolution and compensation mechanisms. This is a regime commonly applied by capital market regulators with some variations on emphasis depending on each regulator's specific statutory mandates.

The presence of a robust authorisation or licensing regime for intermediaries is a first step in ensuring investor protection. This may include appropriate licensing requirements, fitness and properness criteria, examinations and continuous professional

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<sup>9</sup> Islamic Capital Market Fact Finding Report, *Report of the Islamic Capital Market Task Force of the International Organization of Securities Commissions*, July 2004.

<sup>10</sup> A follow-up report by IOSCO in 2008 entitled, "Analysis of the Application of IOSCO's Objectives and Principles of Securities Regulation for Islamic Securities Products".

<sup>11</sup> Section 15(1)(g) of the Securities Commission Act 1993.

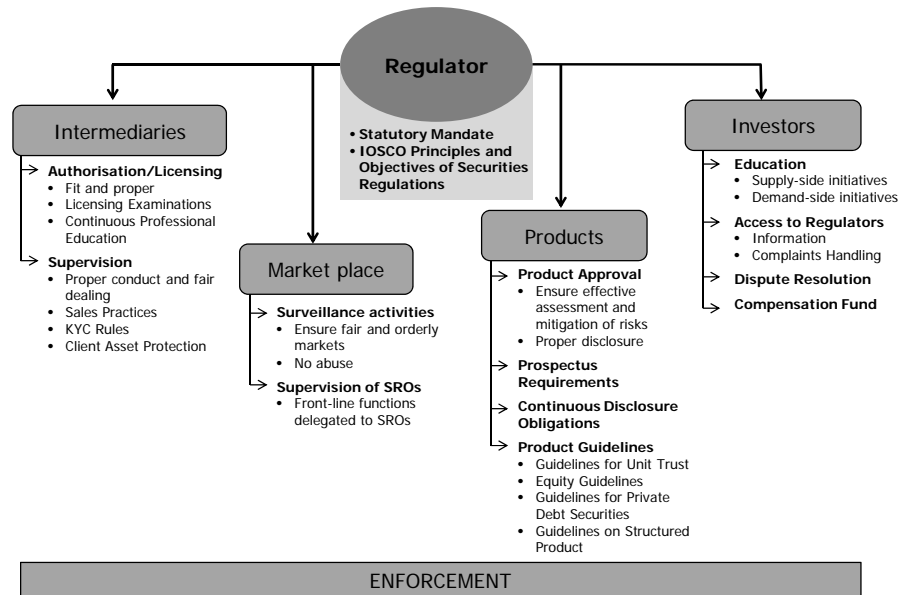
education for intermediaries. Regulators then undertake continuous supervision of the intermediaries and their activities to ensure proper conduct, and to ensure that intermediaries are fair and diligent in dealing with their clients, to protect clients' assets from insolvency of the intermediaries or misappropriation by the intermediaries, and to guard against default and sudden disruptions to the market.

The SC Malaysia has also enhanced disclosure and the KYC requirements on the part of intermediaries both at the point of sale as well as post-sale. For example, the Sales Practices Guidelines for unlisted investment products require intermediaries to undertake a product suitability assessment and provide investors with a Product Highlight Sheet.

Product regulation is another core component of investor protection. Effective product regulation will ensure that both the intermediaries and regulators undertake appropriate assessment and mitigation of risks during the product development and approval stages. Product regulation can address the responsibilities of the intermediaries and the issuers in ensuring that the products offered are suitable, and that investors are clearly and fully informed of the risks associated with these products through proper disclosure. Although ordinarily regulators are reluctant to give their stamp of approval to products introduced in the market, due to concerns about moral hazard, since the Global Financial Crisis there is increasing support for the exercise of some product regulation powers by regulators.

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A Framework for Investor Protection in the Capital Market



In many jurisdictions, product regulation is enforced through specific legal provisions which are complemented with product-specific guidelines. In Malaysia, the Capital Market and Services Act 2007 (CMSA) requires the approval of SC Malaysia before securities are issued or offered to investors.<sup>12</sup> In addition, there are guidelines issued by SC Malaysia which stipulate specific criteria or requirements which must be met for the issuance or offering of these products. These are intended to ensure that only products which are approved by the SC Malaysia and have fulfilled the specified criteria are made available to investors.

The product guidelines are supplemented with the requirement to register a prospectus, where applicable, that complies with the CMSA and the SC Malaysia's prospectus guidelines to ensure that investors are provided with all the relevant information on the issuers, the products offered and the relevant risk factors. There are also requirements for timely, accurate and pertinent disclosure of financial information or transactions to enable investors to gain access to information that facilitates decision-making and monitoring.

Investor empowerment through education and awareness programmes helps strengthen self-discipline and market discipline, to complement regulatory discipline, and is therefore a key component of any investor protection framework. Ultimately, it is the informed investors who are best placed to protect themselves and to participate safely in the market.

<sup>12</sup> Section 212 of the CMSA.

SC Malaysia adopts a two-pronged strategy in investor education, focusing on both the demand and supply sides of the market. Demand-side initiatives are programmes targeted directly at investors or potential investors. Supply-side initiatives involve collaboration with intermediaries to ensure that they have the capacity and capability to provide quality services to investors and exemplify conduct that facilitates good disclosure and sales practices. The focus of supply-side initiatives is to work with industry to embed investor education through product sales and distribution channels to ensure that meaningful, relevant and timely information is communicated to the investor.

Other components of an effective investor protection framework include investors' access to the regulator to seek information, to highlight issues of concern, to lodge complaints on market misconduct or unfair practices, or to make enquiries. As such, an effective platform for investor protection must also be supported by efficient and effective complaints handling and dispute resolution mechanisms.

In relation to the latter, SC Malaysia established the Securities Industry Dispute Resolution Centre (SIDREC) in 2010 to provide investors with a free and effective independent redress mechanism for the mediation and adjudication of small monetary claims (below RM100,000) against licensed persons.

Another mechanism for investor protection is the Capital Market Compensation Fund (CMCF),<sup>13</sup> which is administered and managed by the Capital Market Compensation Fund Corporation (CMC).<sup>14</sup> The objective of the CMC is to compensate individual investors who have suffered loss due to defalcation, fraud or mis-selling by a licensed intermediary and the licensed intermediary is unable, or likely to be unable, to pay its investors. The CMCF is funded by contributions made by licensed intermediaries who are dealing in securities,<sup>15</sup> derivatives<sup>16</sup> and fund management. Additional funding is provided to the CMCF by SC Malaysia, the stock exchange and the derivatives exchange.

While the presence of the key elements of an effective platform for investor protection as mentioned above should contribute to an orderly development of the capital market, there are, nevertheless, instances whereby breakdowns in one or more of these components can occur – for example, in the case of unlicensed market intermediaries coming into the market, unapproved products or services being offered to investors, or new products being offered in the market without the pre-requisite information and disclosure.

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<sup>13</sup> Capital Market Compensation Fund, Part IV, Division 3 of the CMSA.

<sup>14</sup> The Capital Market Compensation Fund Corporation, Part IV, Division 2 of the CMSA.

<sup>15</sup> This includes participating organisations, who are persons who carry on the business of dealing in securities and are recognised as a participating organisation by the rules of the stock exchange.

<sup>16</sup> This includes trading participants, who are persons who carry on the business of dealing in derivatives and are recognised as a trading participant by the rules of the derivatives exchange.

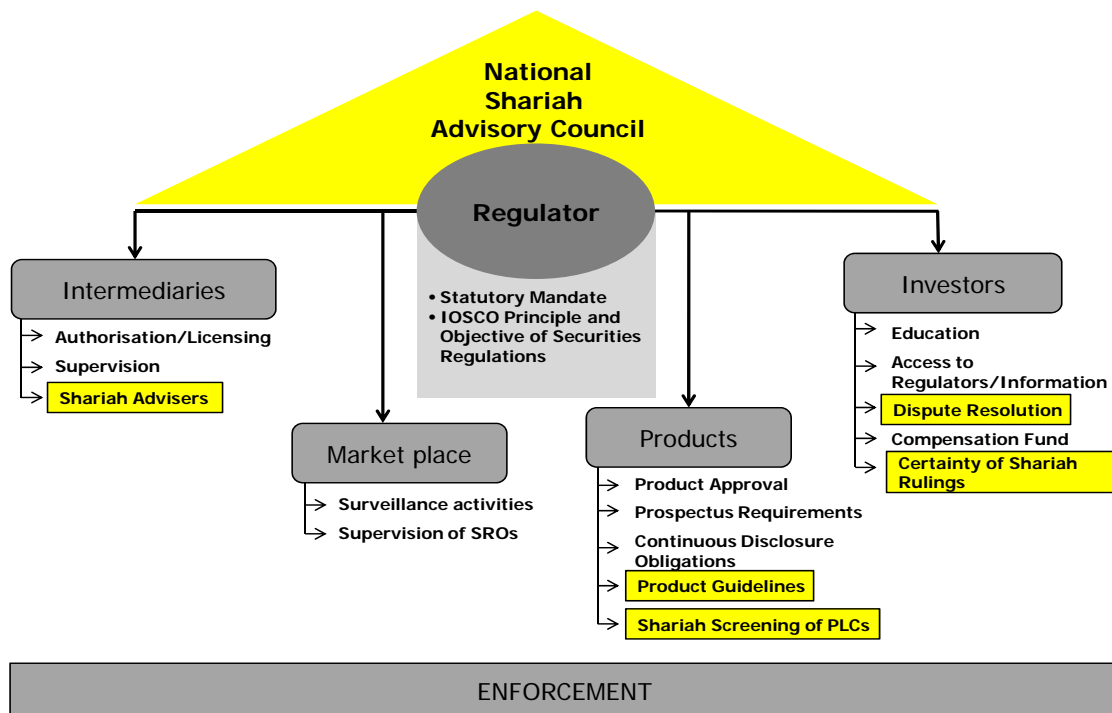
Therefore, effective surveillance and enforcement mechanisms must also be in place in order to detect, investigate and penalise those in breach of the relevant laws. Enforcement is therefore an integral part of the consumer protection platform.

Malaysia’s continuous efforts in putting in place the key elements of an effective platform for investor protection have been acknowledged by the World Bank, where Malaysia has been consistently ranked fourth globally in the category of “protecting investors” for the past several years.<sup>17</sup>

### Extending the Existing Investor Protection Framework to the Islamic Capital Market

While all the core components of investor protection as described earlier are relevant and applicable to all capital market products, including ICM products, compliance with *Sharī’ah* requirements is what distinguishes Islamic products from conventional ones. Thus, in addition to all the protection accorded to investors in conventional products, ICM investors must be assured that *Sharī’ah* compliance is not compromised at any stage of the product cycle. ICM products, like other products, must be “true-to-label”.

A Framework for Investor Protection in the Islamic Capital Market



<sup>17</sup> Doing Business 2013, *Smarter Regulation for Small and Medium-sized Enterprises – Comparing Business Regulations for Domestic Firms in 185 Economies*, 10<sup>th</sup> Edition, a Co-publication of The World Bank and International Finance Corporation.

## **Registration of *Shari`ah* Advisers**

For ICM products, investors place reliance on rulings, opinions and assurances provided by the *Shari`ah* advisers in respect of the products' compliance with *Shari`ah*. *Shari`ah* advisers are, therefore, the backbone of the Islamic financial services industry; without them, the integrity of the industry is at risk. In this regard, *Shari`ah* advisers must carry out their duties professionally and diligently by ensuring that they fully understand the intricacies of the products and provide proper *Shari`ah* advice.

In Malaysia, it is a requirement for licensed intermediaries and issuers to appoint *Shari`ah* advisers to advise on all aspects of ICM products and services which are offered by the licensed intermediaries and issuers. SC Malaysia regulates the registration of the *Shari`ah* advisers through the Registration of *Shari`ah* Advisers Guidelines. Any person seeking to advise any issuance of *Shari`ah*-based products or services is required to be registered with the SC Malaysia. The Guidelines set out the criteria for the registration and renewal of registration of a *Shari`ah* adviser and the circumstances under which SC Malaysia can deregister a registered *Shari`ah* adviser.

## **Regulation of Products and Services**

Product regulation is another important regulatory tool in ensuring investor protection. A critical aspect of ICM product regulation is compliance with specific *Shari`ah* requirements and the associated additional disclosures. These include disclosures on the appointed *Shari`ah* adviser, the *Shari`ah* principles or contracts applied in structuring the product, the utilisation of proceeds, as well as the specific risks associated with the product.

In Malaysia, the offering or issuance of the various capital market products, including ICM products, requires the approval of SC Malaysia and is governed by specific legal provisions and guidelines.

In relation to ICM products, additional requirements are imposed either in the same guidelines or as stand-alone guidelines. The additional requirements include matters relating to the appointment, duties and functions of *Shari`ah* advisers, application of *Shari`ah* principles, periodic reporting, certification of operations, and disclosures. Furthermore, these product guidelines also require the *Shari`ah* advisers to undertake post-transaction review of ICM products. Penalties for breaches of, or non-compliance with, these guidelines are enforceable under the CMSA and include civil and criminal penalties. The guidelines applicable for Islamic products include:

- (a) Guidelines on Unit Trust Funds;
- (b) Guidelines on Islamic Real Estate Investment Trusts;
- (c) Guidelines on Islamic Fund Management;
- (d) Guidelines and Best Practices on Islamic Venture Capital;
- (e) Guidelines on Exchange-Traded Funds;
- (f) *Sukūk* Guidelines; and
- (g) Guidelines on the Offering of Structured Products.

These product guidelines address issues relating to the various *Sharī`ah* disclosures, *Sharī`ah* due diligence and *Sharī`ah* internal compliance aspects. These are important elements of investor protection and serve to provide reliable information for informed decision-making.

For instance, the *Sukūk* Guidelines require the *Sharī`ah* advisers to provide written confirmation on the following:

- (i) all documentation for the *Sukūk* issuance has been vetted;
- (ii) all documentation for the *Sukūk* issuance has been executed in proper sequence; and
- (iii) all documentation complies with *Sharī`ah* requirements.

The Guidelines on Unit Trust Funds, the Guidelines on Islamic Real Estate Investment Trusts and the Guidelines on Exchange-Traded Funds require the *Sharī`ah* advisers to prepare a report to be included in the fund's annual and interim reports (where applicable) stating its opinion whether the fund has been operated and managed in accordance with the *Sharī`ah* principles for the financial period concerned.

The Guidelines and Best Practices on Islamic Venture Capital require the *Sharī`ah* adviser to:

- (i) provide a written opinion and/or periodic report to confirm and certify that the venture capital activities have been managed and/or administered in accordance with *Sharī`ah* principles; and
- (ii) prepare, at least on an annual basis, a written disclosure and declaration to the board of directors that the Venture Capital Corporation (VCC) is managed in accordance with *Sharī`ah* principles.

### **A National *Sharī`ah* Advisory Council**

Certainty, clarity and finality of *Sharī`ah* rulings is a critical component of any investor protection framework for ICM. There must also be a formal avenue for resolving any



*Shari`ah*-related disputes. In Malaysia this is achieved through the formal establishment of a national-level *Shari`ah* Advisory Council (SAC) pursuant to the Capital Market Services Act 2007. The Act has placed the SAC on a sound legal footing to enable it to continuously play a pivotal role in the development of the ICM. The functions of the SAC, as stated under the law, include:

- (a) to ascertain the application of *Shari`ah* principles on any matter pertaining to ICM business or transaction and issue a ruling upon reference made to it;
- (b) to advise SC Malaysia on any *Shari`ah* issues relating to ICM business or transaction;
- (c) to provide advice to any person on any *Shari`ah* issues relating to ICM business or transaction; and
- (d) such other functions as may be prescribed by the Minister.

### **Dispute Resolution Mechanism**

Clarity and certainty with respect to applicable *Shari`ah* principles is crucial. In Malaysia, this is addressed through the introduction of a specific provision in the CMSA which allows reference to the SAC for advice or ruling from industry participants or any person, the courts or arbitrators, and the binding effect of such ruling on the person or entity concerned. This provision provides sanctity to the *Shari`ah* ruling and investors can be assured that, in the event that the *Shari`ah*-compliant status of the product is disputed, it is the competent authority which ultimately decides. Clarity on *Shari`ah* matters is further reinforced under the CMSA, which allows for any licensed person, stock exchange, futures exchange, clearing house, central depository, listed corporation or any person to seek the advice or refer for a ruling of the SAC on any matter relating to its ICM business or transaction in order to ascertain whether such ICM business or transaction involves any element which is inconsistent with *Shari`ah*.

### **Investor Education on ICM Products**

With regard to investor education initiatives, incorporating relevant issues pertaining to the ICM as part of the wider initiatives is important to raise investor awareness and understanding of the specificities of ICM products. This has become more pertinent given the increasing use of ICM terms and the label “*Shari`ah*-compliant” for the marketing of certain products by promoters of illegal investment schemes. These promoters exploit the eagerness of investors to invest in the *Shari`ah*-compliant products, with the added promises of higher returns with no risks. This type of labeling has made a few investment scams very successful, as it provides investors the perception of an additional level of credibility.

## **CONCLUSION**

In view of the growth and expansion of the Islamic financial services industry, it has become critical that an effective platform for consumer protection be put firmly in place to provide confidence to consumers wishing to participate in the industry and ensure the industry's integrity, growth and sustainability. Given the current move to recalibrate and strengthen regulation globally, there seems to be an appetite for more pre-emptive *ex-ante* regulation. The Islamic financial services industry should therefore capitalise on this swing in the regulatory pendulum and work on strengthening the investor protection framework. However, there is no necessity to develop a separate framework for the Islamic financial services industry as the existing framework can be used as the foundation for an effective consumer protection framework. Having a separate consumer protection framework for the Islamic financial services industry may add regulatory cost to the industry and this may hamper its growth and sustainability.





***Dr Nik Ramlah Mahmood  
Deputy Chief Executive  
Securities Commission Malaysia***

Nik Ramlah Mahmood was appointed Deputy Chief Executive of Securities Commission Malaysia (SC) on 1 April 2012. Prior to that, she was Managing Director and Executive Director of the SC's Enforcement Division. Nik Ramlah has served the SC for more than 18 years and has worked in areas ranging from legal and regulatory reform, to product and market development, Islamic capital market, investor education and enforcement.

Nik Ramlah is a core member of the OECD Asian Roundtable on Corporate Governance. She was actively involved in the preparation of the *High Level Finance Committee Report on Corporate Governance* and the *Corporate Governance Blueprint 2011*. She chaired the Finance Committee's Working Group on Legal and Regulatory Reform and the Implementation Project Team. Nik Ramlah was also a member of the Corporate Law Reform Committee and chaired the Working Group on Corporate Governance and Shareholder Rights.

Nik Ramlah sits on the board of the Securities Industry Development Corporation (SIDC), the training and education arm of SC, and is a member of the Professional Development Panel of the International Centre for Education in Islamic Finance (INCEIF), the global University of Islamic Finance, and is an EXCO member of the Asian Institute of Finance (AIF).

Nik Ramlah holds a First Class Honours degree in Law from University Malaya and an LLM and PhD from the University of London. For her PhD, she was a recipient of a scholarship from the Association of Commonwealth Universities. She is a member of the Association of Chartered Islamic Finance Professionals (ACIFP).

Prior to joining the SC in 1993, Nik Ramlah was an Associate Professor in the Faculty of Law, University Malaya.



