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SHARIA SUPERVISION IN LIGHT OF RATIONAL GOVERNANCE STANDARDS IN ISLAMIC BANKS

Suzan Mohammed Jawad Al-Khazraji

Al-Mansour University College- Bagdad-Iraq

suzan.jawad@muc.edu.iq

Prof. Dr. Abdulsatar Shaker Salman

Al-Mansour University College- Bagdad-Iraq

Abstract

This study aims to highlight the role of Shariah Supervisory Authorities, functions and mechanisms of formation, effectively played by the principles and mechanisms of governance in increasing the efficiency of its performance, and to highlight the role and importance of legitimate governance oversight bodies in the achievement of disclosure and transparency to its business.

The study found the need to provide a guiding board of directors and Shariah Supervisory Authority on how to perform their duties on the issues legitimacy guide, as well as the completion of the legal framework and raising the efficiency of the legitimate bodies, and the supervisory and control devices for Islamic Financial Institutions 'And work on the interest of planning, monitoring and evaluating performance of the Sharia Supervisory Authority, as well as disclosure and transparency about the activities of these illegal bodies to reassure dealers, through the formulation of a framework for legitimate governance oversight bodies and circulated to Islamic financial institutions.

The study clarified the important role played by the Shari's Supervisory Board, and the study presented a number of examples of the importance of the Shari's Supervisory Board in enhancing trust between Islamic banks and the public dealing with them, such as Islamic banks in Bangladesh.

Key words: Sharia control - good governance - Sharia research branch.

1. Introduction:

Governance is one of the most important international principles of the rules governing the management of companies currently, because of its rational principles aimed at regulating relations between the active parties in organizations, and governance depends on the legal and regulatory environment in addition to other factors such as business ethics and social responsibility, and the application of governance principles in Islamic financial institutions is more important due to the fact that these institutions contain a set of elements and interrelationships that do not exist in other financial organizations, and this is through complex financial operations that differ in form It is guaranteed about traditional financial operations, in addition to the presence of two boards, the

Board of Directors and the Sharia Board (Sharia Supervisory Board) that sometimes overlap between its objectives and functions.

The Accounting and Auditing Board for Islamic Financial Institutions (AABIFI) has been the first to issue many Sharia standards that serve the field of presentation and disclosure and urge the management of Islamic financial institutions to transparency and fairness in dealing, which is called for by international institutions interested in corporate governance, and the Islamic Financial Services Board adopted the governance principles issued by both the Organization for Economic Cooperation and Development and the Basel Committee document (Basel1). On Strengthening Governance in Islamic Financial Institutions

It has built on them a set of guiding principles that must be adhered to by the management of these institutions towards stakeholders, as it issued a standard for the governance of institutions that provide Islamic financial services, and these standard obligated Islamic financial institutions to apply them.

Within the framework of the governance of Islamic financial institutions, a Sharia committee must be established as part of its internal management in order to ensure its compliance with Islamic Sharia, and in this context, the Sharia Supervisory Board, which consists of Sharia specialists whose role is to implement Sharia governance, as their presence and decisions are very important in order to embody the legitimacy of financial operations and their products, and they can also be considered as advocates for stakeholders in relation to compliance with Sharia governance.

There is no doubt that Islamic banks are an integral part of the global banking system, banks, whether conventional or Islamic, play an important role in economic life, they are the foundations of the modern economic system, and Islamic banks are members of the local and international banking family, and this is not prevented by the different nature of Islamic banks and their distinctive features that are unique to them from other banks, and these features came in response to the desire of those dealing with them from the population of the Islamic world, who believe in the prohibition of usury, and this does not mean It is the only feature of Islamic banks, the sophisticated thought and performance of its operations and always devise new methods and tools in financing comes within the framework of the development of banking, which made it with a great ability to collect savings from all categories, and the direct investment (long or medium term) pursued by Islamic banks plays an important role in economic activity and the development process, which made it of great importance in the process of development of developing countries.

1.2 Research problem:

Sharia supervision is one of the most important devices that affect the regulatory entity of Islamic financial institutions, and it is a necessity to ensure the Sharia compliance of their transactions, and thus help these institutions to perform their role in the development of societies, and it is noted that the literature, research and studies related to governance mechanisms from an Islamic perspective or the governance of Islamic institutions such as banks are still rare and lack them Islamic library despite the efforts made by to issue guidelines on Sharia governance in Islamic

financial institutions, and these standards are considered. It is the basis of governance in international financial institutions, and can be considered as common concerns in the governance of Islamic institutions. Moreover, previous studies have focused on Sharia supervisory boards and their supervisory role in Islamic banks, insurance institutions and Islamic takaful, and models of Sharia boards in achieving compliance with Sharia provisions. However, many do not know the impact of the structure and characteristics of the Sharia supervisory boards on banking services and the performance of Islamic banks, the resources contributed by members and advisors of Sharia in Islamic institutions and other features of the Sharia supervisory boards that promote the growth of the Islamic banking sector and achieve outstanding performance in the financial market (4)

Considering that Islamic financial institutions have realized the need to establish a special entity whose function is to ensure Sharia compliance, and to carry out the duty of Sharia control of the practices of these institutions, but some of them have formed a Sharia supervisory board nominally in order to maintain it as an appearance that secures attracting its customers without paying attention to activating its real role in correcting errors, evaluating transactions, developing activities and improving performance for the better, and then the research problem can be crystallized through the following question: What are the Sharia supervision mechanisms in light of the standards of rational governance in Islamic banks?

1.3 Importance of Research:

The importance of the research is the importance of its subject, as Sharia supervision in the light of good governance has become one of the most important topics that must be placed on the research table, especially in Iraq, due to the development of banking on the one hand, and the increase in the pace of Islamic banking in Iraq, and therefore the Sharia supervision has become a pivotal role to control the performance of Islamic banks, and therefore the researcher tries to put a set of recommendations in the hands of financial policy makers to benefit from them in the development of Islamic banking.

1.4 Objectives of the study:

The study aims to clarify the role of Sharia supervisory boards and the tasks entrusted to them and the effective role played by the principles and mechanisms of governance in developing and increasing the efficiency of their performance, and to clarify the importance of the governance of Sharia supervisory boards in achieving disclosure and transparency on their work.

1.5 Research Methodology:

(2)Obed, S. & Naysary, B. (2014). Toward a comprehensive theoretical framework for Shariah governance in Islamic financial institutions, *Journal of Finan coal Ser vices Mar kiting*. v 19, pp 304 – 318.

(3)Ramli, Z., &Nordin, N., (2018). Sharia Supervision Board, Board Independence, Risk Committee and Risk-taking of Islamic Banks in Malaysia, *International Journal of Economics and Financial Issues*, 8 (4), 290-300.

4Saad Abdullah Ahmed Qasim Al-Aqraa, Following the Characteristics of the Sharia Supervisory Board on the Financial Performance of Yemeni Islamic Banks, *Journal of Economic, Administrative and Legal Sciences*, Volume (4), Issue (1), January 2020, pp. 1-30.

This research is based on the descriptive and analytical approach in order to develop and analyze the mechanisms of Sharia supervision, clarify the role they play in Islamic banks, and analyze the nature of the relationship between Sharia supervision and good governance with regard to Islamic banks.

2. Definition of Sharia Supervision and its Importance

The role of Sharia supervision in Islamic banks is growing whenever the multiplicity and diversity of banking operations, where there must be a legitimate opinion commensurate with the solution of the transaction and its dimensions within the vision of Islamic broad perceptions in the derivation of Sharia judgment and this task is not easy as it needs to be informed in jurisprudence and Sharia and this is one of the difficulties faced by Islamic banks, and perhaps this can be solved by contracting with those who qualified for the boys of contemporary scholars be the bridge of communication between them and the Sharia Supervisory Board that should Its members must be legally and professionally qualified (5)

The Sharia Supervisory Board makes observations on the progress of Islamic banking objectively and independently by preparing reports according to a specific time or when needed in case of necessity, and its careful reports are submitted to the Board of Directors of the Islamic Bank, where it includes observations and recommendations on the course of work for the purpose of making the necessary corrections and corrections for future operations.

On the other hand, "Sharia Supervision" is the examination of the extent of an Islamic bank's compliance with Islamic Sharia in all its activities, and includes contracts, agreements, policies and transactions, and the above means full access by the Sharia Supervisory Board to records and information from all sources, including reference to professional advisors with competence even the bank's employees concerned in the implementation of banking operations.

Through the proposed theorization, we can sense the concept of Sharia supervision through the following:

- 1- The Sharia Supervisory Board is responsible for forming and expressing an opinion on the extent of the Islamic Bank's commitment to the Shariah aspects of its transactions.
- 2- The Sharia Supervisory should work without obstacles and interference that hinders its work.

2.1 The importance of Sharia supervision in Islamic banks:

Sharia supervision is of great importance to Islamic banks for more than one reason, most notably:

It is no secret that Sharia supervision is a vital necessity for Islamic banks, as they are the body that monitors and monitors the functioning of Islamic banks and their compliance and application in their transactions with Sharia rulings⁶.

Lack of awareness of the rules of Islamic transactions by many employees in Islamic banks

⁵Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), Regulation Standard No. 2, Manama, Bahrain 2004, p. 16.

⁶Hassan Safi, Sharia Supervision in Islamic Banks, Master's Thesis, Al-Quds University, 2008, p. 55

At this time, commercial images have become complicated, and new types of commercial transactions have spread, such as credit cards, accounts of all kinds, and electronic commerce for which there are no provisions in the old jurisprudential sources.⁷

Banking operations in investment and finance in particular need an opinion from the Fatwa Board, given that these operations are characterized by change and non-repetition with each case, operation or project financed by the bank, and therefore workers in the investment activity must be in constant contact with the Sharia supervision, because they always need fatwas in calamities and incidents that face them during their work.

The existence of Shari's supervision in the bank gives the bank legitimacy and the existence of supervision gives satisfaction to the public dealing with the bank.⁸

The emergence of non-serious financial and investment entities whose articles of association and establishment laws stipulate that they operate in accordance with the provisions of Sharia, without any oversight to ensure verification.

In general, the existence of Sharia supervision in any Islamic financial institution, bank or otherwise, gives it confidence, strength and legitimacy, bearing in mind that all Islamic banks and financial institutions, in their internal system and basic laws, require that all banking transactions in them be subject to Sharia provisions, and this gives them legal status in addition to legitimacy.⁹

As for the broad public of the nation, longs to apply the provisions of Islamic law in his life, because he firmly believes that this is the way to salvation from injustice and darkness in which he lives, and considers that the reluctance to the legal provisions brought by Islam is the cause of his misery and affliction, and often hear the public and private echo the words of God Almighty (and whoever I introduce for my remembrance, he has a living in distress and we cram him on the Day of Resurrection blind, the Lord said, why did you cram me blind and I was insightful, he also said I came to you Our verses have been forgotten, and today they are forgotten).¹⁰

Ibn Kathir said when explaining that: " Any violator of my order and what I revealed to my Messenger, I show him and forget him and take from others his guidance (for he has a living in distress and we cram him on the Day of Resurrection blind) () I l any Dhaka in the world, there is no tranquility or openness to his chest, but his chest is narrow and critical to his delusion and if he softens his appearance, and wears what he wants, and eats what he wants, and lives where he wants, his heart did not conclude to certainty and guidance is in anxiety and confusion and doubt, he is still in doubt hesitates, this is from your distress Living." This public is in dire need of someone who preserves the provisions of Sharia and religion, and when the Islamic bank remains

⁷Muhammad Amin Ali Al-Qattan, Effective Sharia Supervision in Islamic Banks, research presented to the Third World Conference on Islamic Economics, um Al-Qura University, 1425 AH, p. 122.

⁸Ali 8Mohieddin Ali Al-Ardagh, The Mechanism of Compliance with Sharia Standards and its Necessity, a paper submitted to the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), Annual Conference of Shariah Boards of Islamic Financial Institutions, 27-28 May 2008, p. 67.

⁹Hamza Abdul Karim, Sharia Supervision in Islamic Banks, Dar Al-Nafisi for Publishing and Distribution, Jordan, 2006, p. 37.

Surah10 Taha: verses 124-126.

Surah11 Taha: Verse 124.

in the shadow of Sharia supervision, it gives itself the confidence that the public needs. Moreover, when this public finds an institution that claims to abide by the provisions of Sharia, and is assured of the existence of Sharia supervision in it, it rushes strongly to deal with the Islamic bank in order to escape from haram to halal [Sharia supervision in Islamic banks operating in the West Bank between theory and practice¹²].

The decisions of the Sharia Board with regard to the legal aspect acquire their binding from the mandatory provisions of Sharia for all Muslims, which are not disputed, where every Muslim must abide by, and implement what God Almighty imposed and obligated him, and end mandatorily with what God forbade him, and this is what is necessarily taught in religion. These decisions are also mandatory from the commitment of the Islamic Financial Corporation to the decisions of the Authority in its Memorandum of Association and Articles of Association, and God Almighty has commanded the fulfillment of contracts in more than one verse, where God Almighty said (O you who believe, fulfill the covenants) ().¹³

Compliance and obligation also come through the regulatory regulations in the country that require the Islamic financial institution to abide by the decisions of the Shariah Board to verify its credibility before the public and the law. Article 92 of the draft law submitted by the Central Bank of Kuwait, as well as the draft submitted by the Supreme Advisory Committee on Banks, Investment and Financial Companies Subject to the Shari's Regulations, stipulates that Shariah errors and violations in Islamic¹⁴ banks are outlined in Shariah banks.

There are those who believe that Sharia supervision is of great importance to Islamic banks for more than one reason, most notably:¹⁵

1. It is no secret that Sharia supervision is a vital necessity for Islamic banks, as they are the body that monitors and monitors the functioning of Islamic banks and their commitment and application in their transactions of Sharia rulings.
2. Lack of awareness of the rules of Islamic transactions by all employees of Islamic banks
3. At this time, commercial images have become complex, and new types of commercial transactions have spread, such as credit cards, accounts of all kinds, and e-commerce for which there are no provisions in the old jurisprudential sources. ¹⁶
4. Banking operations in investment and finance in particular need an opinion from the Fatwa Board, given that these operations are characterized by change and non-repetition with each case, operation or project financed by the bank, and therefore workers in the investment activity must be in constant contact with the Sharia supervision, because they always need fatwas in calamities and incidents that face them during their work.

¹²Mahmoud Ali Al-Sartain, Governance of Sharia Supervisory Boards in International Institutions, Symposium on Sharia Boards between Centralization and Dependency, Jordan, 21-22 March, 2015, p. 22.

(13) Surah Al-Amidah (The Table): Verse 1

¹⁴Imad Al-Ziyad at: The Independence of Sharia Supervisory Boards and the Mandatory Fatwa and Decisions in Islamic Financial Institutions - With Applied Legislative and Practical Models in the Hashemite Kingdom of Jordan, Journal of Humanities, An-Najah National University, No. 17, Year 2011, p. 66.

¹⁵Mohamed Abdel Ghaffar Al-Sharif, Sharia Supervision in Islamic Banks and Financial Companies, unpublished, 2002, p. 8.

¹⁶Abdul Hamid Mahmoud Al-Bali: Investment and Sharia Supervision in Islamic Banks and Financial Institutions, Dar Al-Tawfiq Model Printing, 1st Edition, 1991, p. 218.

5. The emergence of non-serious financial and investment entities whose articles of association and establishment laws stipulate that they operate in accordance with the provisions of Sharia, without any oversight to ensure verification.

There are those who believe that Sharia supervision is one of the most important regulatory bodies developed in the institutions of this industry, as it enters into more than one type of offerings in Islamic law, and it is the basis on which many dealers with these institutions rely to know the extent to which these institutions adhere to Sharia rulings, and it is also considered one of the basic differences between conventional banks and Islamic banks, and these bodies have played a tangible role in this regard, which makes it surprising to say that Islamic banks owe it to these bodies to a large extent.

It is worth mentioning that the Sharia Council plays a leading role that is not tangible to others, as it is the discoverer of countless new formulas of modern financial transactions that test the intelligence of the members of this Council, and banks owe a large part of the sources of their inception to the distinctive ideas of Sharia scholars (17).

On the other hand, the importance of these bodies appears through their role, which is carried out in application of the popular control due to every Muslim to object to what he sees in these Islamic institutions of the defect of Sharia, if any, and to investigate the feasibility of methods and achieve them because one of the results of the validity of the legitimate application of banking transactions and their administrative integrity and the demonstration of the virtues of Sharia and proof of its completeness and completeness, as well as they carry out their work in application of the duty to promote virtue and prevent vice and until the dissemination of legal knowledge represented by the jurisprudence of transactions.

The Sharia Supervisory Board represents the backbone in Islamic banks and there are successful experiences to rely on this body because of its great importance in Islamic banks in all countries of the Islamic world, for example, Islamic banks in Bangladesh rely on the Sharia Supervisory Board and its decisions are transparent and independent, and this body issues annual reports aimed at enhancing confidence between Islamic banks and the public that deals with them (18).

On the other hand, the Shari's Supervisory Board enables it to delegate some of its powers to another Sharia supervisory body in order to facilitate the procedures and implementation of financial transactions issued by the Sharia Supervisory Board Mechanisms for delegation of authority as follows: Thushari environment must be enabled to retain its right to delegate to the Internal Sharia Compliance Unit or internal Sharia audit officials (19) to the Islamic Financial

(17)Kausar Alam, eats, Shariah supervisory boards of Islamic banks in Bangladesh:

expected duties and performed roles and functions, Faculty of Educational Studies, University Putra Malaysia, Serdang, Malaysia, 27 December 2020, pp1-18.

(18)Kausar Alam. Independence and effectiveness of Shariah supervisory board of Islamic banks: evidence from an emerging economy, Faculty of Business Studies, University of Dhaka, Dhaka, Bangladesh, 15 January 202, pp1-19.

(19)Ungheni, p. (2018). Sharia supervisory board and social performance of Indonesian Islamic banks, Journal Acutance dan Auditing Indonesia, Vol. 22 No. 2. pp 137-147.

Services Corporation some of its tasks related to the approval and approval of product guidelines(20), marketing advertisements, and sales statements (21).

2.2 Sharia supervision in Islamic banks as a means to face risks

The Islamic economic system is an authentic system that stands on its own, and is not an amendment to any other system, as it stems from a heavenly law that composes a constitution for life, its past, present and future, and contemporary economy and even contemporary thought has rediscovered the features of the Islamic economic system, its advantages and positives, and its ability to move, and address economic crises and problems with high efficiency. The economic system in Islam simulates the requirements of the times and responds to them flexibly (22

The basic characteristic that governs the bank's activity is how to manage risks and not avoid them, and here comes the role of contemporary accounting and financial thought through the description, measurement and disclosure of these risks in a way that enables users of financial statements to judge the extent of the bank's ability to manage and control risks, and then enable these users to predict the quantitative and qualitative risks that the bank may be exposed to in the future and to make investment decisions and other decisions related to their transactions with the bank²³.

First: The concept of risks in Islamic banks:

Islamic banks help in a variety of operations that help support the development of society, and the most prominent of these operations is the investment of the money deposited with them and investment refers to the use of surplus funds for the purpose of obtaining profits over a period of time, and investment is undoubtedly one of the legitimate acts approved by the true Islamic religion, but desired, but this is restricted to be the basis of investment legitimate ().²⁴

Islamic banking has dominated a large proportion of financial transactions in many Islamic countries, and at the level of the Arab region, for example, we find that there are many conventional banks that were established in the Arab region during the last two decades of the twentieth century are Islamic banks (25).

The local and regional banking arena is witnessing a tremendous development in the progress of Islamic banking operations, whether in the form of the establishment of new Islamic banks, or the

(20)Norman, N. & Haron, R. & Hassan, R. (2018). Sharifah supervisory board characteristics effects on Islamic banks' performance: Evidence from Malaysia", *International Journal of Bank Marketing*, Vol. 36 Issue: 2, pp.290-304.

21Saeed, Mouti' Ali, *The Impact of Investment Determinants in Yemeni Islamic Banks on Bank Financing*, Islamic Applied Study for the Period (2000-2017), Unpublished PhD Thesis, Holy Quran University. Sudan, 2019

Hamoud 22Mohsen Hamoud Al-Ajmi, *The Jurisprudential Rooting of Contemporary Finance in Islamic Institutions and Banks in Kuwait*, PhD Thesis, Faculty of Dar Al-Uloom, Minia University, 2021, p. 1.

23Sami Afifi Hatem, *International Insurance*, Egyptian Lebanese House, first edition, 1986, p. 24.

(24)Muda, I., (2017). *The Effect of Supervisory Board Cross-Membership and Supervisory Board Members' Expertise to the Disclosure of Supervisory Board's Report: Empirical Evidence from Indonesia*, *European Research Studies Journal*, V. XX, 3A. PP702-716.

25Mustafa Al-Rakat, *The Contract of Invocation and its Importance in Contemporary Islamic Investments*, Islamic Research and Training, Islamic Development Bank, 2000, p. 144.

transformation of conventional banks into Islamic banks, or in the form of opening Islamic branches of conventional banks, in addition to existing Islamic banks, and on the international arena international financial institutions provide Islamic banking operations (26).

Despite this development in Islamic banking, Islamic banks still have many challenges and efforts to develop work systems, use modern technological methods, develop and innovate local and international financial instruments in order to meet the growing needs of customers and face banking competition in local and international markets, especially after the implementation of the decisions of the World Trade Organization and the application of the decisions of the Basel II Committee in 2007, and since the establishment of the Basel Committee, it has issued many issues, the most important of which is the capital adequacy criterion (27).

A- Operational Risks:

Cash liquidity is one of the most important challenges facing Islamic banks at the present time due to the inability of these banks to resort to the Central Bank as a lender of last resort when they need liquidity due to the interest rate imposed by the Central Bank, which generated the unwillingness of these banks to long-term investments and focus on short-term investments because the risk is low and then the return, i.e. the profit is almost guaranteed (28), and take advantage of the speed of recovery of funds that enter into such investments such as Murabaha and Ijarah, but this does not prevent the existence of several risks and challenges to cash liquidity may face the bank (29) which we will address in this study in addition to the challenges imposed by Basel 3 and the standards required for capital adequacy and identified models and tools for risk management such as cash flow forecasting models and also retaining a percentage of high-quality liquid assets to face any unexpected financial emergency, Not always the problem may be in the excess of liquidity and the inability to employ it, but the lack of liquidity may also have an impact on hindering the work of the bank when it maintains assets that are not easy to convert into liquidity at the time of demand, knowing that the bank cannot resort to the Central Bank as a last aid (lender). (30)

In addition to the liquidity risks that are the subject of this study, Islamic banks are exposed to a set of risks that we are exposed to here briefly, some of which are as follows:

Makhtar al-Airman

Qutb 26Mustafa Shaho, Savings: Their Rulings and Methods of Formation and Investment in Islamic Jurisprudence, Dar Al-Nafisi, Amman, 1st Edition, 2001.

27 Muhammad Othman Shteir, Contemporary Financial Transactions in Islamic Jurisprudence, Dar Al-Nafisi for Publishing and Distribution, Amman, Jordan, 1st Edition, 1996.

Asmaa 28Mohamed Ibrahim Abdel Razek, Achieving Transparency in the Financial Report in the Banking Sector, A Comparative Applied Study between Conventional and Islamic Banks, PhD Thesis, Faculty of Commerce, Alexandria University, 2021, p. 3.

29Ahmed Amin, Standards of Governance of Sharia Supervision, a paper presented to the fourteenth conference of the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) held in Manama, Bahrain. 2015, p. 66.

30Muhammad Al-Dalymount, Following the Surplus of Cash Liquidity of Jordanian Commercial Banks on their Financial Indicators - Master's Thesis, Al al-Bayt University - 2005, p. 76.

Credit risk means the customer's inability to fulfill his obligations to the bank, whether installments or rents executed under Murabaha or lease contracts ending with ownership, or on the basis of working capital financing operations such as Modaraba, Salam Contract and Istanbul Contract.

B- Joint Investment Risks:

It can be said that the risks of joint investment are the risks of financial loss that the bank is exposed to due to its participation in the financing of any productive or service projects, in this case it is a partner in the risks that this project may be exposed.

Profit Rate Risk or Rate of Return Risk

In general, all banks are exposed to rate of return risk when they are under market pressure to pay a return-on-investment accounts that is higher than the rate already achieved on the assets that have been financed, resulting in the bank forfeiting all or part of its share of the profit.

C. Currency Risk or Market Risk

The Bank is exposed to the risk of currency exchange rate fluctuations in that the value of foreign currency cash assets or the value of net investment denominated in foreign currency may decline due to changes in currency exchange rates, and this reflects negatively on the Bank's revenues and shareholders' equity.

Operational risk (31)(32)

Operational risks are human, professional or technical errors, whether intentional or unintentional, and the risks of financial loss or damage arising from inadequacy or failure of internal work methods related to the performance of employees and employees of the bank or failure to provide them with adequate training and development of their performance and provide as well as provide an effective control environment.

Second: Sharia supervision as a means to confront banking risks:

Sharia supervision is based on a specific mechanism based on proceeding in accordance with Sharia controls, and here it is necessary to develop practical procedures that translate the mechanism of this control, including the following:

1- Planning Sharia Supervisory Procedures:

This planning means drawing up the control plan in a way that looks at the depth of the operations practiced by the Islamic bank, and this depth is reflected in understanding the nature of the banking operation to be implemented in terms of size, type, implications and the parties dealing, and whether it is an external operation or an internal operation.

The objective understanding of the banking process puts it in the orbit of questioning in terms of the ornament of dealing or not in accordance with the Sharia controls and in the light of the various jurisprudential opinions that dealt with previous operations, if any, otherwise research and investigation to derive an opinion, whether by acceptance because there is no indication of the

31 Galal Ibrahim Al-Abed, Analysis and Evaluation of Securities, University House, Alexandria, first edition 2003, p. 65.

32 Mounir Ibrahim Hindi, Fundamentals of Investment in Securities, Knowledge Foundation, Alexandria, 1999, p. 122.

sanctity of dealing or its rejection because it violates an explicit or interpreted text in which the face of a violation of the provisions of Sharia glue through consulting those with competence believing the Almighty's saying: and consult them on the matter (33)

On the other hand, understanding banking operations and realizing their dimensions and consequences by the members of the Sharia Supervisory Board is a matter that entails several dimensions in terms of passing banking operations at the required speed, especially if we know that banking business needs speed of completion, and understanding these operations has a direct impact on the timing of Sharia supervision procedures and forming a clear idea on which to develop a supervisory plan based on information covering all the activities of the Islamic bank and its aspirations for effective future activities.

2- Implementation of Sharia Supervisory Procedures and Preparation and Review of Working Papers: (34)

that the implementation of control procedures requires deliberate steps based on accuracy, clarity and unambiguity,

In this regard, we can summarize the most important of these measures:

A- Measuring the extent to which employees in the Islamic bank know the provisions of Sharia, even in its broad outlines, especially those who are in contact with the dealing public, as this knowledge has several benefits, including the ease and speed of carrying out operations, especially if the competent employee passes similar processes by taking the Sharia opinion, otherwise the reluctance to implement for lack of knowledge may turn into obstruction of the process or slowdown in the achievement that is in line with the nature of banking work under the conditions of competition and information technology.

Ensure that all banking transactions executed or required to be carried out are in accordance with the opinions of the Sharia Supervisory Board and that they take place in the Halal Department.

c- The instructions and reports issued by the management of the Islamic Bank were in accordance with the provisions of the Islamic Sharia in its general framework and that they did not involve the Bank in a cycle of questionable operations.

D- There is coordination between the Sharia Supervisory Board and other regulatory authorities such as the Internal Audit Department and the external auditor on how to pass banking operations and ensure their correctness.

3- Documenting results and preparing reports:

The implementation of the procedures followed by the Sharia Supervisory Board must be documented in complete working papers so that they can be easily consulted, as this is considered as a working guide to report on the status of practical practices and diagnose obstacles and ways to avoid them being repeated, and usually such matters are included in the reports of the Sharia

Surah33 Al-Imran: Verse 159

34 Abdul Rahman Yousry, Islamic economics between research methodology and applicability. Islamic Development Bank. Islamic Research and Training Institute. From the series of lectures of the winning scholars of the Bank Award No. 15. 2000, p. 45.

Supervisory Board that are submitted to the highest administrative body in the bank, which is the Board of Directors, in addition to the reports submitted to the executive authorities in the Islamic bank.

In addition to the above, it is the task of Sharia supervision in this area to realize the degree of awareness of those dealing with the Islamic Bank and that they are aware of the operations carried out by the bank that affect their interests in order to prevent deceit and injustice that is not approved by the tolerant Sharia.

The Sharia supervision of this preventive role is important in the conduct of Islamic banking and that the parties dealing are aware of its matter in accordance with the jurisprudential rule "no harm and no harm" and the matter in this regard constitutes self-protection of the sources of financing in the Islamic bank.

Conclusion and recommendations:

In this study, we discussed the role of Sharia supervisory boards in achieving the Shariah credibility of Islamic financial institutions, as well as highlighting the role of governance principles in developing their performance, so we presented the importance of international rules of governance for the work of Sharia supervisory boards, then we dealt with the requirements of governance of Sharia supervisory boards, and showed us the importance of governance in facilitating the work of Sharia boards, obtaining information, exercising control over various aspects of the performance of Islamic financial institutions, increasing confidence in them, and achieving communication with various parties, and in conclusion The researcher recommends a number of recommendations to be acted upon, which are as follows:

1. Work to form a committee of experts with the support of the Islamic Development Bank, the Islamic Financial Services Council and the Accounting and Auditing Organization to prepare a reference study and formulate a framework for the governance of Sharia supervisory boards and disseminate it to Islamic financial institutions.
2. The necessity of establishing a professional body of Sharia advisors to organize a continuous professional development program for Sharia advisors, improve the qualifications that must be obtained, supervise the Sharia advisors, improve the qualifications that must be obtained, and supervise their behavior.
3. Work on holding conferences to formulate a framework for the governance of Sharia supervisory boards in order to organize and homogeneity them to achieve the elements of clarity and consistency in the performance of their tasks.
4. The need to complete the legal framework and raise the efficiency of the Sharia boards and supervisory and supervisory bodies of Islamic financial institutions.
5. Ensure the effectiveness and efficiency of the internal Sharia control system of the Islamic Financial Corporation and work to develop it, and consolidate its independence and strengthen it to be able to perform its supervisory role effectively.
6. Islamic financial institutions should have a Shari's Supervisory Board consisting of Shariah-qualified persons who have the ability to compete with issues related to Islamic finance and provide valid Shari's opinions.

7. Dissemination of Sharia Supervision Works: We urgently need to enlighten Muslim public opinion on banking and economic issues from the Sharia point of view, in order to close the door to rumors about the legitimacy of banking business, and this can be done by publishing and issuing books and bulletins and making use of Internet pages to clarify fatwas and decisions of the Fatwa Board on banking.

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