



Suruhanjaya Sekuriti
Securities Commission
Malaysia

Maqasid Al-Shariah Guidance

**Islamic Capital Market
Malaysia**

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Malaysia

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MESSAGE

by Dato' Seri Dr. Awang Adek Hussin

Chairman, Securities Commission Malaysia

It gives me great pleasure to introduce the *Maqasid Al-Shariah Guidance Islamic Capital Market Malaysia* (Guidance), a principle-based document as the latest addition to our developmental agenda in shaping the stakeholder economy.

Maqasid al-Shariah is the overarching principle that guides, or should guide, all decisions in the Islamic capital market (ICM). In essence, this principle has to do with ensuring that Islamic finance is actively used in the promotion of good rather than simply eschewing the bad. It calls for a balance between profit generation, societal benefit and the prevention of harm.

Towards this end, this Guidance underscores our commitment to enhance the role of the ICM in facilitating equitable growth, which, in turn, will help towards building and promoting a sustainable and inclusive stakeholder economy.

In these tumultuous times, underscored by war, climate change and social inequalities, it is no longer enough for financial services to merely retain their traditional role of greasing the wheels of economy; they have to actively help address or at least positively influence these issues, making life better for the communities in which they operate.

Since the introduction of Islamic finance and banking some decades ago, Malaysia has played a leading role, pushing the boundaries through innovative regulatory interventions and the introduction of new frameworks that are current, and dealing with contemporary issues. We are not afraid of trying new things and tweaking what does not work. After all, Islamic finance is something living and breathing rather than dry, dusty and encased in a wall of inflexible rules or structures.

We do not pretend, however, that it is going to be easy to make this shift. It will take great commitment and a change in thinking to get down to brass tacks and question the very fundamentals of each product. Because, now, it is no longer enough to be Shariah-compliant; products should align with the broader principles of *maqasid al-Shariah*.

This Guidance outlines six aspirations and 15 guiding principles, in an attempt to translate the objectives of Shariah into practical and measurable solutions, tailored to contemporary ICM needs. They are designed to complement and integrate with Securities Commission Malaysia's (SC) existing rules and regulations, reinforcing sustainable and responsible finance practices.

Applying this Guidance will hinge on significant collaborations and partnerships between regulatory bodies, financial institutions, scholars and industry players. We want it to serve as a valuable reference document for all stakeholders, inspiring greater exploration of Islamic social finance tools, including *zakat* (almsgiving), *sadaqah* (charity) and *waqf* (Islamic endowment).

Alongside Malaysia's developments in ICM, the country has also been at the forefront of the sustainable and responsible investment (SRI) segment. The two concepts have much in common. Aligning the two has resulted in regulatory developments such as the SRI Sukuk Framework, SRI-Linked Sukuk Framework and Waqf-Featured Fund Framework.

Therefore, this Guidance aims to further enhance our ecosystem's authenticity and align with the true spirit of Islamic finance. This should stimulate the development and refinement of products and services that meet socio-economic goals.

The introduction of this Guidance marks a key chapter in Malaysia's positioning as a global ICM hub. I would like to express my deepest gratitude to all those who have contributed towards creating this landmark document through ideas, comprehensive research and the sharing of valuable insights.

We look forward to engaging and collaborating with fellow regulators, intermediaries, practitioners and the public in our unrelenting efforts to advance ICM and address the demands of the real economy.



ACKNOWLEDGEMENTS

In preparation of the Guidance, extensive research was undertaken including engagements and deliberations with domestic and international stakeholders from various backgrounds and levels to ensure that all views and suggestions are taken into consideration. The SC records its appreciation to the various industry representatives, who contributed their invaluable views and suggestions in preparation of this document.

Special acknowledgement is extended to the past and present Shariah Advisory Council (SAC) of the SC namely Tan Sri Dr. Mohd Daud Bakar, Professor Dr. Aznan Hasan, Professor Dr. Engku Rabiah Adawiah Engku Ali, Professor Dr. Ashraf Md Hashim, Dr. Shamsiah Mohamad, Professor Dato' Dr. Asmadi Mohamed Naim, Associate Professor Dr. Mohamed Fairouz Abdul Khir, Dr. Zaharuddin Abdul Rahman, Professor Dato' Dr. Mohd Azmi Omar, Sahibus Samahah Dato' Setia Dr. Haji Anhar Haji Opir, Dr. Marjan Muhammad, Assistant Professor Dr. Akhtarzaite Haji Abdul Aziz and Encik Burhanuddin Lukman for their intellectual contributions and ideas towards this Guidance.

It is hoped that this Guidance will contribute positively to the ongoing discourse and understanding of the subject matter, and may all those who contributed, directly or indirectly, be rewarded for their efforts.

INTRODUCTION

As one of the leaders in Islamic finance, Malaysia witnessed various stages of development and growth. Several milestones achieved since 1990s have shaped Malaysia's Islamic finance into the well-established industry today, solidifying its position in the ICM. Malaysia is ranked among the top three countries globally in terms of Islamic finance assets and is a recognised thought leader in this space. As at 2021, Malaysia's Islamic finance assets stood at US\$650 billion, contributing to the overall global Islamic finance assets of US\$4 trillion, which demonstrates the strong presence of Islamic finance in the country¹.

The ICM, as one of the key components of the Islamic finance industry, plays an important role in shaping the economy through mobilisation of excess funds. In Malaysia, the ICM constitutes a substantial segment of the overall capital market, garnering on average 60% of the total capital market for the past five years (2017 to 2022). As at 2022, the total size of the ICM was RM2.3 trillion, with a total market capitalisation of Shariah-compliant securities of RM1.1 trillion, while total sukuk outstanding amounted to RM1.2 trillion².

Over the years, the SC has played an important role in facilitating the expansion of ICM in Malaysia, from centring mainly around the mainstream products and services to alternative markets. The efforts and commitments from the SC have facilitated the establishment of a conducive ecosystem, widening and broadening the spectrum that paved the way for innovations and growth of the industry.

Naturally, with the dynamics and growing complexities of the marketplace, new challenges to both the domestic and external environment would emerge, which calls for a strategic response to ensure that Malaysia remains internationally competitive in Islamic finance.

The dynamism of Shariah has been an important driving force in contributing to the accelerated pace of innovation in ICM and compliance to Shariah requirements have been fundamentally integral to the development of ICM. It is thus timely to move a step further by unlocking and solidifying the full potential of ICM that brings its substance, impact and value addition to the society and real economy.

To propel ICM to a new height, it is imperative to ensure that the activities conducted in this space adhere to the utmost ethical standards to ensure that ICM continues to uphold the core principles of Shariah and maintain the trust and confidence of the stakeholders. Appropriate ethical and governance frameworks would enhance the reputation of ICM, attracting investors seeking sustainable and responsible financial solutions, fostering financial inclusion and development, and promoting a more sustainable and equitable financial system, while ensuring strong integrity in the marketplace.

Against this backdrop, it is timely to encourage greater emphasis on the substance to ensure continuation of competitive advantage relative to its counterpart. As such, with the development of *maqasid al-Shariah*, it is envisaged that it would, among others, encourage ethical and fair financial practices that promote economic development while adhering to the rules and principles of Shariah. The Guidance will be fundamental in underpinning a strong and resilient industry.

The main objective of this Guidance is to serve as a solution towards various challenges and opportunities identified in elevating and charting the next phase of the development of ICM. Greater emphasis would be given to creating economic values, progressive development of the sustainability agenda, while cultivating ethical conduct in ICM activities. Specifically, as a principle-based document, the industry players are strongly encouraged to adopt this Guidance and take proactive actions to address pertinent issues relating to climate changes, social equity, sustainability, and stakeholder economy. This is done while promoting ethical conduct which would be inculcated into the development journey for the ICM industry. Adherence to Shariah in general, and compliance with the relevant Shariah requirements will remain as the primary condition to be fulfilled before alignment with *maqasid al-Shariah* is further assessed.

The Guidance is designed to be applicable to industry players and products and services. In the course of its development, robust efforts had been made including, but not limited to, engagement with various industry players and scholars and benchmarking against various relevant international best practices in assessing the extent of its applicability.



OVERVIEW OF MAQASID AL-SHARIAH

Maqasid al-Shariah refers to the objectives or intents of Shariah as well as *asrar al-Shariah* (secrets of Shariah) and *al-hikam* (wisdoms), which are ordained by Allah s.w.t. comprehensively or in most situations, revelation of the commandments without specifying certain Shariah rulings¹. They also serve as guiding and overarching principles for adopting the ideal, meaningful, as well as purposeful way of life.

Maqasid al-Shariah is primarily centered on promoting *masalih al-'ibad* (human welfare) as the ultimate goal that must be attained². Ibn al-Qayyim asserted that the concept of human welfare encompasses the attainment of good in this world and the next³. Al-Shatibi further articulated that it is the basis upon which the Shariah is revealed and founded⁴.

Maslahah (interest of mankind) is the overarching concept discussed by the scholars within the context of promoting human welfare⁵. Scholars derive and develop other Shariah objectives from such concept. From the standpoint of classical scholars such as al-Juwayni⁶, interest of mankind is a method used for obtaining Shariah-related rulings for any theme of life. Subsequently, scholars articulate the notion of interest of mankind as encompassing the notions of *jalb al-masalih* (serving benefits) and *dar' al-mafasid* (preventing harm).

The concept of serving benefits entails the pursuit and support of initiatives to promote the well-being and welfare of individuals and society as a whole⁷. It encourages for engagement in actions that contribute to the betterment of people and the planet, while adhering to Shariah norms and teachings.

On the other hand, preventing harm focuses on prevention of behaviours that lead to undesirable outcomes⁸. It encourages avoidance of activities that can cause harm to people and the planet for the purpose of safeguarding them.

The concepts of serving benefits and preventing harm ultimately guide human to sustain individual and societal well-being. Such concepts would not only be beneficial for human in this world but also in the hereafter. Besides that, these concepts convey that Shariah is not rigid or stringent, but rather can be adapted to the changing needs and conditions of society. Thus, allowing for amenable and pragmatic solutions to contemporary situations, while preserving the spirit and ultimate goals of the Shariah.

For example, in economic matters, the preservation of the interest of mankind calls for the establishment of an equitable and just economic system. Islamic principles of *al-'adl* (justice) should guide economic transactions and prohibit *ihthikar* (hoarding) and concentration of wealth.

Furthermore, the preservation of the interest of mankind extends to areas such as education, family well-being, ecological sustainability, and social justice⁹. By upholding these principles, Islam seeks to create a society that is balanced, compassionate, and respectful of the rights and well-being of all individuals as well as the planet.

Consequently, it is certain that Shariah is dynamic and accommodative of circumstantial and situational changes based on the interests of mankind at a given time and place. In addition, scholars like al-Ghazali, Ibn Taymiyyah and Ibn 'Ashur assert that neither the Quran nor the Sunnah of the Prophet Muhammad s.a.w. (Prophet s.a.w.) include a definitive list of all *maqasid al-Shariah*.

After discussing the concepts of human welfare as the ultimate goal, interest of mankind, serving benefits and preventing harm, it is noted that *maqasid al-Shariah* can be classified into *dharuriyyat* (necessities), *hajiyyat* (needs), and *tahsiniyyat*¹⁰ (embellishments). It is further elaborated that necessities include the protection of religion, life, lineage, intellect, and wealth. This is typically known as *kulliyat khams*¹¹ (five necessities) which are also covered under both needs and embellishments.

In the context of Islamic finance, the application of the five necessities is commonly highlighted in variety of ways. For instance, the protection of religion may be achieved through avoiding the practice of *riba*



(usury) and other practices or activities that are forbidden by Shariah. The protection of life can be cited as a justification for prohibition on gambling and investments in industries or activities that harm human life, such as tobacco and alcohol. Further, protection of intellect can be used to justify prohibition of fraud and other deceptive financial practices. Moreover, the goal of protecting lineage can be invoked to justify encouragement of investments and economic activities that support stable family structures and promote the well-being of society and prohibition of investments in activities that promote immoral behaviour or harm the institution of the family, such as pornography or usurious lending. Lastly, the goal of protection of wealth can be invoked to justify prohibition of theft and other financial crimes.

In applying the five necessities in Islamic finance as highlighted above, stakeholders such as scholars or industry players are reminded that interpretations and justifications may result in inconsistencies and overlaps.

Ibn `Ashur made a significant advancement of *maqasid al-Shariah* by introducing a specific *maqasid al-Shariah* based on the particular aspects of human life, including financial transactions, marriage law, criminal sanctions, justice and witness, employment, and donations. The complexity of the world and its system has made the implementation of the five necessities somewhat challenging. Therefore, the introduction of a specific *maqasid al-Shariah* is considered as a bridge to attain not only the five necessities as highlighted above, but also needs and embellishments.

In light of the above, this Guidance shall focus on having the specific objectives for ICM in the form of principles that integrate classical and contemporary approaches. Thus, the debate on *maqasid al-Shariah* in this Guidance is derived from holistic and coherent integration of the classical and modern insights on *maqasid al-Shariah* to create a new direction for the ICM.

This Guidance is designed in accordance with six aspirations as specific *maqasid al-Shariah* i.e., Humanity; Justice and Benevolence; Clarity and Transparency; Flexibility and Innovation; Fiduciary and Accountability; and Accessibility and Inclusivity. Each of the six aspirations underlines its own principles, with a total of 15 principles that are governed thereunder.

Figure 1

Overview of the Maqasid Al-Shariah Guidance Islamic Capital Market Malaysia

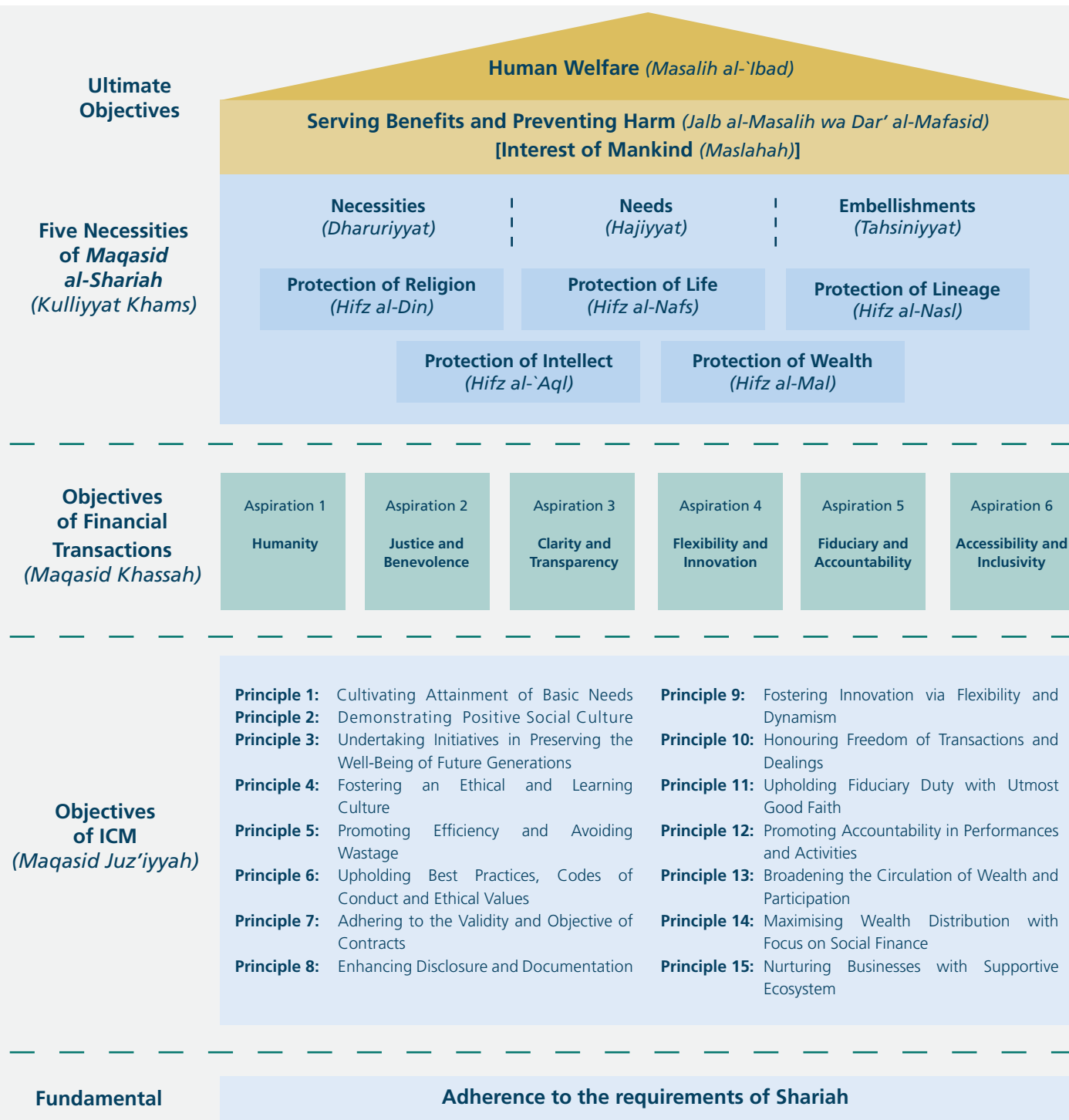


Figure 2

Aspirations and Principles of the Maqasid Al-Shariah Guidance Islamic Capital Market Malaysia





Aspiration 1: HUMANITY

Al-insaniyyah (Humanity) is derived from the Arabic word *al-insan* which refers to human. In the Quran, human is mentioned more than 60 times signifying the importance in life¹. Humanity refers to the quality of being kind, compassionate and considerate towards human beings and other creatures. It involves showing empathy, respect, and a sense of moral responsibility towards the well-being and dignity of all individuals. Being humane entails prioritising alleviation of suffering as well as nurturing a caring and empathetic society. It reflects a commitment to the values of kindness, compassion, and the recognition of the inherent worth and rights of every living being.

There are numerous verses in the Quran that highlight the significance of humanity. Shariah has honoured human beings and acknowledges that human is created in the best of stature² where all other creations have been created to be beneficial to human beings³.

The Quran also asserts the sacredness and worth of human life by saying that saving even one life is equivalent to saving all of humanity⁴. Moreover, Shariah encourages individuals to be mindful of their words or actions⁵. These signify the value of preserving and safeguarding the lives of people.

In addition, Shariah also emphasises that true nobility and superiority are not based on race, lineage, or wealth but on righteousness and piety. In the sight of Allah s.w.t., the most honourable individuals are those who demonstrate righteousness in their actions, character, and adherence to the teachings of Islam⁶.

Human beings are *khalifah* (vicegerents) of Allah s.w.t.⁷ on earth and are entrusted with the responsibility of managing the resources as well as the environment. Accordingly, people have a communal responsibility to look after one another besides safeguarding the planet and its resources for both the present and future generations.

Shariah emphasises the principles of conservation⁸, moderation⁹, and sustainable¹⁰ practices. Muslims must fulfil their roles as vicegerent of Allah s.w.t. by striving for balance and harmony between human needs and the preservation of the environment¹¹.

Principles developed under Humanity focus on the values of cultivating attainment of basic needs and developing resources to meet fundamental requirements. They emphasise on demonstrating a positive social culture or possessing admirable traits as a person, as well as pursuing measures that safeguard the welfare of future generations. In addition, they provide the fulfilment of basic needs, promote social harmony, and ensure a sustainable future for subsequent generations.

PRINCIPLE 1

Cultivating Attainment of Basic Needs

This principle emphasises on cultivating attainment of basic needs and the creation of resources to address such needs. It seeks to ensure the well-being and fulfilment of individuals and society as a whole by prioritising the protection and enhancement of human life. *Maqasid al-Shariah* fosters human well-being and harmony in conformity with the main principles of Islamic law by fostering and sustaining the fulfilment of basic needs.

Description

Industry players in creating investment instruments should concentrate their efforts on sectors that not only generate economic activities and create jobs but also provide positive contributions to the general well-being of society, such as the provision of food security, affordable healthcare, quality education, access to affordable energy and clean water.

For instance, industry players can channel their investments into agricultural initiatives that ensures food security. Additionally, industry players may also allocate funds towards enhancing agricultural productivity through investments in basic infrastructure, which simultaneously drive real economic growth while addressing societal requirements.

Another example is industry players can further contribute to addressing basic needs by investing in affordable healthcare initiatives. These endeavors are fundamental to enhance societal well-being as they play a pivotal role in strengthening the overall health of the population and fostering a stronger and more resilient society.

If this principle is followed, society will be able to ensure that its financial resources are used in a way that meets basic needs and promotes the development of an environmentally conscious society. It encourages investment in industries that have a positive impact on the well-being of individuals and society as a whole.

PRINCIPLE 2

Demonstrating Positive Social Culture

This principle aims to foster a positive impact to social culture. It encourages values and practices that promote harmony, compassion and mutual respect among individuals and communities. By prioritising the well-being, dignity, and rights of all members of society, *maqasid al-Shariah* seeks to cultivate a social environment that is inclusive, cohesive, and conducive to human well-being.

Description

Adhering to this principle would involve avoiding activities that contribute to negative social cultures. In shaping a positive social culture, industry players are encouraged to align their activities with values and practices that promote harmony, compassion, justice, and mutual respect within society. For example, industry players should refrain from channeling funds to food manufacturers that produce food products that are low in nutritional value. Instead, industry players should channel their investments towards businesses that uphold a positive social culture by producing nutritious and healthy food products. By doing so, industry players also promote a societal culture that values the well-being and health of consumers.

Furthermore, it is crucial for industry players to give due consideration that while addressing broader concerns such as providing healthcare facilities, water treatment centres and educational institutions, the welfare of local communities residing in close proximity to these projects remain unharmed. Negative impacts may include community displacement, disruption of livelihood and pollution which will adversely affect the well-being of society.

By incorporating these concepts into the ICM sector, industry players can contribute to a social culture that fosters ethical behaviour, well-being, and the satisfaction of spiritual and material needs. This approach ensures that investments and corporate activities correspond with Islamic beliefs, yielding a beneficial social influence on the larger community.

PRINCIPLE 3

Undertaking Initiatives in Preserving the Well-Being of Future Generations

This principle focuses on safeguarding future generations through environmental preservation such as climate change mitigation and adaptation and other means. These efforts enable future generations to gain access to resources while maintaining a healthy and balanced ecosystem.

Description

This principle emphasises the significance of meeting the requirements of future generations through environmental preservation. This principle urges for sustainable and responsible behaviour in the ICM sector through climate change mitigation and adaptation; and protection of the ecosystem and biodiversity.

The industry players can support environmental conservation by avoiding investments in companies engaging in harmful activities, such as waste dumping or industries involved with pollution. They can instead encourage investments in alternative energy sources like solar and wind power. This encourages the development of clean and sustainable energy alternatives, lowers dependency on fossil fuels, and mitigates effects of climate change.

Industry players can additionally prioritise funding for environmentally friendly projects and enterprises. This may involve supporting eco-friendly manufacturing practices, sponsoring recycling programmes, or investing in companies that focus on sustainable resource management.

The ICM sector may contribute to meeting the demands of future generations and preservation of the environment by adhering to this idea. Through investments in renewable energy and environmentally conscious businesses, they can support sustainable development and ensure that future generations will inherit a cleaner planet. This approach also incorporate sustainable and responsible investment considerations for the long-term welfare of humanity and the environment.



Aspiration 2: JUSTICE AND BENEVOLENCE

Justice and Benevolence¹ can benefit individuals and society as a whole and therefore these values are set as the aspired target to be achieved that could act as motivation and encouragement for individuals or groups of people.

Taking into account the aforementioned values, the practice of treating others fairly and equitably, regardless of their background or social status is a manifestation of Justice that is a fundamental principle in Islam.

Meanwhile, the practice of doing good deeds to others to the best of one's ability, going above and beyond the call of duty to help others is a manifestation of Benevolence. Benevolence could be regarded as the highest level of worship that a Muslim can achieve in which a Muslim feels as if Allah s.w.t. always observes him².

The aspiration of Justice and Benevolence are highlighted in the Quran where Allah s.w.t. commands justice and benevolence³ as well as commands mankind to judge people with justice⁴. These two concepts are closely intertwined, and both are essential for a just and harmonious society.

The promotion of a culture that values ethics and learning could facilitate people to realise the importance of the aspiration of Justice and Benevolence. Ethical culture may be exhibited by nurturing an ecosystem that value traits like honesty and respect. Meanwhile, the learning culture encourages people to continue to learn and enhance their knowledge and skills which reflects the importance of seeking knowledge⁵.

Fair treatment is an important aspect of an ethical culture. It involves treating all individuals justly⁶, with respect and dignity, regardless of their background, ethnicity, or religion. This can be achieved through implementing fair policies and practices in organisations and institutions while at the same time avoid any element of greed, hoarding, unethical intervention, and manipulation in order to achieve an inclusive and diverse culture.

The aspiration of Justice and Benevolence could also be reflected through encouraging efficacy and preventing waste which is consistent with the need of minimising wasteful spending⁷. By utilising numerous techniques to gather insights that might aid to optimise corporate operations, efficacy may be attained via various strategies that can maximise productivity and eliminate waste. It is anticipated that by initiating this effort, a market could develop with minimal risks and consequences.

Another method of achieving Justice and Benevolence is to sustain best practises and strong values. This principle is taken from a *hadith* that tells us to practice *taqwa* (piety) and treat people with respect wherever we are⁸. This principle requires developing knowledge and promoting ethical values among all stakeholders, including employees, clients, and suppliers, as well as a commitment to compliance with applicable rules and regulations and industry best practises. In order to maintain the highest standards of conduct, it is essential for businesses to implement good governance practices in accordance with *maqasid al-Shariah*.

The principles proposed by the aspiration of Justice and Benevolence are centred on ethical and learning cultural values, advancing efficiency and preventing waste as well as sustaining best practices, ethical codes, and values. By instilling justice, honesty, excellence, and responsible management, it promotes a just society that aspires to upholding the ethical values while maximising productivity and eliminating waste.

PRINCIPLE 4

Fostering an Ethical and Learning Culture

This principle requires the promotion of ethical and learning culture over all parts of the society, as well as the maintenance of an atmosphere that fosters individual and collective excellence. This entails providing quality education for all, supporting ethical behaviour, and cultivating a society that upholds the principles of justice, compassion, and moral perfection.

Description

Fostering an ethical and learning culture necessitates the promotion of research and education, among other essential components. Industry players can invest in research initiatives that increase the state of research and development. In addition, they can provide training and educational programmes for human capital and stakeholders, thereby promoting among others, understanding and awareness of ethical behaviour, leadership, and technical knowledge.

This idea demands for the ICM industry to endeavour the provision of an ethical and learning work environment that encourages professional growth and development. Adherence to this principle would enhance human capital and development as well as promote ethical values in the market. For instance, industry players should practice refraining from engaging in acts such as exploiting employees by using unlawful methods to maximise profits and evading taxes to accumulate more wealth. Such kinds of desire for more profit and wealth at the expense of others and ethical standards demonstrate greed which is against the ethical culture hence it should be avoided.

PRINCIPLE 5

Promoting Efficiency and Avoiding Wastage

Enhancing efficiency and cutting down waste necessitates optimisation of resources. This leads to the implementation of practices that minimise waste in both material and human resource such as promoting paperless practice. By increasing efficiency, proper resource management is duly encouraged, resulting in higher levels of productivity and the betterment for individuals and society. These policies are consistent with the aspiration of *maqasid al-Shariah* to establish a sustainable and equitable economic environment.

Description

The alignment of this principle with the ICM industry would necessitate a number of considerations. It promotes, among others, the construction of an efficient, effective, competitive and trustworthy market. This involves maintaining fair competition, encouraging market liquidity, and facilitating the distribution of timely and accurate information.

Industry players are urged to implement exhaustive due diligence, adhere to ethical norms, and avoid engaging in activities that may result in financial malfeasance or systemic concerns. This supports market stability, trust, and confidence.

In the ICM, for instance, industry players should prioritise efficiency by embracing technology-driven solutions such as online platforms and mobile applications to expedite procedures and enhance client experience. In addition, they might place emphasis on Shariah compliance by performing exhaustive analysis of investment options and avoiding initiatives that may violate Islamic ethical norms.

The ICM industry may build a robust and sustainable financial environment by incorporating efficiency-enhancing variables, adhering to protocols, and preserving optimal capital structures. Additionally, it will add to the market's general stability, growth, and resilience.

PRINCIPLE 6

Upholding Best Practices, Codes of Conduct and Ethical Values

Sustaining best practices and a code of conduct requires adhering to exemplary standards, ethical guidelines, and moral principles in all aspects of behaviour and decision-making. It entails conducting oneself with integrity, fairness, and quality, upholding justice, and promoting the well-being of people as well as society as a whole.

Description

This idea seeks to foster a culture of honesty where regulatory arbitrage may be an issue. In the ICM industry, organisations can set an ethical example and build a culture of integrity by constructing codes of conduct outlining ethical norms for their personnel, thereby assuring openness, responsibility, and responsible behaviour. This entails adhering to Shariah values, avoiding conflicts of interest, and treating clients with fairness.

In a market where regulatory intervention is minimal, industry players may take necessary steps to self-regulate and implement comprehensive governance systems. By adhering to greater standards than those mandated by law, they can demonstrate their dedication to ethical practices and inspire confidence among their stakeholders.

Furthermore, industry players can actively co-operate with industry groups, regulatory authorities, and academics to produce industry-wide norms and guidelines that encourage integrity and ethical behaviour. This collaborative effort contributes to the creation of a level playing field and ensures that the ICM adheres consistently to best standards.

All efforts can reinforce the values of Justice and Benevolence by fostering equity, openness, and responsibility. This not only improves the reputation and integrity of Islamic finance, but also contributes to the well-being and confidence of the financial ecosystem as a whole.



Aspiration 3: CLARITY AND TRANSPARENCY

Fraud, deception, and unethical practices can occur when human beings are susceptible to greed and the desire for personal gain.

Therefore, Shariah offers clear and transparent ways and means to minimise fraud, deception, and unethical practices in any transaction. Being clear and transparent is an efficient approach in achieving these aspirations, as they enable the detection and exposure of fraudulent behaviour and activities. Furthermore, Clarity and Transparency reduce the gap between the substance and the form of the transaction. This concept is in line with *maqasid al-Shariah* which ultimately seek to minimise dishonest practices and protect society from manipulation and exploitation.

In this context, being clear refers to the requirement to comprehensively define Islamic rulings, principles, and decisions so that they are understood. It encompasses the clarity and precision in interpreting and applying Shariah objectives and principles. Furthermore, being transparent encapsulates the transparency of decisions, processes, transactions, and governance.

The aspiration of Clarity and Transparency promotes the disclosure of relevant information, the avoidance of hidden or unfair practices, and the availability of information to stakeholders. It ensures that individuals and institutions can assess the legality, and ethical nature of actions or decisions are in line with *maqasid al-Shariah*.

While both Clarity and Transparency play important roles, Clarity focuses on the clearness and precision in conveying the Shariah principles and *maqasid al-Shariah*; and Transparency emphasises openness, disclosures, and ethical matters. Being clear facilitates understanding, while being transparent promotes trust, and ethical conduct.

The term transparent may not be explicitly mentioned in the Quran although the principles and values that underpin transparency can be found in various verses of the Quran¹ and the *Sunnah*². Nevertheless, being transparent is rooted from the principles of honesty³, public interest⁴, ethical conduct⁵, consultation, and responsible management of resources.



Therefore, all members of society are encouraged to be transparent in their dealings, interactions, and governance to foster trust within society.

Being clear and transparent calls for concise information that is straightforward and understandable. It includes proper evidence and references to support the information provided. Being clear and transparent also ensures that important details, processes, and methodologies are accurately documented, making it easy for others to comprehend and utilise the information effectively. By adhering to transparency, organisations can establish robust documentation standards.

All transactions must always be clear and transparent. There must be a transparent trail of information that enables traceability. Stakeholders can scrutinise the documentation and disclosures, ensuring that organisations are adhering to ethical standards, legal requirements, and industry regulations⁶.

In conclusion, being clear and transparent hold significant roles to establish an equitable society that upholds the well-being and welfare of individuals and communities. It is aligned with the *maqasid al-Shariah* and ultimately promotes public interest and fosters a harmonious and ethical society.

The principles developed under Clarity and Transparency lay emphasis on the values of adhering to the validity and objective of contracts, and also promote enhanced disclosure and documentation, ensuring that all relevant information is provided and properly recorded. Upholding these principles will foster trust, fairness, and accountability, thus, creating an environment that prioritises clarity and transparency in contractual relationships.

PRINCIPLE 7

Adhering to the Validity and Objective of Contracts

Adhering to the validity and objective of contracts entails ensuring that contractual agreements are in accordance with Shariah requirements, clear, and serve their intended purpose to ensure the contract's substance is emphasised over its form. Following that, it is imperative for a transaction concluded between the contracting parties to be in line with the intention of the needs and goals of such parties. Further, this principle involves upholding the integrity of contracts, including their terms, conditions, and obligations, while promoting honesty in communication, disclosure, and documentation. In addition, it is intended that outcomes will promote confidence and foster harmony among all contracting parties.

Description

Contracts in the ICM must comply with Shariah principles, resulting in it being Shariah-compliant and free from any elements that are prohibited by Shariah. It is crucial to observe the true nature and implications of contracts. This means that the terms and features of a product must adhere to the true nature of the Shariah principle applied e.g. *musharakah* (profit and loss sharing contract) principle, and fulfil the needs and goals of the contracting parties, emphasising the substance rather than form. Plus, all parties involved should have a clear understanding of the rights, responsibilities, and risks associated with the contract. This requires transparency in disclosing information, providing accurate representations, and avoiding hidden information or ambiguous terms.

For instance, sukuk structures must comply with Shariah principles, adhering to the requirements of underlying asset, utilisation of sukuk proceeds and other relevant requirements. The terms and conditions of sukuk should be clearly defined and disclosed to investors, ensuring transparency, and understanding of the investment opportunity as well as the inherent risk. In addition, all parties involved, including the issuers, investors, and intermediaries, would seek to ensure clarity throughout the sukuk issuance process by providing thorough disclosure documents and promoting open communication.

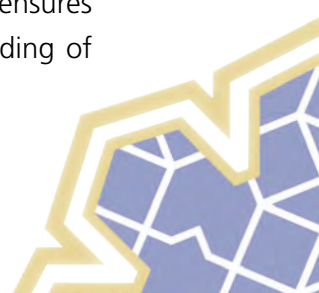
The focus on adhering to validity and objective of contract can also be extended to the entire ICM ecosystem. The parties related can strive through adherence to Shariah requirements and principles including transactions with users and others i.e. supply chain in their day-to-day activities. This increases confidence, trust, and the proper operation of the ICM.

The adherence to Shariah-compliant contracts and observation of their true nature and implications will foster a secure and healthy market environment, where industry players can confidently engage in transactions while ensuring compliance with Islamic principles and maintaining transparency in all dealings.

PRINCIPLE 8

Enhancing Disclosure and Documentation

Enhancing disclosure and documentation involves improving the level of information provided and the quality of documentation associated with financial transactions. It emphasises the need for comprehensive and accurate disclosure of relevant details, risks, terms, and conditions related to investments and financial products. This ensures transparency, enables informed decision-making, and promotes a clear understanding of the rights and obligations of all parties involved.



Description

This principle emphasises the importance of transparency in disclosing relevant information to investors and stakeholders. Industry players should adhere to robust disclosure requirements, ensuring the publication of any report will provide detailed and transparent information enabling investors to make informed decisions.

The ICM sector may issue additional reports to provide timely and relevant information on specific topics, such as significant developments, risk factors, changes in business operations or even Shariah justifications. These reports serve to enhance transparency and ensure that stakeholders are well-informed about any material updates or events.

The ICM sector facilitates transparency by implementing enhanced disclosure and documentation practices. This fosters investor confidence, promotes market efficiency, and aligns with the aspiration of Clarity and Transparency. It enables investors and stakeholders to assess the financial performance of the industry players, contributing to the overall stability and instilling trust in the ICM.



Aspiration 4: FLEXIBILITY AND INNOVATION

Flexibility in life allows human to navigate life more effectively. It promotes personal growth, resilience, and the ability to embrace change. By cultivating flexibility, human can lead more fulfilling and balanced lives. In this aspect, Allah s.w.t. has granted the gift of intellect to human beings. Through this intellect, human are able to rationalise and make choices¹. Human have freedom to use their intellect² to weigh their actions, consider the consequences, and arrive to decisions based on reason and wisdom in various aspects of life³.

Essentially, human have natural *fitrah* (inclination) that includes various aspects of human nature, including social interactions, economic pursuits, and seeking sustenance. It is acknowledged that human beings have the natural inclination towards engaging in economic activities and doing things which they believe can serve their needs^{4,5}. By having flexibility in life, human have freedom in engaging in any transactions and economic activities since the general principle states that the origin of things by default is permissibility unless there is clear evidence that prohibits them⁶.

However, it is important to note that while engaging in economic activities and transactions is considered part of human nature, there are certain restrictions that must be abided by. Hence, human shall use their intellect as a means to discern right from wrong in order to prevent actions that may harm individuals or the society⁷.

In this modern and sophisticated financial world, flexibility is fundamental in developing and innovating new products and services. Hence, this flexibility is considered an advantage in view of opening the door for innovation to create new ideas or solutions that can serve the best interests of society. Thus, there is a need to encourage innovation and development in a flexible and tolerant manner⁸, aligned with the objectives of the contracts and honouring freedom of transactions and dealings to prevent unfair dealing, misrepresentation, and undue influence in executing any transaction⁹. In this context, Shariah emphasises on the concept of mutual consent in a transaction¹⁰ and doing good in this world¹¹.

The principles created under aspiration of Flexibility and Innovation emphasise on efforts to foster innovation and honour the freedom of transactions and dealings. By embracing these values, it encourages adaptability, creativity, and the exploration of new ideas while respecting individual freedom in conducting transactions. This approach promotes progress, growth, and prosperity while upholding the principles of *maqasid al-Shariah*.

PRINCIPLE 9

Fostering Innovation via Flexibility and Dynamism

This principle highlights the importance of adaptation and evolution in order to promote innovation within the framework of Shariah. It recognises the need for flexibility in the interpretation and application of Shariah principles to address multifaceted contemporary complications, challenges, and opportunities. By embracing a dynamic approach, this principle encourages the development of creative solutions that align with the Shariah while, at the same time, meeting the evolving needs of society.

Description

In the context of the ICM sector, this principle encourages industry players to embrace innovation, development and improvement in products and services that align with the Shariah. It also recognises the need for continuous advancement and adaptation in the financial industry to cater for the evolving needs of society, while adhering to the principles of Shariah.

Flexibility and dynamism in the ICM also allow for the development of innovative financial instruments that address specific needs or challenges. Furthermore, the principle of fostering innovation encourages the continuous improvement of existing products and services in the ICM. Industry players can enhance their risk management frameworks, introduce new technologies to streamline processes, and develop customer-centric services to meet the evolving expectations of their clients.

Therefore, this principle plays a crucial role in the development of products and services within the ICM sector. By encouraging innovation, development, and improvement, the market can effectively address *maqasid al-Shariah* while meeting the diverse financial needs of individuals, businesses, and society as a whole.

PRINCIPLE 10

Honouring Freedom of Transactions and Dealings

This principle stresses the importance of allowing individuals the freedom to engage in transactions and dealings within the boundaries of Shariah. Under the umbrella of Flexibility and Innovation, this principle recognises the need to foster an environment that encourages and facilitates lawful economic activities, while safeguarding the ethical and legal framework provided by Shariah. It promotes a dynamic approach that supports economic growth and development while ensuring compliance with Shariah principles.

Description

This principle is closely tied to two key concepts of *hurriyyah al-ta'aqud* (freedom of transaction) and preventing undue influence. The concept of freedom of transaction ensures that parties have the freedom to enter into a transaction willingly and without coercion. It emphasises mutual consent in financial dealings. This principle allows individuals to exercise their autonomy and make informed decisions based on their own judgment.

In the context of the ICM, honouring freedom of transactions and dealings means that all financial transactions, products, and services must be structured in a way that upholds the concepts of freedom of contract and prevents undue influence. For example, in the issuance of sukuk, it is essential that the issuer provides clear and accurate information about the terms, conditions, and risks associated with sukuk. This enables investors to make informed decisions based on their own assessment, without any undue pressure or manipulation.

Preventing undue influence is another critical aspect of honouring freedom of transactions and dealings. It ensures that no party can exert coercive or manipulative tactics to influence the decision-making process of another party. In the ICM sector, this principle safeguards the integrity of financial transactions, products, and services. It ensures that all parties involved have access to complete and accurate information, allowing them to make choices based on their own judgment.



Aspiration 5: FIDUCIARY AND ACCOUNTABILITY

Fiduciary and Accountability are essential principles rooted in the Quran and the *Sunnah*. Shariah places great emphasis on ethical conduct, responsibility, and accountable stewardship of wealth.

Fiduciary refers to the duty or conduct of individuals or groups of people who are entrusted and delegated with power to look after, manage, or safeguard the interests of others. They are explicitly and implicitly accountable for their conducts, both within and beyond the confines of this world. This duty is grounded from the concept of *amanah* (trust) which entails rights that must be preserved and fulfilled¹ by a person who is entrusted to discharge it². This trust is general, encompassing both rights of Allah s.w.t. and rights of people that must be honoured by the trustees.

For instance, Shariah commands to give trust to its rightful owners³ and prohibits betrayal of trust⁴. Similarly, the Prophet s.a.w. orders a person to fulfill the trust entrusted to him and avoid betrayal⁵. Allah s.w.t. demonstrates that preserving the trust is among the attributes of believers⁶. This is even affirmed by the Prophet s.a.w. that an untrustworthy person has no faith⁷. In addition, Allah s.w.t. highlights that human accepts the trust as responsibility⁸. It is also reminded that those who take the trust are responsible to fulfil it⁹. In a similar vein, the Quran mentions the word *al-ameen* (trustee) more than ten times which shows that Shariah crucially regards trust as an important aspect¹⁰.

In terms of fiduciary duty in financial matters, the Quran emphasises the concept of fiduciary duty, for instance, in the context of obligations of guardians toward the properties of orphans¹¹. The details of obligation include keeping the properties of orphans separated from their own¹² and avoiding from taking advantage of the orphans or using their properties for self benefit¹³. Apart from this, Shariah also underlines an instance of fiduciary duty of the guardian toward *sufaha'* (persons who are weak of understanding) in managing their properties trustfully with the same standard that they would have to manage their own properties¹⁴.

Conversely, Accountability underscores the principle that individuals and groups are obligated to take responsibility for their actions, with the acknowledgement that they will eventually face consequences for those actions. It functions as a moral guide for ethical behaviour, introspection, and the quest for moral excellence.

In terms of accountability in financial matters, Shariah emphasises that human beings are responsible to Allah s.w.t. for their actions¹⁵. Moreover, these actions are subject to observation and scrutiny by Allah s.w.t., His Messenger and believers¹⁶. Full appreciation of this aspiration of Accountability will drive and encourage them towards discharging their fiduciary duty diligently¹⁷ and abstain from any kind of financial wrongdoing and corruption¹⁸. Without accountability, people tend to commit fraud, manipulations, and any related financial wrongdoing regardless of places and circumstances¹⁹.

Fiduciary and Accountability are closely intertwined. Trust as the underlying concept of fiduciary duty creates a relationship of responsibility, where fiduciaries have an obligation to act in the best interests of their beneficiaries and are responsible and answerable for their actions and decisions.

Therefore, fiduciaries have an obligation to manage the interests and resources of others ethically, to exercise diligence in decision-making with special quality of skill and diligence, with utmost good faith and be accountable for their actions and choices. The link between fiduciary duty and accountability ensures that those entrusted with the management of wealth carry the burden or mandate of trust responsibly, thus promoting confidence, high integrity, and veracity. In addition, it promotes appropriate stewardship of wealth, which could not be easily done by a layman without having a strong knowledge and a high standard of care. Having both Fiduciary and Accountability could commendably instill good governance in all activities, performances, and financial affairs.

The principles under Fiduciary and Accountability theme focus on values of upholding fiduciary duty with utmost good faith and promoting accountability in all performances and activities which require accountability. It highlights the importance of trust, honesty, and integrity in fulfilling responsibilities. Prioritising these values ensures responsible conduct and the proper stewardship of resources.

PRINCIPLE 11

Upholding Fiduciary Duty with Utmost Good Faith

This principle aims to highlight the obligation of a fiduciary to act in the best interests of its clients or beneficiaries. Fiduciaries, such as financial advisors or trustees, are legally and ethically bound to prioritise their clients' interests above their own and to act with honesty, loyalty, and care. This principle ensures that fiduciaries exercise their duties diligently, avoid conflicts of interest, and provide transparent and responsible stewardship of the assets or responsibilities entrusted to them.

Description

Several key factors that guide the behaviour and responsibilities of fiduciaries include duty of care, skill, and diligence; duty of good faith; duty of disclosure; avoidance of manipulation, corruption, and fraud. In the ICM industry, these factors are crucial for maintaining transparency, trust, and ethical conduct.

Duty of care, skill, and diligence require fiduciaries to exercise prudence and expertise in managing investments and financial transactions. This duty ensures that fiduciaries possess the necessary knowledge and competence to make informed decisions that align with the Shariah principles. For example, fund managers have a duty to carefully select Shariah-compliant investment opportunities, conduct thorough due diligence, and monitor the performance of investments to safeguard the interests of investors.

The duty of good faith obligates fiduciaries to act with integrity, honesty and faithfully in their clients' best interests. In the context of ICM, this duty includes ensuring that all investment decisions and transactions comply with Shariah principles and ethical standards.

To prevent manipulation, corruption, and fraud, fiduciaries in the ICM must adhere to stringent ethical and regulatory frameworks. This adherence may be achieved by implementing robust internal control systems, conducting regular audits, and enforcing strict compliance procedures to detect and prevent any fraudulent activities.

By adhering to this principle, fiduciaries will ensure the protection of investors' interests, maintain market integrity, and foster trust within the ICM ecosystem.

PRINCIPLE 12

Promoting Accountability in Performances and Activities

Promoting accountability in performances and activities pertains to the responsibility of one's actions and outcomes. Accountability requires the entrusted person to act in a manner that can be justified, evaluated, and assessed by relevant stakeholders. This principle also ensures that fiduciaries are held accountable for their decisions, actions, and the results they achieve. It promotes transparency, ethical conduct, and the establishment of mechanisms that enable oversight, monitoring, and evaluation of fiduciaries' performance, thereby fostering trust and integrity.

Description

This principle is closely linked to the concept of good governance, which encompasses the proper management, oversight, and accountability of an organisation, its products, and its supply chain. In the ICM sector, the application of good governance practices is essential for upholding ethical conduct, and responsible stewardship. Within an organisation, good governance ensures that a fiduciary operates with integrity, adheres to legal and regulatory requirements, and makes decisions in the best interests of stakeholders. This includes establishing clear lines of responsibility, implementing effective risk management frameworks, and conducting regular audits to ensure compliance. For example, industry players must have robust governance structures in place to ensure that their operations are in line with Shariah principles and ethical standards.

From products' aspect, good governance involves designing and offering financial instruments and services that hold the Shariah compliance status throughout its tenure. It also requires accountability to be continuously instilled and maintained.

Overall, by embracing good governance practices, the ICM sector promotes accountability in performance and activities. This encompasses governance within organisations and accountability in product offerings, and responsible sourcing practices within the supply chain. Through these efforts, the ICM industry aims to build trust among stakeholders and contribute to sustainable and responsible economic development.





Aspiration 6: ACCESSIBILITY AND INCLUSIVITY

Accessibility and Inclusivity are significant aspirations that are in line with Shariah to encourage compassion, societal well-being and the collective benefit for the communities. Both Accessibility and Inclusivity are intertwined goals that strive to ensure equal rights and opportunities for every individual.

Accessibility aims to enable all individuals in society to participate in economic and financial activities, irrespective of their socio-economic status. They also have equitable access to opportunities, resources, and services. This includes having access to business opportunities complemented by affordable financing options with funding support at reasonable cost. Therefore, all individuals have the ability to improve their financial situation and contribute to society.

Inclusivity emphasises full participation and integration of individuals in all aspects of societal and economic activities. Inclusivity also recognises that individuals and groups of people within society have varying needs and circumstances, and it strives to ensure that these differences are acknowledged and accommodated. Ultimately, the goal of inclusivity is to foster a harmonious society where all members of society have equitable opportunities to contribute and benefit.

There are numerous verses in the Quran and the *Sunnah* that stress the importance of accessibility and inclusivity. Shariah highlights the principle of fair and equitable distribution of wealth and resources and places strong emphasis on protecting the most vulnerable members of society. It reinforces the idea that wealth and resources should not be accumulated excessively by a small group of individuals at the expense of others, but should be made available and accessible to everyone, especially to those who are less fortunate¹. Shariah also emphasises that giving charity should be highly encouraged by all members of society. This encourages a more inclusive society where individuals and communities actively participate in supporting one another, fostering a sense of social responsibility, and contributing to the overall well-being and growth of society².

In addition, Shariah also emphasises the importance of altruism for the benefit of others³ which is a crucial aspect of an inclusive and accessible society. This includes efforts to ensure equitable opportunities and access to resources and services for society, regardless of their socio-economic status. The redistribution of wealth can provide as means for more individuals to participate in and benefit from economic activities.



Shariah also opposes wealth hoarding⁴. Hoarding wealth contributes to economic inequality, as it keeps resources out of circulation and make them inaccessible to the needy. There are also several *hadiths* that emphasise on charity and its social and economic impacts⁵.

Accessibility and Inclusivity play vital roles in contributing to the development and success of Islamic economy in widening participation of individuals and businesses from diverse socio-economic backgrounds which fosters a more inclusive financial ecosystem. Through accessible financial services and inclusive business opportunities, ICM can contribute to reducing wealth disparities. It can also contribute to empowering individuals and businesses in growing their wealth and achieving financial stability.

In the realm of business opportunities, Inclusivity ensures that all individuals, regardless of their socio-economic status, have equal possibilities to participate in high-impact projects. This idea also encourages the mass⁶ to participate in sophisticated projects by giving them the opportunity to offer their resources, expertise, and skills.

Principles developed under Accessibility and Inclusivity aspiration are values that aim at broadening the circulation of wealth and participation, maximising wealth distribution, with a focus on social finance and nurture businesses by fostering a supportive ecosystem. By prioritising these values, it aims to ensure a more equitable and inclusive society, where wealth is accessible to all and economic opportunities are extended to include marginalised sectors, aligning with the *maqasid al-Shariah*.

PRINCIPLE 13

Broadening the Circulation of Wealth and Participation

This principle emphasises the need for an inclusive and accessible financial system that distributes wealth fairly and involves everyone. It reduces financial obstacles and ensures that various groups have equal access to wealth creation. By expanding financial market participation to unserved and underserved groups, this approach promotes economic inclusion, inequality reduction, and social justice.

Description

This principle aims to achieve maximisation of participation in product offerings to all segments in the ICM. It underlines the importance of designing financial products and services that cater to the mass. In the ICM sector, maximising participation in product offerings to the mass are crucial to achieve broader economic inclusivity.

In the context of Islamic funds, products that meet the financial needs and preferences of the mass should be introduced, providing them with opportunities to participate in wealth creation and investment activities. For instance, Islamic funds with different risk profiles and investment strategies can be offered to cater to the diverse preferences and risk appetites of the mass. These funds may include equity-based funds, real estate investment funds, or diversified portfolios that provide access to a range of asset classes. By offering a variety of products, the mass has options that are aligned with their financial goals and risk tolerance.

Other products such as sukuk can also be structured to attract participation from the mass. By offering smaller denominations and simplified processes for investment, sukuk issuances can encourage a broader base of investors to participate, including individuals from the mass. This enables them to diversify their investment portfolios, generate returns in accordance with Shariah principles, and contribute to the circulation of wealth in the ICM ecosystem.

Broadening the circulation of wealth and participation in the ICM sector involves maximising participation in product offerings, particularly targeting the mass affluent segment. By providing accessibility and tailored financial products and services, industry players can ensure that a broader range of individuals have the opportunity to participate in wealth creation, investment activities, and benefit from this principle.

PRINCIPLE 14

Maximising Wealth Distribution with Focus on Social Finance

The principle emphasises the equitable distribution of wealth and resources to support projects and initiatives that have a positive impact on communities and address social challenges. This principle encourages the inclusion of underserved and marginalised populations in the financial system, ensuring that they have access to financial services and opportunities for economic participation. Social finance aims to channel financial resources towards initiatives that prioritise social and environmental objectives, promoting sustainable development and fostering a more inclusive society.

Description

This principle involves directing financial resources towards initiatives that address social challenges and promote equitable wealth distribution. In the ICM sector, this principle can be applied by supporting social finance initiatives that align with the principles of Islamic finance such as almsgiving, charity and Islamic endowment.

Industry players can play a vital role in promoting social finance. For example, the concept of Islamic endowment can be utilised for social finance purposes. This includes establishing Islamic funds with distribution of its return to help finance projects that benefit the community, such as education, healthcare, and poverty alleviation via social finance. These funds can generate sustainable social impact and contribute to the welfare of society.

Moreover, ICM products, such as sustainable sukuk, can be structured to allocate part of the distribution for socially responsible projects and social finance instruments. These instruments allow investors to support initiatives focused on social welfare, environmental sustainability, and community development, while also generating financial returns in compliance with Islamic principles. This promotes an inclusive and equitable society while aligning with the ethical and social objectives of Islamic finance, where economic growth and wealth creation are considered integral to overall societal well-being.

PRINCIPLE 15

Nurturing Businesses with Supportive Ecosystem

Micro, small and medium-sized enterprises (MSMEs) and new firms need a supportive environment through providing infrastructure, resources, and assistance to create a flourishing and inclusive business ecosystem. This idea recognises the role of MSMEs in economic growth, employment creation, among others. This method supports economic inclusion, inequality reduction, and sustainable and equitable development by encouraging MSMEs.



Description

This principle entails fostering an environment that encourages the active participation of small businesses in various projects within the ICM sector. This can be achieved by implementing initiatives that facilitate the involvement of small businesses and enable them to contribute to economic activities, investment projects, and value chains.

Within the ICM industry, growing small businesses can be accomplished through measures such as supply chain financing, capacity-building programmes, and strategic partnerships. These initiatives aim to provide small businesses with access to financial support, training, and networking opportunities, enabling them to participate in larger projects and supply chains. For instance, in the context of project financing, small businesses can be encouraged to participate as suppliers, subcontractors, or service providers. Establishing guidelines and criteria that prioritise the inclusion of small businesses in procurement processes helps create opportunities for them to benefit from project-related activities, expand their reach, and enhance their capabilities.

Alternative fundraising platforms such as equity crowdfunding can serve as an avenue to involve small businesses in funding initiatives. These platforms connect small business owners with potential investors interested in supporting their ventures. By facilitating access to a broader pool of funding, crowdfunding empowers small businesses to grow, innovate, and contribute to the diverse landscape of the ICM segment.

By actively promoting the engagement of small businesses in projects and initiatives, the ICM sector fosters an inclusive entrepreneurial ecosystem. This encourages economic empowerment, job creation, and innovation, leading to a more resilient and diverse economy that benefits both the small business community and the overall growth of the ICM.

Notes

Introduction

- ¹ *Islamic Finance Development Report 2022.*
- ² *Securities Commission Malaysia Annual Report 2022.*

Overview of Maqasid Al-Shariah

- ¹ Ibn `Ashur, *Maqasid al-Shariah al-Islamiyyah*, ch.2, pg. 121.
- ² *Ibid*, pg. 170
- ³ Ibn al-Qayyim, *I'lam al-Muwaqqi'in `an Rabb al-'Alamin*, ch. 1, pg. 193-194.
- ⁴ Al-Shatibi, *al-Muwafaqat*, ch. 5, pg. 230.
- ⁵ Al-Raysuni, *Nazariyyah al-Maqasid `ind al-Imam al-Shatibi*, pg. 233.
- ⁶ Al-Juwayni, *al-Burhan fi Usul al-Fiqh*, ch.2, pg. 83.
- ⁷ *Op.cit.*, pg. 234
- ⁸ *Ibid*.
- ⁹ *Surah al-Anbiya'*, verse 107: "We sent thee not, but As a mercy for all creatures."
- ¹⁰ Ibn `Ashur, *Maqasid al-Shariah al-Islamiyyah*, ch.2, pg. 170.
- ¹¹ *Ibid*, pg.170

Aspiration 1

- ¹ *Mu'jam Alfaz al-Quran al-Karim, Majma' al-Lughah al-'Arabiyyah, al-Idarah al-'Ammah li al-Mu'jamat wa Ihya al-Turath*
- ² *Surah al-Tin*, verse 4: "We have indeed created man In the best of molds."
- ³ *Surah al-Isra'*, verse 70: "We have honoured the sons Of Adam; provided them With transport on land and sea; Given them for sustenance things Good and pure; and conferred On them special favours, Above a great part Of Our Creation."
- ⁴ *Surah al-Ma'idah*, verse 32: "On that account: We ordained for the Children of Israel that if anyone slew a person unless it be for murder or for spreading mischief in the land it would be as if he slew the whole people: and if anyone saved a life it would be as if he saved the life of the whole people. Then although there came to them Our apostles with clear Signs yet even after that many of them continued to commit excesses in the land."
- ⁵ *Sahih al-Bukhari*: "A Muslim is the one who avoids harming Muslims with his tongue or his hands. And a Muhajir (an emigrant) is the one who gives up (abandons) all what Allah has forbidden."
- ⁶ *Surah al-Hujurat*, verse 13: "O mankind! We created You from a single (pair) Of a male and a female, And made you into Nations and tribes, that Ye may know each other (Not that ye may despise Each other). Verily The most honoured of you In the sight of God Is (he who is) the most Righteous of you. And God has full knowledge And is well acquainted (With all things)."
- ⁷ *Surah al-An'am*, verse 165: "It is He who hath made you (His) agents inheritors of the earth: He hath raised you in ranks some above others: that he may try you in the gifts He hath given you: for thy Lord is quick in punishment: yet He is indeed Oft-Forgiving Most Merciful."; *Surah al-Baqarah*, verse 30: "Behold thy Lord said to the angels: "I will create a vicegerent on earth." They said "Wilt thou place therein one who will make mischief therein and shed blood? Whilst we do celebrate Thy praises and glorify Thy holy (name)?" He said: "I know what ye know not."
- ⁸ *Surah al-A'raf*, verse 56: "Do no mischief on the earth, after it hath been set in order, but call on Him with fear and longing (in your hearts): for the Mercy of Allah is (always) near to those who do good."

- ⁹ *Surah al-A'raf*, verse 31: "O Children of Adam! Dress properly whenever you are at worship. Eat and drink, but do not waste. Surely He does not like the wasteful."; *Surah al-An'am*, verse 141: "It is He who produceth gardens with trellises and without and dates and tilth with produce of all kinds and olives and pomegranates similar (in kind) and different (in variety): eat of their fruit in their season but render the dues that are proper on the day that the harvest is gathered. But waste not by excess: for God loveth not the wasters."; *Sahih Muslim*: "The best of affairs is the middle course."; *Sahih Bukhari*: "Do good deeds properly, sincerely and moderately, and receive good news because one's good deeds will not make him enter Paradise."
- ¹⁰ *Sahih al-Bukhari*: "If a Muslim plants a tree or sows seeds, and then a bird, or a person or an animal eats from it, it is regarded as a charitable gift sadaqah for him."; *Sunan Ibn Majah*: "I heard the Prophet s.a.w. say: "A human being fills no worse vessel than his stomach. It is sufficient for a human being to eat a few mouthfuls to keep his spine straight. But if he must (fill it), then one third of food, one third for drink and one third for air."
- ¹¹ *Surah Yasin*, verse 33-35: "A Sign for them Is the earth that is dead: We do give it life, And produce grain therefrom, Of which ye do eat. And We produce therein Orchards with date-palms And vines, and We cause Springs to gush forth therein: hat they may enjoy The fruits of this (artistry): It was not their hands That made this: Will they not then give thanks?"; *Surah al-Mu'minun*, verse 18: "And We send down water From the sky according to (Due) measure, and We cause it To soak in the soil; And We certainly are able To drain it off (with ease)."; *Sahih Muslim*: "None amongst you should urinate in standing water, and then wash in it."; *Sunan Abi Daud*: "The Prophet s.a.w. said: If anyone cuts the lote-tree, Allah brings him headlong into Hell. Abu Daud was asked about the meaning of this tradition. He said: This is a brief tradition. It means that if anyone cuts uselessly, unjustly and without any right a lote-tree under the shade of which travellers and beasts take shelter, Allah will bring him into Hell headlong."; *Sunan Ibn Majah*: "The Messenger of Allah passed by Sa'd when he was performing ablution, and he said: "What is this extravagance?" He said: "Can there be any extravagance in ablution?" He said: "Yes, even if you are on the bank of a flowing river."

Aspiration 2

- ¹ Benevolence in this Guidance refers to the concept of *ihsan*.
- ² *Sahih al-Bukhari*: "... He then enquired: Tell me about *ihsan*. The Prophet s.a.w. said: It is to worship Allah as if you are seeing Him; and although you do not see Him, He sees you...."
- ³ *Surah al-Nahl*, verse 90: "God commands justice, the doing Of good, and liberality to kith And kin, and He forbids All shameful deeds, and injustice And rebellion: He instructs you, That ye may receive admonition."
- ⁴ *Surah al-Nisa'*, verse 58: "Allah doth command you to render back your trusts to those to whom they are due; and when ye judge between man and man that ye judge with justice: verily how excellent is the teaching which He giveth you! for God is He who heareth and seeth all things."
- ⁵ *Sunan Ibn Majah*: "Seeking knowledge is an obligation upon every Muslim."
- ⁶ *Surah al-Nisa'*, verse 135: "O ye who believe! stand out firmly for justice as witnesses to God even as against yourselves or your parents or your kin and whether it be (against) rich or poor: for God can best protect both. Follow not the lusts (of your hearts) lest ye swerve and if ye distort (justice) or decline to do justice verily God is well-acquainted with all that ye do."
- ⁷ *Surah al-Isra'*, verse 26-27: "And render to the kindred Their due rights, as (also) To those in want, And to the wayfarer: But squander not (your wealth) In the manner of a spendthrift. Verily spendthrifts are brothers Of the Evil Ones; And the Evil One Is to his Lord (Himself) Ungrateful."
- ⁸ *Al-Tirmizi*: "Have *taqwa* (fear) of Allah s.w.t. wherever you may be..."

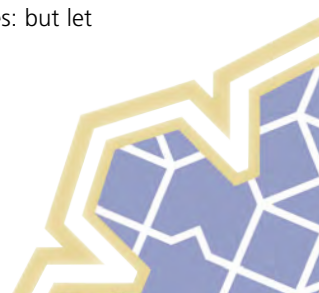
Aspiration 3

- ¹ *Surah al-Baqarah*, verse 282: "O ye who believe! when ye deal with each other in transactions involving future obligations in a fixed period of time reduce them to writing. Let a scribe write down faithfully as

- between the parties.”; *Surah al-Anfal*, verse 27: “O ye that believe! Betray not the trust Of God and the Apostle Nor misappropriate knowingly Things entrusted to you.”; *Surah al-Baqarah*, verse 42: “And cover not Truth with falsehood nor conceal the Truth when ye know (what it is).”; *Surah al-Baqarah*, verse 188: “And do not eat up your property among yourselves for vanities nor use it as bait for the judges with intent that ye may eat up wrongfully and knowingly a little of (other) people’s property.”
- ² *Sahih Muslim*: “Whoever bears arms against us is not one of us, and whoever cheats us is not one of us.”
 - ³ *Sahih al-Bukhari* and *Muslim*: “The Prophet s.a.w. considered falsifying and giving false testimony as the biggest sin, as he said: “.... and (among the major sins) false testimony and giving false testimony.”
 - ⁴ *Surah al-Ma’idah*, verse 8: “O ye who believe! stand out firmly for God as witnesses to fair dealing and let not the hatred of others to you make you swerve to wrong and depart from justice. Be just: that is next to Piety: and fear God for God is well-acquainted with all that ye do.”
 - ⁵ *Surah al-Anfal*, verse 29: “O ye who believe! If ye fear God, He will grant you a Criterion (To judge between right and wrong), Remove from you (all) evil (That may afflict) you, And forgive you: For God is the Lord Of grace unbounded.”
 - ⁶ *Surah al- Ma’idah*, verse 89: “God will not call you to account for what is futile in your oaths but He will call you to account for your deliberate oaths... But keep to your oaths. Thus, doth God make clear to you His Signs that ye may be grateful.”; *Surah al-Shu’ara*, verse 181-182: “Give just measure, And cause no loss (To others by fraud). “And weigh with scales True and upright.”

Aspiration 4

- ¹ *Surah al-Baqarah*, verse 269: “He granteth wisdom to whom He pleaseth; and he to whom wisdom is granted receiveth indeed a benefit overflowing; but none will grasp the message but men of understanding.”
- ² *Surah Al-Hashr*, verse 18: “O ye who believe! Fear God, And let every soul look To what (provision) he has Sent forth for the morrow. Yea, fear God: For God is well-acquainted With (all) they ye do.”
- ³ *Surah Al-A’raf*, verse 179: “Many are the Jinns and men We have made for Hell: They have hearts wherewith they understand not eyes wherewith they see not and ears wherewith they hear not. They are like cattle nay more misguided: for they are heedless (of warning).”
- ⁴ *Sunan al-Nasa’i*: The Prophet s.a.w. said, “O people, you have invented kinds of transactions, I do not know what they are, but make sure it is gold for gold, of the same weight, or silver for silver, of the same weight. There is nothing wrong with selling silver for gold, hand to hand, giving more silver than gold, but no credit is allowed. When you sell wheat for wheat and barley for barley, it should be measure for measure, but there is nothing wrong with selling barley for wheat, hand to hand, giving more barley than wheat, but no credit is allowed. And when you sell dates for dates, it should be measure for measure” And he mentioned salt, “measure for measure, and whoever gives more or asks for more has engaged in *Riba*.”
- ⁵ *Sahih Muslim*: The Prophet s.a.w. said, “You know better the affairs of your world.”
- ⁶ *Surah al-Baqarah*, verse 29: “It is He who hath created for you all things that are on earth.”; *Surah al-Jathiyah*, verse 13: “And He has subjected To you, as from Him, All that is in the heavens And on earth: behold, In that are Signs indeed For those who reflect.”; Refer also Islamic legal maxim: “The original ruling for everything is permissibility unless there is evidence of its prohibition.”
- ⁷ *Surah al-Qasas*, verse 77: “But seek, with the (wealth) Which God has bestowed on thee, The Home of the Hereafter, Nor forget thy portion in this World : but do thou good, As God has been good To thee, and seek not (Occasions for) mischief in the land : For God loves not those Who do mischief.”
Surah al-Baqarah, verse 195: “And spend of your substance in the cause of God and make not your own hands contribute to your destruction but do good; for God loveth those who do good.”
- ⁸ *Sahih al-Bukhari*: Jabir ibn Abdullah reported that the Prophet s.a.w. said: “May Allah have mercy on a man who is tolerant when selling, buying, and seeking repayment.”
- ⁹ *Surah al-Ma’idah*, verse 2: “Help ye one another in righteousness and piety but help ye not one another in sin and rancor: fear God: for God is strict in punishment.”
- ¹⁰ *Surah al-Nisa’*, verse 29: “O ye who believe! eat not up your property among yourselves in vanities: but let



there be amongst you traffic and trade by mutual good-will: nor kill (or destroy) yourselves: for verily God hath been to you Most Merciful."

- ¹¹ *Surah Al-Hajj*, verse 77: "O ye who believe! Bow down, prostrate yourselves, And adore your Lord; And do good; That ye may prosper."; *Surah Ali 'Imran*, verse 104: "Let there arise out of you a band of people inviting to all that is good enjoining what is right and forbidding what is wrong; they are the ones to attain felicity."

Aspiration 5

- ¹ *Mu'jam Alfaz al-Quran al-Karim, Majma' al-Lughah al-'Arabiyyah*, page 86.
- ² *Surah al-Baqarah*, verse 283: "And if one of you deposits a thing on trust with another let the trustee (faithfully) discharge his trust and let him fear his Lord."
- ³ *Surah al-Nisa'*, verse 58: "Allah doth command you to render back your trusts to those to whom they are due."
- ⁴ *Surah al-Anfal*, verse 27: "O ye that believe! Betray not the trust Of God and the Apostle Nor misappropriate knowingly Things entrusted to you."
- ⁵ Narrated by Abu Hurairah, *Book 7, Hadith No. 134*: "Place trust in him who trusts you, but do not cheat him who cheats you."
- ⁶ *Surah al-Mu'minun*, verse 8: "Those who faithfully observe Their trusts and their covenants."; *Surah al-Ma'arij*, verse 32: "And those who respect Their trusts and covenants."
- ⁷ Narrated by Anas Ibn Malik, *Mishkat al-Masabih*, Hadith no. 31: "He who is untrustworthy has no faith and he who does not keep his covenant has no religion."
- ⁸ *Surah al-Ahzab*, verse 72: "We did indeed offer The Trust to the Heavens And the Earth And the Mountains; But they refused To undertake it, Being afraid thereof: But man undertook it; He was indeed unjust And foolish."
- ⁹ *Hadith* narrated by Samrah ibn Jundub, *Hadith no. 133*: "The hand (which takes) is responsible for what it has taken until it returns it."
- ¹⁰ *Mu'jam Alfaz al-Quran al-Karim, Majma' al-Lughah al-'Arabiyyah*, page 89.
- ¹¹ *Surah al-Baqarah*, verse 177: "It is not righteousness that ye turn your faces toward East or West; but it is righteousness to believe in God and the Last Day and the Angels and the Book and the Messengers; to spend of your substance out of love for Him for your kin for orphans for the needy for the wayfarer for those who ask and for the ransom of slaves; to be steadfast in prayer and practice regular charity; to fulfil the contracts which ye have made; and to be firm and patient in pain (or suffering) and adversity and throughout all periods of panic. Such are the people of truth the God-fearing."
- ¹² *Surah al-Nisa'*, verse 2: "To orphans restore their property (when they reach their age) nor substitute (your) worthless things for (their) good ones; and devour not their substance (by mixing it up) with your own. For this is indeed a great sin."
- ¹³ *Surah al-Nisa'*, verse 10: "Those who unjustly eat up the property of orphans eat up a fire into their own bodies: they will soon be enduring a blazing fire!"
- ¹⁴ *Surah al-Nisa'*, verse 5: "To those weak of understanding make not over your property which God hath made a means of support for you but feed and clothe them therewith and speak to them words of kindness and justice."
- ¹⁵ *Surah al-Muddaththir*, verse 38: "Every soul will be (held) In pledge for its deeds."
Surah al-Isra', verse 34: "...and fulfil (Every) engagement, For (every) engagement Will be enquired into (On the Day of Reckoning)."
- ¹⁶ *Surah al-Taubah*, verse 105: "And say: "Work (righteousness): Soon will God observe your work, And His Apostle, and the Believers: Soon will ye be brought back To the Knower of what is Hidden and what is open: Then will He show you The truth of all that ye did."
- ¹⁷ *Surah al-Nisa'*, verse 6: "Make trial of orphans until they reach the age of marriage; if then ye find sound judgment in them release their property to them; but consume it not wastefully nor in haste against their growing up. If the guardian is well-off let him claim no remuneration but if he is poor let him have for himself

what is just and reasonable. When ye release their property to them take witnesses in their presence: but all-sufficient is God in taking account."

¹⁸ *Surah al-Baqarah*, verse 188: "And do not eat up your property among yourselves for vanities nor use it as bait for the judges with intent that ye may eat up wrongfully and knowingly a little of (other) people's property."

¹⁹ *Surah al-Rum*, verse 41: "Mischief has appeared On land and sea because Of (the meed) that the hands Of men have earned, That (God) may give them A taste of some of their Deeds: in order that they May turn back (from Evil)."

Aspiration 6

¹ *Surah al-Hashr*, verse 7: "What God has bestowed On His Apostle (and taken Away) from the people Of the townships,—belongs To God,—to His Apostle And to kindred and orphans, The needy and the wayfarer ; In order that it may not (Merely) make a circuit Between the wealth among you."

² *Sahih al-Bukhari*: "The Prophet s.a.w. appointed Mu'adh (May Allah be pleased with him) as governor of Yemen, he said: ... Allah has made the payment of *Zakat* obligatory upon them. It should be collected from their rich and distributed among their poor."

Surah al-Taubah, verse 103: "Of their goods take alms, That so thou mightest Purify and sanctify them; And pray on their behalf. Verily thy prayers are a source Of security for them: And God is One Who heareth and knoweth."

³ *Surah Ali 'Imran*, verse 92: "By no means shall ye attain righteousness unless ye give (freely) of that which ye love; and whatever ye give of a truth God knoweth it well."

⁴ *Surah al-Taubah*, verse 34: "And there are those Who bury gold and silver And spend it not in the Way Of God: announce unto them A most grievous penalty."; and *Hadith* narrated by Ma'mar, he reported Allah's Messenger (may peace be upon him) said: "He who hoard goods, then he sinned."

⁵ *Sahih al-Bukhari*: "Prophet s.a.w. said, "When a Muslim plant trees or cultivate land, and birds or a man or a beast eat out of them but that is a charity on his behalf."; The Prophet s.a.w. said, "The upper hand is better than the lower one (i.e., the spending hand is better than the receiving hand); and begin (charity) with those who are under your care; and the best charity is that which given out of surplus; and he who asks (Allah) to help him abstain from the unlawful and the forbidden, Allah will fulfill his wish; and he who seeks self-sufficiency will be made self-sufficient by Allah".

⁶ The term 'mass' here refers to general public.



Acronyms and Abbreviations

ICM	Islamic capital market
MSME	micro, small and medium-sized enterprises
Prophet s.a.w.	Prophet Muhammad s.a.w.
SAC	Shariah Advisory Council
SC	Securities Commission Malaysia
SRI	sustainable and responsible investment

Glossary of Arabic Terminologies

Al-'Adl	Equality between people or between individuals of <i>ummah</i> in determining or specifying things to its beneficiaries and in enabling everyone to obtain their right, without delay.
Al-Ameen	Trustee or a person who is entrusted with <i>Amanah</i> .
Al-Insaniyyah	Humanity.
Amanah	Trust, honesty and loyalty.
Dar' al-Mafasid	Preventing harm.
Dharuriyyat	These are matters of which human life needs and depends on. If the matter is absent, then a person will have a hard time in this life and the hereafter.
Maqasid al-Shariah	Objective of Shariah.
Masalih al-'Ibad	Human welfare.
Maslahah	Interest of mankind.
Musharakah	Profit and loss sharing contract.
Jalb al-Masalih	Serving benefits.
Fitrah	The primordial nature of human.
Hajiyyat	Matters needed by human to ease or remove hardship in their lives. The absence of <i>hajiyyat</i> matters does not lead to disastrous lives for human as for <i>dharuriyyat</i> matters, but it will lead to some sort of hardship in their lives.



Hurriyyah al-Ta`aqud	Freedom of transaction.
Ihtikar	The act of hoarding or hiding specific items.
Khalifah	Vicegerent.
Kulliiyyat Khams	Five necessities which are protection of religion, life, lineage, intellect, and wealth.
Riba	Usury.
Sadaqah	<i>Sadaqah</i> is a donation of something to the people in need for the purpose of seeking closeness to Allah.
Sufaha'	The person who is weak of understanding, squanders his wealth in an unreasonable and irresponsible manner.
Tahsiniyyat	Matters which completes or beautify the lives of people. The absence of <i>tahsiniyyat</i> matters does not lead to hardships like in the absence of <i>dharuriyyat</i> or <i>hajiyyat</i> , however, its presence will lead to a wholesome life.
Taqwa	Worship with obedience towards Allah s.w.t.
Waqf	A form of endowment by an owner of a property for public benefit and well-being which is allowed by Shariah.
Zakat	Giving away a certain type of property at a certain rate in accordance with certain conditions to be distributed to certain groups of people.

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