



# The Nature of the Administrative Relationship between the Shariah Board and the Stakeholders in the Kingdom of Bahrain

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## Abstract

Corporate governance involves a set of relationships between a company's management, its board, its shareholders, and other stakeholders. With regards to Islamic corporate governance (ICG), the institution of the Shariah board comes into the picture and plays a crucial role in ensuring that all corporation activities are in line with the Shariah principles. In addition, shareholders also play a big role as active participants and conscious stakeholders in the process of decision-making and policy framework to promote the interest of the stakeholders. The other stakeholders including the community should also play their roles in stimulating the social well-being of the community. This paper attempts to define the administrative relationship between the Shariah board and other stakeholders by looking at their duties and roles in the Kingdom of Bahrain. For this purpose, it relies on doctrinal and Islamic worldview methodologies and uses both content and legal analysis methods. After the discussion, it is concluded that the administrative relationships between the Shariah board and other stakeholders may take the form of *wilāyah*, *imāmah*, or proactive and reactive *istishārah* (consultation), depending on the type of stakeholders.

*Keywords:* Shariah board, Stakeholders, Nature of relationship, Shariah governance, the Kingdom of Bahrain

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## 1. Introduction

The system of Islamic Corporate Governance (ICG) in Bahrain is aimed at protecting investors and other stakeholders including the regulators and the state. It also seeks to enhance the company's value (CBB Corporate Governance Code, 2010). It relies on multiple bodies and mechanisms for the enforcement of the ICG. The stakeholders including the shareholders, the Central Bank of Bahrain (CBB), and the government shall participate in achieving the goal above (CBB Corporate Governance Code, 2010). From an Islamic perspective, this embodies the principles of *ta'āwun* (cooperation) and *al-'aml al-jamā'ī* (teamwork).

As far as Islamic banks are concerned, Shariah Board (SB) is not isolated from the monitoring network. It is bound, together with the other stakeholders, to participate in strengthening the Shariah governance and defending the interest of the stakeholders (Shariah Governance Module, A.1.1 and A.1.2.). The Bahraini laws and regulations stipulate the duties, roles, and responsibilities of the SB towards other stakeholders and vice versa. The nature of the relationship between the SB and the stakeholders of the ICG, on the other hand, justifies these duties, roles, and responsibilities and lays their epistemological foundation.

These duties, roles, and responsibilities differ with the type of stakeholders involved in the relationship. This paper considers each relationship separately. It is divided into the following core themes (i) the relationship between the SB and the bank (ii) the relationship between the SB and the community consisting

of the customers, the Central Shariah Supervisory Board (CSSB), the central bank, the Auditing, and Accounting Organization for Islamic Financial Institutions (AAOIFI), the King and the National Assembly.

## 2. Literature Review

Literature shows that researchers of Islamic corporate governance agree that ICG takes into account the welfare of the whole Islamic society (Fatima et al., 2019). In the context of an Islamic bank, the Islamic society includes BOD, managers, shareholders, SB, customers, and regulators (Al-Nasser Mohammed & Muhammed, 2017; Jamaludin, 2021). According to (Iqbal and Mirakhor, 2004), the relationships between these stakeholders are based on concepts of the right of property and contract. The former principle requires the stakeholders to acquire property through lawful means and not to waste or squander it. It also gives them the right to jointly own it. Under the latter principle, the managers should fulfill their explicit and implicit obligations toward other stakeholders under partnership contract namely *mushārah* and *muḍarabah* (Besar, 2019).

The authors of the ICG dig further to examine the principles governing the relationship between the stakeholders of the ICG. Some of these principles govern the decision-making process like *shūrah* (consultation) and *hisbah* (effective Shariah supervision) (Alnofli, 2021). Others address the agency problem such as accountability, transparency, and adequate disclosure (Aziz and Ghadas, 2022). However, these principles concern only the relationship between the internal stakeholders, namely, the board of directors, managers, and shareholders without involving external key participants such as customers, regulators, courts, and the government.

The exception to this is a study conducted by (Hamza, 2013) which explored the administrative relationship between the SB and the central SB. He found out that this relationship exists in some countries, considerably in South Asia, but not in others, like Arab Gulf countries including Bahrain. In the former countries, the central SB has authority over the SBs through which it can validate or repeal their decisions but that is not the case for the latter countries because the Shariah governance model followed therein is decentralized.

Nevertheless, the literature does not cover the administrative relationship between SB and other stakeholders like the customers, the central bank, the judiciary, and the government from the perspective of ICG (Alnofli, 2021; Jamaludin, 2021). Consequently, it does not define the nature of the relationship between the SB and the stakeholders of the ICG. The importance of this is that it underlies the duties, roles, and responsibilities of the SB towards the stakeholders. The current study, therefore, attempts to fill this gap with specific attention to the administrative relationships involving the SB.

## 3. Method

This study uses doctrinal legal analysis for understanding the duties, roles, and responsibilities of the SB and the stakeholders towards each other as per the law of the Kingdom of Bahrain.<sup>1</sup> The legal rules are obtained from primary sources. These primary sources are legislation including the Central Bank and Financial Institutions Act 2006 and Shariah Governance Module, 2017, and resolutions of the Central Bank of Bahrain including Resolution no.15, Resolution no.18, 2020, Resolution no.39, 2021, Resolution No. (20) for the year 2015 in Respect of the Establishment of a Centralized Shariah Supervisory Board.<sup>2</sup>

Besides, this research study relies on the Islamic worldview methodology.<sup>3</sup> It refers to the *Quran* and authentic *Sunnah* as written in *Ṣaḥīḥ al-Bukhārī* and *Ṣaḥīḥ Muslim*, and the practice of the companions as well as the opinions of Al-Māwardī because he is a scholar of Islamic law of governance and political Islam. This is to examine the duties, roles, and responsibilities of the concerned stakeholders toward each other and define the nature of the relationship between them from an Islamic perspective.

<sup>1</sup> Doctrinal legal research, as conceived in the legal research domain, is research about what the prevailing state of legal doctrine, legal rule, or legal principle is. A legal scholar undertaking doctrinal legal research, therefore, takes one or more legal propositions, principles, rules, or doctrines as a starting point and focus of his study. He locates such a principle, rule or doctrine in statutory instrument (s), judicial opinions thereon, discussions thereof in legal treatises, commentaries, textbooks, encyclopedias, legal periodicals, and debate, if any, that took place at the formative stage of such a rule, doctrine or proposition. Thereafter, he reads them in a holistic manner and makes an analysis of the material as well as of the rules, doctrines and formulates his conclusions and writes up his study (Ahmad et al., 2020).

<sup>2</sup> Primary sources of law are rules of law that are binding upon the courts, government, and individuals such as constitutions, statutes, regulations, treaties, court orders, administrative regulations, policy material. See (Ahmad et al., 2020).

<sup>3</sup> Islamic worldview methodology includes Islamic epistemology, which unites *darūrī* knowledge (knowledge obtained by necessity) and rational knowledge (*‘aqlī*) evidence with *naẓarī* knowledge, and revealed knowledge (*naqlī*), the traditions of past and current relevant Islamic research (Alias and Hanapi, 2017).

## 4. Results and Discussion

### 4.1 The administrative relationship between the Shariah board and the bank

According to the Shariah governance system of the Bahraini Shariah system, all Islamic banks should establish an SB consisting of three scholars specialized in *fiqh al-mu'āmalāt* (Islamic law of transaction). The members of the SB shall be appointed by a resolution of the shareholders in their annual general assembly upon the recommendation of the BOD (Shariah Governance Module, section 2.1.1.)

The main function of the SSB is to supervise the Islamic bank's operations and activities to ensure compliance with the Islamic Shariah, and also monitor and review transactions to ensure full compliance with Shariah rules and principles and its pronouncements (Shariah Governance Module, section 2.3.2.). In pursuit of this, the SSB may issue *fatwas* on matters presented by the bank (Shariah Governance Module, section 2.3.1.). These *fatwas* should be disclosed to the shareholders (Shariah Governance Module, sections 6.1.2, 2.9.6.). On this matter, Allah (ﷻ) forbids the people to hide the truth [Islamic teachings] while you know (the truth) (Surah al-Baqarah, 2:42).<sup>4</sup> The same goes for the amendment and revocation of these *fatwas* in obedience to the *Qurānic* verse "Allah (ﷻ) said those who suppress the proofs and the guidance "Except those who repent, and reform, and proclaim. Those—I will accept their repentance. I am the Acceptor of Repentance, the Merciful" (Surah al-Baqarah, 2:160).

The SSB should also review the contracts, agreements, and other legal documentation, and the annual *zakāh* calculations. It also should review the reports and observations of the Shariah coordination and implementation function and internal Shariah audit function and provide advice on such reports and observations. These roles fall under ' *muḥāsabat al-naḥs*' (the duty of self-judgment).

The SSB should specify the means of disposal of earnings that have been released from sources or by means prohibited by Shariah rules and principles (Shariah Governance Module, sections 2.3.6, 2.3.10, 2.3.12., 2017). This action follows the *hadīth* reported by Abu Dharr and Mu'ādh Ibn Jabal (may Allah be pleased with him) that says "Fear Allah wherever you are, follow a bad deed with a good deed and it will erase it, and treat people with good morals" (*Jami' At-Tirmidhī, hadīth no.1987*). *Fatwas* and rulings issued by the SSB are binding on the bank. This indicates that the members of the SSB are in authority (Shariah Governance Module, section 2.3.1.). In this regard, Allah said "O you who believe! Obey God and obey the Messenger and those in authority among you" (Surah an-Nisa', 4:59).

In pursuant to the principle of *amānah* (trustworthiness), the SSB is not allowed to act for their own interest at the cost of the bank.<sup>5</sup> Thus, in case of a conflict between the member's personal interests and the interest of the bank, members of the SSB should disclose their interest to the SSB and abstain from participating in the *fatwa*/ruling-making process and discussions. This also applies to the interests of their family member (Shariah Governance Module, 2.5.6.).<sup>6</sup> The *Quran* alerts people of following their own desire while judging. In one verse Allah said "O you who believe! Stand firmly for justice, as witnesses to God, even if against yourselves, your parents, or your relatives. Whether one is rich or poor, God takes care of both. So do not follow your desires, lest you swerve. If you deviate or turn away—then God is Aware of what you do" (Surah an-Nisā', 4:135). In another verse, Allah said "O David, We made you a ruler in the land, so judge between the people with justice, and do not follow desire, lest it diverts you from God's path. Those who stray from God's path will have a painful punishment, for having ignored the Day of Account (Surah Sād, 38:26).

The SSB is also bound to keep the bank's information obtained in the course of its duties confidential as this information is considered *amānah* (trust) (Shariah Governance Module, 2.3.30).<sup>7</sup> Moreover, members holding a dissenting opinion on a *fatwa* given by the SSB are not allowed to criticize such a *fatwa* publicly (Shariah Governance Module, 2.3.33). This is to avoid " *fitnah*" (discord) and maintain the stability of the rulings. On this subject, the *Quran* warns the Muslims of the serious consequences of quarrels. In this sense, Allah said " Those in whose hearts is deviation, they follow the unspecific part, seeking (to create) discord"

<sup>4</sup> The word truth in the verse includes the teachings of Islam (Ibn Kathir, 1999, p.245).

<sup>5</sup> See the independence of the SSB and confidentiality obligation and the duty to disclose matters of Shariah non-compliance in sections 2.5, 2.3.30, and 2.3.26, respectively, of the Shariah Governance Module. *Amānah* includes all the rights of Allah and the people that are secretly trusted to the others (Ibn Kathir, 1999, p.339).

<sup>6</sup> According to article 10 of the Resolution No. (20) for the year 2015 in Respect of the Establishment of a Centralized Shariah Supervisory Board, the duty to disclose the conflicting interest also imposed on the members of the CSSB.

<sup>7</sup> The duty to observe confidentiality is also applied to the members of the CSSB according to article 12 (5) of the Resolution No. (20) for the year 2015 in Respect of the Establishment of a Centralized Shariah Supervisory Board. Failure to fulfil this duty will result in termination of membership.

(Surah al-Imrān, 3:7).

To promote the principle of *amānah*, the SSB is forced to report to the shareholders the state of Shariah compliance and declare any event of *Shariah* non-compliance that may have occurred (Shariah Governance Module, section, 2.3.26). This is required as Islam commanded the people to testify as per the verse “And do not conceal testimony. Whoever conceals it is a sinner at heart. God is aware of what you do”(Surah al-Baqarah, 2:283). Furthermore, at least one member of SSB should attend the annual general meeting to respond to any inquiries from the shareholders (Shariah Governance Module, section 2.3.9). This view finds support from Omer Ibn Al-Khattab (*R.A*) who had been sitting after every prayer to listen to the people during his rule (Ibn Saad, 2001).

Thus, the SSB is accountable to the shareholders who are authorized to dismiss any member of the SSB with the approval of the CBB (Shariah Governance Module, section 2.8.1.). However, the Bahraini Shariah governance system does not specify the liability of the members of the SSB if they violate their duties towards the bank. As a result, the SSB has advisory and supervisory authority over their relevant Islamic bank within the jurisdiction of Bahrain. However, this authority is restricted by the principle of *amānah*.

#### 4.2 The administrative relationship between the shariah board and the community

The SSB involves in different relationships according to the Shariah governance system of Bahrain. It associates with the customers, the centralized Shariah supervisory board (CSSB), the CBB, the AAOIFI, the judiciary, the King, and the National Assembly as follows.

#### 4.3 The administrative relationship between the Shariah board and the centralized Shariah supervisory board

The CSSB is entrusted with legislative power over the individual SSBs. It should approve or reject new banking products or services proposed by Islamic banks (Resolution no. (20) for the year 2015 in Respect of the Establishment of a Centralized Shariah Supervisory Board, article (3) (1)). It should also issue *fatwas/* rulings on Shariah matters referred by individual SSBs or the CBB (Resolution no. (20) for the year 2015 in Respect of the Establishment of a Centralized Shariah Supervisory Board, article 3 (6)). Decisions, *fatwas*, and rulings issued by the CSSB have superiority over any conflicting SSB *fatwa/ruling* (Shariah Governance Module, sections 2.10.1, 6.1.1, and 2.10.2). The importance of this practice lies in the fact that it manifests the concept of *shūra* which is required in the eyes of Shariah. It also ensures the consistency of the SSBs’ rulings which is in line with the view of *Malikī* and *Shafī madhabs* that says what is right in Shariah matters is only one (Al-Zuhaili, 1997).

Based on the discussion above, it seems that the CSSB has the privilege of making prevailed decisions, *fatwas*, and rulings on SSB regarding Shariah matters. However, this authority is with no teeth as the Shariah governance framework does not state a penalty on members of SSB who violates the decisions, *fatwas*, and rulings of the CSSB (Shariah Governance Module; Resolution no. (20) for the year 2015 in Respect of the Establishment of a Centralized Shariah Supervisory Board).

#### 4.4 The administrative relationship between the Shariah board and the customers

Like the duties of the SSB towards the bank, the SSB should ensure that the customer’s financial obligations and rights are compatible with Shariah (Shariah Governance Module, section 2.3.28.). It should also make its rulings and *fatwas*, together with their evidence, and any amendments thereof available to the customer through publication and communication channels such as the internet and annual report (Shariah Governance Module, 6.1.2). The Prophet Muḥammad (ﷺ) commands people to convey the teachings of *Qurān* and *Sunnah*. ‘Abdullah Ibn ‘Amr Ibn Al-‘āṣ (*R.A*) reported that the Prophet (ﷺ) said, “Convey from me even a verse of the *Quran*; relate traditions from Banu Israel, and there is no restriction on that, but he who deliberately forges a lie against me let him have his abode in the Hell”(Ṣaḥīḥ al-Bukhārī, ḥadīth no. 3461).

The SSB should also deal with them honestly, fairly, and truthfully as per the principle of *amānah* (Shariah Governance Module, section 2.4.6). Thus, members of SSB should not prevent a customer from transacting or gaining profit merely because he is in competition with a company or partnership of which he is a member. Furthermore, information on their *fatwa/* rulings should be true. They are also bound to keep customers’ information confidential (Shariah Governance Module, 2.3.30.). Members of SSB who breach the confidentiality duty in bad faith will be liable to imprisonment and a fine not exceeding 10,000 Bahraini Dinar

or either penalty (Central Bank of Bahrain and Financial Institutions Act 2006, article 171).<sup>8</sup> Thus, the authority of the CSSB, and SSB over the customers is similar to their authority over the bank.

#### 4.5 The administrative relationship between the Shariah board, the central bank of Bahrain, and the accounting and auditing organization for Islamic financial institutions

As for the relationship between the SB and the central bank, the latter takes the responsibility of regulating Shariah supervision. In pursuit of this, the CBB established the Shariah governance model. This model states the requirements for the appointment, dismissal, qualification, and meetings of the members of the SSB. It also defines the roles and responsibilities of the members of the SSB. Moreover, it disciplines the relationship between the SSB and other stakeholders. This model has the force of law and, consequently, it is legally binding on the SSB (Shariah Governance Module, section A.1.5; Central Bank and Financial Institutions Act 2006, article 38 (c)).

Additionally, the CBB is authorized to approve or reject the dismissal of the members of SSB but not their appointment (Shariah Governance Module, section 2.8.1). This agrees with the *Mālikītes* and most of the *Shafītes* who give the people the option to follow any jurist or jurists even if they are not the best (Al-Zuhaili, 1997). It is also empowered to appoint the members of the CSSB (Shariah Governance Module, section 2.8.1 and Resolution No. (20) for the year 2015 in Respect of the Establishment of a Centralized Shariah Supervisory Board, article 6).

Furthermore, it is empowered to obtain any confidential information from the members of the SSB and the CSSB (Central Bank of Bahrain and Financial Institutions Act, 2006, article 117 (4)). If the member (s) of the SSB refrain from providing the CBB with the requested confidential information in a bad faith, they would be punished by imprisonment and a fine not exceeding twenty thousand (20,000) Bahraini Dinars, or by either penalty (Central Bank of Bahrain and Financial Institutions Act, 2006, article 163 (1)).

The CSSB, in turn, may advise the CBB on Shariah internal and external audits and Shariah review and opine on the rules and regulations on Islamic banking services that are proposed by the CBB (Resolution No. (20) for the year 2015 in Respect of the Establishment of a Centralized Shariah Supervisory Board, article 3 (4) and (6)). The principle of *shūra* underlies this role.

With respect to the relationship between the SSB and the AAOIFI, the former is subject to the standards issued by the AAOIFI for Shariah compliance. These standards include the AAOIFI standards of Shariah banking contracts, payment cards, and *bay' ad-din* (sale of debt) (CBB Resolution no.18, 2020; CBB Resolution no.39, 2021; CBB Resolution no.15, 2021). Additionally, it should also abide by the AAOIFI standards for reporting Shariah compliance (Shariah Governance Module, section 2.3.26). However, the CSSB has not adopted the AAOIFI standards for Shariah governance yet. Accordingly, the proactive roles of the CSSB are not integrated into the national Shariah governance. These roles include the role of the CSSB to rectify non-Shariah matters that the market participants think are known or approved by the CSSB, the role of the CSSB to put right a major Shariah non-compliance not being taken care of by the CBB or the government, and the role of the CSSB to prevent many stakeholders from harm (AAOIFI, GSIFI no.8, sections 31 (a) and (c)). Thus, the CBB is a founder of the CSSB and both the CBB and the AAOIFI are regulators for the CSSB and the SSB whereas the CSSB and the SSB are merely consultants for the CBB and the government.

#### 4.6 The administrative relationship between the Shariah board and the judiciary

Since the Bahraini constitution states that no authority shall prevail over the decision of a judge, the SSB *fatwas/* rulings should not contradict it (Constitution of the Kingdom of Bahrain 2002, article 104 (b)). To ensure that *fatwas/* rulings of the SSB and decisions of the courts are congruous with each other, the legislature obliged the Bahraini courts, as is the case with the SSB, to apply the standards ordered by the CBB including the AAOIFI standards for transactions performed by Islamic banks (Central Bank of Bahrain and Financial Institutions Act 2006, amendment no. 14, 2020, article 3).<sup>9</sup>

Furthermore, as an exception to the confidentiality obligation mentioned above, the SSB should provide the court with any confidential information or document upon its request in the execution of the law (Bahraini Code of Civil Procedure 1996 articles 113 and 114; GSIFI no.8, section 43). Although the supreme power is conferred on the courts by the constitution, the courts may seek the advice of the CSSB on Shariah matters

<sup>8</sup> According to article 116 of the same law, the word confidential information refers to any information on the private affairs of any of the bank's customers. Thus, it does not include confidential information on the private affairs of the bank.

<sup>9</sup> The SSB are also bound to apply the AAOIFI standards according to section 2.1.2. of the Shariah Governance Module.

(Resolution No. (20) for the year 2015 in Respect of the Establishment of a Centralized Shariah Supervisory Board, article 3 (5)). From a legal perspective, the opinion given by the CSSB is deemed as expert evidence because they are specialized in these matters (Bahraini Law of Evidence in Civil and Commercial Matters 1996, article 132). However, referring Shariah matters to the CSSB depends on the discretion of the court and the advice of the CSSB is not compulsory for the courts. Consequently, the judicial authority over individuals and corporations is superior to the supervisory and advisory authorities of the CSSB and SSB.

#### 4.7 The administrative relationship between the Shariah board, the King, and the National Assembly

Primarily, the King and the National Assembly are the legislatures of the country (Constitution of the Kingdom of Bahrain 2002, article 32 (b)). They make laws governing the duties of the SSB and the CSSB. However, these laws do not address them specifically but the entire employees of the banks. For example, they impose on these employees, the duty to observe confidential information, the duty to disclose any information and provide any document, be it confidential or not, to the CBB or the court upon their request (Central Bank of Bahrain and Financial Institutions Law, 2006, article 119). Thus, these laws do not cover the whole subject of Shariah governance. Rather, according to the Central Bank of Bahrain and the Financial Institutions 2006, the National Assembly delegated their legislative powers on the matters of Shariah governance to the governor or the board of the CBB as the case may be (The Central Bank of Bahrain and Financial Institutions Law, 2006, article 37 (b) and 38 (a)).

The laws and directives shall prevail over the rulings/*fatwas* of the SSB and the CSSB according to the principle of the supremacy of law.<sup>10</sup> That being said, the SSB and the CSSB should abide by the AAOIFI standards of transactions because these standards are incorporated into the law of Bahrain (CBB Resolution no.18, 2020, article 1). The CSSB, on the other hand, may provide Shariah consultation to the King and the National Assembly with regards to Shariah matters of Islamic financial services (Resolution No. (20) for the year 2015 in Respect of the Establishment of a Centralized Shariah Supervisory Board, article 3 (5)). As a result, the legislature lays down the general obligations of the SSB and the CSSB and the references on which their rulings/*fatwas* are based.

## 5. Conclusion and Recommendation

It can be concluded from the discussion above that the nature of the relationships between the SB and the stakeholders in ICG varies with the type of stakeholder. The SSB- bank, and SSB- CSSB relationships, are based on *wilāyah*.<sup>11</sup> Both the SSB and the CSSB are *walī* rather than Shariah advisors (*muftī*) or agents because their rulings/*fatwas* are obligatory. The SSB is a *walī* (ruler) for the bank and the CSSB is a *walī* for the SSB. However, the former is *wālī khāṣṣ fī a 'māl khāṣṣah* (private ruler with a specific mandate) because it works only for the relevant bank, while the latter is *wālī 'ām fī a 'māl khāṣṣah* (public ruler with specific mandate) because it works for the whole Islamic banking industry in Bahrain. In addition, the former deals only with Shariah matters, while the latter deals with both *Shariah* and administrative matters. As for the relationship between the SB and the customers, it may take the form of proactive *mufti* (religious consultant) - *mustaftī* (enquirer of Shariah matters) or fiduciary–beneficiary relationships.

When it comes to the relationship between the judiciary and the SB, it is similar to the relationship between SSB and CSSB. However, the judicial authority is higher than both SSB and CSSB. The relationship between the SB and the judiciary may also turn into a consultee-consultant relationship.

As for the relationship between the SB, the BDCB, and the AAOIFI, it is also based on *wilāyah*. However, this *wilāyah* is *wilāyah 'āmmah fī a 'māl 'āmmah* (public authority with a general mandate) by which the BDCB, and the AAOIFI upon authorization of the former, regulate all the administrative and Shariah matters of the SB.

With respect to the relationship between the SB, the King, and the National Assembly, it is premised on *imāmah* (the guardianship of religious matters and the Islamic society). The King and the National Assembly

<sup>10</sup> Article 33 (b) of the Constitution of the Kingdom of Bahrain, 2002 makes reference to the supremacy of the constitution and law which means that the government has no arbitrary authority over the citizen and equal subjection of all (including officials) to the ordinary law administered by the courts (Martin, 2013).

<sup>11</sup> *Wilāyah* refers to an authority to do something. Holder of the *wilāyah* is called *walī* (Al-Khafif, 1996). For classifications of *wilāyah* see (Al-Mawardi, 1960). According to the verse "God instructs you to give back things entrusted to you to their owners. And when you judge between people, do justice. God's instructions to you are excellent. God is All-Hearing, All-Seeing" (Surah an-Nisa' 4:58) rulers are under fiduciary duty towards citizens (Al-Tabari, 2001, p.173).

possess the ultimate legislative and executive powers (*rāsāt ad-dīn wa siyāsāt al-duniyah*) over all matters of the SB (Al-Mawardi, 1960, p.3). Although the King and the National Assembly set down only the basic duties of the members of the SB, they authorize the BDCB which in turn authorizes the AAOIFI to develop comprehensive Shariah governance and Shariah compliance models.

To improve the relationship between the SB and both the bank and the customers, the Bahraini Shariah governance framework should bind the members of the SSB to act with reasonable care and skill based on *amānah*. Moreover, it shall impose a penalty on a member who acts in favor of himself and not only who breaches the confidentiality obligation towards the bank as it did with the customers. Additionally, it should punish the members who negligently give permission to a new product without the approval of the CSSB. Furthermore, it should grant the customer the right to appeal the rulings/ *fatwas* of the SSB to the CSSB.

The CSSB should also intervene on its own initiative as prescribed by the AAOIFI governance standard for central SB for the following reasons:

- (i) to put right major Shariah non-compliance not being taken care of by the CBB.
- (ii) to rectify non-Shariah matters in the market that are thought to be known or approved by the CSSB. In support of the two previous duties, the *Quran* orders Muslims to reveal the truth. In this regard, Allah said “And do not mix truth with falsehood, and do not conceal the truth while you know (Surah al-Baqarah, 2:42). The Prophet Muḥammad (ﷺ) also says ‘whoever amongst you sees an evil, must change it with his hand; if he is unable to do so, then with his tongue; and if he is unable to do so, then with his heart, and that is the weakest form of faith (*Ṣaḥīḥ Muslim, ḥadīth no. 148*).
- (iii) to protect the interest of the larger stakeholders. Here, Ibn Abbs narrated that the Prophet Muḥammad (ﷺ) said ‘no harm and no reciprocated harm’ (*Sunan Ibn Majah, ḥadīth no. 2341*). The above-mentioned self-initiative roles are consistent with Al-Mawardi’s point of view who believes that *wālī*, in this case, the CSSB, should undertake its function by itself and should not completely depend on its representatives (Al-Mawardi, 1960).

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*Şaḥīḥ Al-Bukhārī.*

*Sunan At-Tirmidhī.*

*Şaḥīḥ Muslim.*

*Sunan Ibn Majah.*

