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Importance of standards of Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI)

Aida Lias
Mohammed Al-Sharif Messaadia University, Souk Ahras, Algeria

***Abstract*---**This study aims to address the various types of standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI): Shariah, Accounting, Governance and Ethics Standards, their contribution to organizing and regulating the work of Islamic financial institutions. The study concluded that the organization strives to develop the thought of accounting, auditing, and banking fields related to the activities of Islamic financial institutions, through training, holding seminars and forums, issuing periodic publications, and preparing research and reports, among other means.

***Keywords*---**Islamic bank, Accounting and Auditing Organization, Standards.

Introduction

Islamic economics refers to the set of transactions that adhere to the provisions of Islamic Sharia. Islamic banks have managed to introduce a different concept in banking transactions and have imposed a different reality on international banking transactions. It became necessary to develop accounting standards that consider the unique nature of Islamic banking operations and meet the objectives and information needs of users. This need prompted those in charge to seek methods and techniques to develop and implement financial accounting standards in coordination with experts in Islamic Sharia on the one hand, and in accounting sciences on the other hand. These efforts culminated in the establishment of the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) to achieve this purpose. The said organization has launched several standards that align with the nature of Islamic work. Based on the above, the problematic of the research is as follows:

***Corresponding author**: Lias, A., Email: a.lias@univ-soukahras.dz*
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How important are the standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) in Islamic banks?

From which the following sub-questions are derived as follows:

- What are Islamic banks? What are their characteristics?
- What types of standards are issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI)? How important they are?

Importance of the Research

The existence of Sharia and accounting standards issued by the AAOIFI supports the correct and fair application of accounting, enhancing the efficiency of the Islamic financial market.

Research Objectives

The study aims to clarify the various standards issued by the Accounting and Auditing Organization (AAOIFI) and to demonstrate their importance and effective role in supporting the operations of Islamic banks.

Research Axes

I. Axis I: The Nature of Accounting in Islamic Banks
II. Axis II: Islamic Financial Accounting Standards Issued by AAOIFI

AXIS I: THE NATURE OF ACCOUNTING IN ISLAMIC BANKS

1. ISLAMIC BANKS

A/ Islamic Bank

An Islamic bank is a financial institution with an economic and social mission that operates under Islamic teachings. It is a bank with a mission, not merely a business. It seeks the most beneficial projects, not just the most profitable ones. The Islamic bank aims not only to implement an Islamic banking system but also to contribute to building a complete Islamic society based on doctrinal, ethical, and economic foundations, demonstrating a commitment to the faith[i].

B/ Characteristics of Islamic Banks

Islamic banks are characterized by the following[ii]:

- **Exclusion of Interest Transactions and Reliance on Profit or Loss Sharing**: As commanded by God in multiple verses of the Quran prohibiting interest *(Riba)*, such as: "Allah destroys interest and gives increase for charities. And Allah does not like every sinning disbeliever." (02:276) and "O you who have believed, fear Allah and give up what remains [due to you] of interest, if you should be believers." (02:278).
- **Linking Economic Development to Social Development in Society**: Due to their doctrinal nature, Islamic banks focus on social aspects, working to achieve social solidarity. This is achieved by accepting Zakah (obligatory) funds and managing them according to Islamic law, committing to achieving justice in the distribution of returns on invested funds, providing benevolent loans, and prioritizing funding for projects and activities that create new job opportunities.

- **Directing Efforts Toward Economic Investments that Serve Economic Development Goals**: Islamic banks finance various developmental economic projects based on the partnership system. At the same time, they avoid financing projects related to alcohol or similar activities.
  - **Compliance of the Islamic Bank's Establishment Contract and Articles of Association**: The foundation contract and the articles of association of an Islamic bank must comply with all provisions specific to Islamic banks.
  - **Conformity of the Islamic Bank's Activities with Approved Jurisprudential Opinions**: The bank is required to conduct its transactions in accordance with Islamic Sharia, with both Muslims and non-Muslims.
  - **Reviving the Zakah System**: Islamic banks should create special accounts for Zakah, encourage depositors and investors to pay it, adhere to the lawful, avoid the forbidden, and refrain from hoarding.

2. ACCOUNTING SYSTEM IN ISLAMIC BANKS

A/ Accounting in Islamic Banks

Accounting in Islamic banks is a science that includes a set of rules, principles, and foundations used to analyze financial transactions as they occur, record them based on supporting documents, then classify and summarize these transactions to enable the Islamic financial and banking institution to match revenues with expenses. This aims to extract the result of its operations, whether profit or loss, over a specific financial period and to state its financial position at the end of this period according to the rules and regulations of Islamic Sharia.[iii]

B/ Definition of the Accounting System in Islamic Banks

The accounting system is generally defined as a general framework consisting of a set of interrelated elements, such as document cycles, ledgers, records, chart of accounts, financial statements and reports. These elements work together according to the accounting principles of the Islamic bank, using various methods and techniques to produce accounting information that helps achieve different objectives. The accounting system of Islamic banks is derived from accounting standards. When designing an accounting system, it is essential for the responsible parties to ensure it suits the nature of the bank's activities, is easy to present and interpret for users, and is economical to operate.[iv] Some principles that Islamic banks should follow, according to the proposed accounting system, include[v]:

- Separation of funds so that depositors' funds are invested in an independent investment pool, while shareholders' funds are invested in another one.
- Profit is only distributed to the investor or the investment preparer.
- Differentiation between the return of each activity, whether it results from general investments, specialized investments in a particular field, or ordinary banking services, so that the return from an activity is directed to the beneficiary party.
- Depositors should bear the investment risk provisions resulting from investments according to the proposed accounting system, as there are many types of provisions and reserves in this regard.

- Establish a mechanism whereby Islamic banks are subject to the same reserve ratio to maintain liquidity with the central bank, provided that central banks do not use these reserves on an interest basis and invest these reserves in a way that does not idle the funds, utilizing them under the supervision of a Sharia committee.
- The funds from Mudarabah and Partnerships are distributed according to the agreements between the money holder and the speculator, with profit distribution depending on the pre-agreed ratios in the contracts.

C/ Importance of Accounting in Islamic Banking

The general framework of accounting system in Islamic banks does not deviate from what is currently applied in traditional banks in terms of accounting systems regarding recording and extracting the outcome of activities. However, the difference lies in the nature of the work in Islamic banks, where the focus is entirely on investment and financing activities that comply with Islamic Sharia rules. The objectives of accounting in this field include providing information according to appropriate accounting standards as follows:

- Contributing to the protection of the bank's assets and the rights of other parties.
- Documenting transactions and determining rights and their holders, providing logical evidence of justice.
- Providing information about the bank's economic resources and the obligations arising from them, offering indicative measures of capital adequacy, the level of risk inherent in its investments, and the estimation of required liquidity.
- Providing information about the bank's compliance with Islamic Sharia through its banking operations.[vi]

D/ Objectives of Islamic Banking Accounting

Islamic banks set a range of objectives as follows:[vii]

- **Preservation and Growth of Funds**: The bank is responsible for protecting the funds of shareholders and depositors. Therefore, it must adhere to and choose accounting registration methods that prevent all types of theft and waste.
- **Measuring and Distributing the Overall Activity Outcome of the Bank**: Through the accounting of banking operations, the overall outcome of the activity is determined, whether it is a profit or a loss.
- **Statement of Rights and Obligations**: Islamic banks aim to know their debts and credits at any given moment so that each party knows what they owe and what is owed to them.
- **Showing the Financial Position and Providing Information to Stakeholders**: Bank accounting helps determine the financial position over short periods, enabling the assessment of the bank's management performance in utilizing the clients' funds. It also provides economic agents with information and data through accounting records and assists external regulatory bodies like the central bank and other regulatory authorities with the necessary information.

E/ Accounting Principles of Islamic Banks

The accounting standard is characterized by a set of stable and consistent principles that guide the accountant's work, whether in the field of recording or analyzing accounting transactions. This has helped in understanding the extent to which these accounting principles are compatible with Islamic banks. The most important accounting principles are summarized as follows:[viii]

- **Principle of Financial Independence**: This principle means that the project should have an artificial personality independent of natural personalities of its owners.
- **Principle of Continuity**: Based on this principle, final accounts are prepared.
- **Principle of Periodicity**: This principle involves dividing accounting operations into periodic intervals called the accounting or financial period.
- **Matching Principle**: The Islamic accounting standard adopts this principle when measuring the outcome of operations. It also adopts the basis of matching the net financial position between two consecutive periods to understand the change representing the outcome of the activity.
- **Principle of Uniformity and Consistency**: This principle aims at unifying accounting concepts and rules to achieve accurate and consistent results.
- **Principle of Prudence**: This principle involves considering potential losses when preparing the final balance sheet and recognizing revenue.

AXIS II: STANDARDS ISSUED BY AAOIFI

1. ACCOUNTING AND AUDITING ORGANIZATION FOR ISLAMIC FINANCIAL INSTITUTIONS (AAOIFI)

A/ Establishment and Definition of the Organization

The Accounting and Auditing Organization for Islamic Financial Institutions, formerly known as the Financial Accounting Organization for Islamic Banks and Financial Institutions, was established under the founding agreement signed by a number of Islamic financial institutions on Safar 1, 1410 AH, corresponding to February 26, 1990, in Algeria. The organization was registered on Ramadan 11, 1411 AH, corresponding to March 27, 1991, in Bahrain as a global organization with a non-profit independent artificial personality.[ix] AAOIFI is an international non-profit organization responsible for preparing and issuing financial accounting, auditing, governance, ethics, and Sharia standards for Islamic financial institutions specifically, and the Islamic banking and finance industry in general.[x]

B/ Objectives of the Organization: Within the framework of Islamic Sharia, the organization aims to:[xi]

- Develop the concepts of accounting, auditing, and banking fields related to the activities of Islamic financial institutions.
- Disseminate the concepts of accounting and auditing related to the activities of Islamic financial institutions and their applications through training, organizing seminars, issuing periodic bulletins, preparing research and reports, among other means.
- Prepare and issue accounting and auditing standards for Islamic financial institutions and interpret them to harmonize the accounting practices

followed by Islamic financial institutions in preparing their financial statements, as well as to harmonize the auditing procedures followed in auditing the financial statements prepared by Islamic financial institutions.

- Review and amend accounting and auditing standards for Islamic financial institutions to keep pace with developments in the activities of Islamic financial institutions and advancements in accounting and auditing concepts and applications.
- Prepare, issue, review, and amend statements and guidelines related to the activities of Islamic financial institutions concerning banking, investment, and insurance practices.
- Strive to use and apply the accounting and auditing standards, statements, and guidelines related to banking, investment, and insurance practices issued by the organization, by both relevant regulatory bodies and Islamic financial institutions, as well as others engaged in Islamic financial activities, accounting and auditing firms.

2. ACCOUNTING STANDARDS AND THEIR PURPOSE:

A/ Definition of Accounting Standard

The International Organization for Standardization (ISO) defined a standard as a technical specification or any other document available to the public, formulated through cooperation or general agreement by all interested and affected parties, based on consolidated results and experiences in the fields of science and technology — applicable to all other subject areas as well — aiming to encourage maximum benefits for society, and agreed upon or accepted by the standardization body[xii]. According to Tawfiq Mohamed Al-Sharif, it is a written statement issued by an official regulatory or professional accounting body concerning elements of financial statements or types of transactions or events related to financial position and performance, specifying the appropriate measurement, presentation, or disclosure method.[xiii]

B/ Their Purpose

- They serve as a credible reference and work methodology that accountants refer to when performing accounting operations. It is also referred to by external regulatory bodies, represented by the external auditor.
- These standards are similar to a roadmap as they clarify the accounting treatments for the operations of Islamic financial and banking institutions, achieving the principle of uniformity and consistency.
- Islamic standards help in making comparisons between the financial statements of various Islamic financial and banking institutions and evaluating them appropriately, especially in the context of globalization and the spread of regional and international coalitions.
- Islamic standards also help in establishing confidence in the published financial statements of Islamic financial and banking institutions, both regionally and internationally.[xiv]

3. IMPORTANCE OF STANDARDS ISSUED BY AAOIFI

A/ Sharia Standards: The table below shows 58 total Sharia standards issued by AAOIFI:

Table (01): Sharia Standards

No.	Nature of the standard	Issuance date	Approval date	Scope of the standard
01	Trading in currencies	This standard was issued on 27 Safar 1421 AH, corresponding to May 31, 2000.	Sharia Board approved the Trading in Currencies Standard at its fourth meeting held on 25-27 Safar 1421 AH, corresponding to 29-31 May 2000.	This standard covers issues of both actual and constructive possession of currencies, the use of modern means of communication in currency trading, exchange of currencies in the context of the bilateral settlement of debts owed by the parties to the exchange, dealing in currencies in money markets, bilateral promises to buy and sell currencies, deferment of the delivery of one of two countervalues in currency trading, and some cases practised by the Institutions. The standard does not cover the following cases: those where there are no trading in currencies; the effect of goldsmithery in selling gold and silver; transfers of debts that do not involve exchanges of currency; and the discounting of bills of exchange.
02	Debit Card and Credit Card	This standard was issued on 27 Safar 1321 AH, corresponding to May 31, 2000.	Sharia Board approved the Debit Card and Credit Card Standard at its fourth meeting held on 25-27 Safar 1421 AH, corresponding to 29-31 May 2000.	The standard covers debit cards, and credit cards that are issued by Institutions to their customers to enable the latter, by using the cards, either to withdraw cash from their accounts or to obtain credit or to pay for goods or services purchased. These cards

				include the following types: debit card, charge card and credit card.
03	Procrastinating Debtor (Revised Standard)	This standard was issued on 27 Safar 1421 AH, correspondin g to May 31, 2000.	Sharia Board approved the Procrastinatin g Debtor Standard at its fourth meeting held on 25-27 Safar 1421 AH, corresponding to 29-31 May 2000.	This standard covers cases of default on the part of a solvent debtor or a solvent guarantor, and the case of a contractor or concessionaire who is late in completing work and thus becomes a debtor by virtue of a penalty clause. The standard does not cover debtors who are insolvent or bankrupt, or debtors who delay payment for an established Shari'ah reason.
04	Set-Off (Revised Standard)	This standard was issued on 29 Safar 1422 AH, correspondin g to May 23, 2001.	Sharia Board approved the Set-Off Standard at its sixth meeting held on 25-29 Safar 1422 AH, corresponding to 19-23 May 2001.	This standard covers the settlement of debt by way of set-off. The standard shall not apply to discharge of liability by way of transfer, waiving of obligation, composition, acquisition of a right payable or bilateral cancellation of a contract, as they are covered by their respective Standards.
05	Guarantees (Revised Standard)	This standard was issued on 29 Safar 1422 AH, correspondin g to May 23, 2001.	Sharia Board approved the Guarantees Standard at its second meeting held on 10-14 Ramadan 1420 AH, corresponding to 18-22 December 1999 in Mecca, prioritizing the establishment	This standard covers securities (Guarantees) intended to secure obligations and protect debts against procrastination and default. Such securities may take the form of written documents, attestations, personal guarantees, mortgages, cheques and promissory notes. The standard also explains the permissible and prohibited forms of securities. It also

			of Guarantees Sharia Standard.	intends to distinguish between liabilities and the assets held on trust. The standard does not cover guarantees against torts.
06	Conversion of a Conventional Bank to an Islamic Bank	This standard was issued on 4 Rabi' al-Awal 1424 AH, correspondin g to May 16, 2002.	Sharia Board approved the Standard for the Conversion of a Conventional Bank to an Islamic Bank at its eighth meeting held in Madinah on 28 Safar - 4 Rabi' al-Awal 1423 AH, corresponding to 11-16 May 2002.	This standard covers fundamental mechanisms for converting a conven-tional bank to a bank that complies with Shari'ah rules and principles right after the decision to undertake immediate comprehensive conversion within a particular designated period that is announced, whether such a decision comes from within the bank or from outside the bank to be converted by outside parties interested in converting it. The standard covers the time frame required for the conversion, the effect of conversion on the methods used to solicit and receive deposits, and the method to be used to invest such deposits. The standard provides guidance on how to treat the receiv-ables and liabilities realized by the bank prior to the conversion, whether or not such receivables and liabilities are received or paid. The standard includes a treatment of the prohibited assets that are in the possession of the bank before conversion and

				the appropriate ways of disposing of them. The standard does not cover activities of the converting bank that are naturally permissible or the profit made by permissible means, as these are not the subject matter of the conversion. This is because there is no Shari'ah objection to the bank continuing such activities or employing them for its own benefit. The standard also does not cover activities of Islamic windows or departments or units in conventional banks.
07	Hawalah (Transfer) (Revised Standard)	This standard was issued on 4 Rabi' al-Awal 1423 AH, correspondin g to May 16, 2002.	Sharia Board approved the Transfer Standard at its eighth meeting held in Madinah on 28 Safar - 4 Rabi' al-Awal 1423 AH, corresponding to 11-16 May 2002.	This standard covers Hawalah (transfer) transactions that involve a change of debtor, i.e. transfer of debt. The scope of this standard does not cover banking remittances except the remittances that take the form of Hawalah (transfer of debt).
08	Murabaha (cost plus) (Revised Standard)	This standard was issued on 4 Rabi' al-Awal 1423 AH, correspondin g to May 16, 2002.	Sharia Board approved the reissuance of Sharia requirements for Murabaha as a Sharia standard at its eighth meeting held in Madinah on 28 Safar - 4 Rabi' al-Awal 1423 AH, corresponding to 11-16 May	This standard covers Murabahah transaction and its various stages, the issues relating to guarantees before concluding a Murabahah deal such as promise, security deposit and issues relating to guarantees for recovery of the debt created by the Murabahah transaction. This standard does not cover deferred payment sales that take place on

			2002.	a basis other than that of Murabahah. It also does not cover other trust and bargaining sales.
09	Lease and lease-to-own (Revised Standard)	This standard was issued on 4 Rabi' al-Awal 1423 AH, correspondin g to May 16, 2002.	Sharia Board approved the reissuance of Sharia requirements for lease and lease-to-own as a Sharia standard at its eighth meeting held in Madinah on 28 Safar - 4 Rabi' al-Awal 1432 AH, corresponding to 11-16 May 2002.	This standard covers operating leases of properties or lease-to-own, whether the Institution is the lessor or the lessee. This standard does not cover Sukuk (cheques) of lease, as they are covered by Shari'ah Standard on Investment Sukuk, nor the employment of persons (labour contract), as it is covered by a separate standard.
10	Salam and Parallel Salam (Revised Standard)	This standard was issued on 29 Safar 1422 AH, correspondin g to May 23, 2001.	Sharia Board approved the re-issuance of Sharia requirements for Salam and Parallel Salam to become a Sharia standard in its eighth meeting held in Madinah on 27 Safar, 4 Rabi’ al-Awal 1423, 11-16 May 2002 AD.	This standard covers Salam and Parallel Salam transactions, whether the Institution is the buyer or the seller, and issuing Salam Sukuk. This standard does not cover Istisna'a (manufacturing or supplier contract) because the latter is covered by a separate standard.
11	Istisna’a (manufacturing) and Parallel Istisna’a (Revised Standard)	This standard was issued on 29 Safar 1422, correspondin g to May 23, 2001.	Sharia Board approved the reissuance of Sharia requirements for Istisna’a and Parallel Istisna’a to become a Sharia	The standard covers Istisna'a and parallel Istisna'a transactions whether the Institution is acting as a purchaser or a seller. It doesn’t cover Istisna'a Sukuk as they are covered by the standard of investment Sukuk.

			standard in its eighth meeting held in Madinah on 28 Safar - 4 Rabi' al-Awal 1432H, corresponding to May 11-16, 2002.	
12	Company, Partnership, and Modern Corporations (Revised Standard)	This standard was issued on 4 Rabi' al-Awal 1423H, correspondin g to May 16, 2002.	Sharia Board approved the Sharia standard for Company, Partnership, and Modern Corporations in its eighth meeting held in Madinah on 28 Safar - 4 Rabi' al-Awal 1423H, corresponding to May 11-16, 2002.	This standard covers all forms of traditional Fiqh-nominate partnerships that operate on the basis of contractual partnership, except the partnerships that are explicitly excluded by this standard as indicated below. The standard also applies to all modern forms of corporations including diminishing partnership. The standard does not cover ownership partnership where the parties jointly own an asset. It does not include rules for bargaining company because the practical application of this form of partnership is rare and, if need be, reference should be made to Fiqh books. The standard does not cover Mudarabah, because this form of partnership has a separate standard. In the same vein, it does not cover sharecropping partnerships, such as irrigation and agricultural partnerships. The standard also does not cover, as far as modern

				partnerships are concerned, regulatory policies and procedures necessary for operations in the market.
13	Mudarabah (speculation) (Revised Standard)	This standard was issued on 4 Rabi' al-Awal 1424, correspondin g to May 16, 2003.	Sharia Board approved Mudarabah standard in its eighth meeting held in Madinah on 28 Safar - 4 Rabi' al-Awal 1424H, corresponding to May 11-16, 2002.	This standard covers Mudarabah contracts between the Institution and the other entities or individuals. It also covers joint investment accounts and special purpose investment accounts if these accounts are administered on the basis of Mudarabah. The standard does not cover Sukuk of Mudarabah (Mudarabah Certifi- cates) or other types of partnership contracts, as these are covered by sep- arate standards.
14	Documentary Credit (Revised Standard)	This standard was issued on 7 Rabi' al-Awal 1424, correspondin g to May 8, 2003.	Sharia Board approved the Sharia standard for Documentary Credit in its tenth meeting held in Madinah from 2 to 7 Rabi' al-Awal 1424H, corresponding to May 3-8, 2003.	This standard covers documentary credit extended by an Institution, either on the basis of client orders or for the use of the institution itself, including all types and forms of documentary credit, the various stages of their execution and the relationships created between the parties to the transaction.
15	Ju'ala (Revised Standard)	This standard was issued on 7 Rabi' al-Awal 1424, correspondin g to May 8, 2002.	Sharia Board approved the Sharia standard for Ju'ala in its tenth meeting held in Madinah from 2 to 7 Rabi' al-Awal 1424H,	This standard sets out fundamental rules of the Shari'ah on Ju'alah and its application in activities for which the extent of the work required cannot be precisely determined for it continues throughout the determined period. It

			corresponding to May 3-8, 2003.	is for this reason that it does not cover the contract of Ijarah for employment/service or leasing, just as it does not cover maintenance contracts or stipulations of maintenance in relation to other contracts, such as the requirement of maintenance in a sale contract or an Istisna'a contract (manufacturing contract).
16	Commercial Papers (Revised Standard)	This standard was issued on 7 Rabi' al-Awal 1424, correspondin g to May 8, 2003.	Sharia Board approved the Sharia standard for Commercial Papers in its tenth meeting held in Madinah from 2 to 7 Rabi' al-Awal 1424H, corresponding to May 3-8, 2003.	This standard covers commercial papers to which the Geneva Uniform Convention on the Law of Commercial Papers, confined itself. These are bill of exchange, promissory note and cheque. This standard covers dealings in such commercial papers insofar as they conform to the rules and principles of the Shari'ah. The standard does not cover anything that may possess the attributes of commercial paper other than the three types named above.
17	Investment Sukuk	This standard was issued on 7 Rabi' al-Awal 1424, correspondin g to 8 May 2003.	Shariah Board approved the Shariah Standard for Investment Sukuk during its tenth meeting held in Madinah from 2nd to 7th Rabi' al-Awal 1424, corresponding to 3rd to 8th	This standard covers investment Sukuk. These Sukuk include Sukuk of ownership of leased assets, ownership of usufructs, ownership of services, Murabahah, Salam, Istisna'a, Mudarabah, partnership, investment agency and sharecropping, irrigation and agricultural partnerships. The

			May 2003.	standard does not cover shares of joint stock companies, certificates of funds and investment portfolios.
18	Possession	This standard was issued on 30 Rabi Al-Awal 1425 correspondin g to 19 May 2004.	Sharia Board adopted the Sharia standard for Possession at its twelfth meeting held in Madinah on 26 and 30 Rabi 'Al-Awal 1425 corresponding to 15 and 19 May 2002.	This standard covers possession in contracts and what acts as a constructive substitute for it (constructive possession). It elaborates the mode of its realisation in immovable and movable property as well as in things that are ascertained and those established as a liability by description. The standard also identifies the person responsible for its costs (maintenance and expenses) in various types of contracts along with their modern applications. The standard does not cover acts other than contracts, like possession in usurpation and the like. Further, it does not cover the nature of possession with respect to liability for compensation or otherwise, nor to possession in set-offs, as these have their specific standards.
19	Loan	This standard was issued on 30 Rabi Al-Awal 1425 correspondin g to 19 May 2004.	Sharia Board adopted the Sharia standard for the Loan at its twelfth meeting held in Madinah on 26, 30 Rabi Al-	This Standard covers loans and the accompanying benefits or costs irrespective of the institution being a lender or a borrower. The Standard does not cover what is not a loan, like the price in a credit

			Awal 1425 corresponding to 15, 19 May 2002.	sale and investment accounts, because they have standards specific to them.
20	Sale of Commodities in Organised Markets	This standard was issued on 30 Rabi Al-Awal 1425 correspondin g to 20 May 2004.	Sharia Board adopted the Sharia standard for the Sale of Commodities in Organised Markets at its twelfth meeting held in Madinah on 26, 30 Rabi Al-Awal 1425 corresponding to 15, 20 May 2004.	This Standard covers international sales contracts whose subject-matter are commodities and to derivatives of various kinds: Futures, Swaps, and Options. The Standard does not cover financial and commercial paper or currencies, because these have their own specific standards, just as it does not cover sales that are concluded outside the organized markets.
21	Financial Paper (Shares and Bonds)	This standard was issued on 30 Rabi Al-Awal 1425 correspondin g to 20 May 2004.	Sharia Board adopted the Sharia standard for Financial Paper , shares and bonds, at its twelfth meeting held in Madinah on 26, 30 Rabi Al-Awal 1425 corresponding to 15, 20 May 2004.	This Standard covers shares with respect to their issuance and flotation including investment, trading, renting, loaning, pledging and Salam in them, along with the rule for concluding Futures, Options and Swapping contracts on the basis of shares. The Standard also covers issuance of and trading in interest-bearing bonds. The Standard does not cover investment Sukuk for which there is a separate specific standard.
22	Concession Contracts	This standard was issued on 23 Rabi al-Awal 1426 correspondin g to 2 May 2005.	Sharia Board adopted the standard of concession contracts at its fourteenth meeting held on 21, 23 Rabi	This Standard covers the basic Shari'ah rulings relating to Concession Contracts for utilization, construction or management of projects, and provides guidance

			Al-Awal 1426 corresponding to 30 April, 2 May 2005.	to Institutions on application of such contracts. It does not cover legal or consensual concession rights, which are subsidiary rights. This standard does not cover franchises as it should be dealt with by a separate standard.
23	Agency and the Act of an Un-commissioned Agent (Fodooli)	This standard was issued on 23 Rabi al-Awal 1426 correspondin g to 30 April 2005.	Sharia Board adopted the Standard of the Agency and the Act of an Un-commissioned Agent at its fourteenth meeting held in Dubai on 21, 23 Rabi Al-Awal 1426 corresponding to 30 April , 2 May 2005.	This Standard covers agency and the acts of an un-commissioned agent in concluding contracts on financial transactions (such as sale, lease and compensatory reconciliation), disposing of assets, providing services and conducting practical acts such as receipt, payment and delivery. The Standard also covers areas such as fund management, real estate and investment agency. However, it does not cover agency and the act of an un-commissioned agent in several other affairs of life such as worshipping (like Zakah, for which there is a separate standard), personal affairs, penalty affairs, legal prosecution/advocacy, and documentary credits (which have also been dealt with in a separate standard).
24	Syndicated financing	This standard was issued on 23 Rabi al-Awal 1426 correspondin g to 2 May	Sharia Board adopted the standard of Syndicated Financing at its fourteenth	This standard covers syndicated financing operations, whether those arranged among Institutions, or between them and conventional

		2005.	meeting held in Dubai on 21, 23 Rabi Al-Awal 1426 corresponding to 30 April, May 2005.	banks, and the Institution-agent relationships relating to such operations.
25	Combination of Contracts	This standard was issued on 28 Sha'ban 1426 correspondin g to 2 October 2005.	Sharia Board adopted the standard of Combination of Contracts at its fifteenth meeting held in Makkah on 22 Sha'ban, 28 Sha'ban 1426 corresponding to 26 September, 2 October 2005.	This standard covers transactions that comprise more than one contract combined together in one set. The scope of the discussion in this respect covers the definition, forms, controls, characteristics, and concessions relating to the process of Combination of Contracts and explores the characteristics of Muwata`ah and the Shari'ah rulings pertaining thereto. The discussion also embarks on contemporary applications of combined contracts.
26	Islamic Insurance	This standard was issued on 12 Jumada Al-Oula 1427 correspondin g to 5 June 2006.	Sharia Board adopted the Islamic Insurance standard at its sixteenth meeting held in Madinah in Al-Tafra from 7 to 12 Jumada Al-Oula 1427 corresponding to 3, 9 June 2006.	This Standard covers Islamic Insurance in terms of its definition, Shari'ah status, characteristics, principles, basic elements, types, and how it differs from Conventional Insurance. The Standard also sets out the controls to be observed by the Islamic financial Institutions offering products based on Islamic insurance. However, it does not cover social insurance schemes arranged by the state.
27	Indices	This standard was issued on 12	Sharia Board adopted the Indices	This Standard covers definition of Indices, methods of their

		Jumada Al-Oula 1427 corresponding to 8 June 2006.	standard at its sixteenth meeting held in Madinah from 7 to 12 Jumada Al-Oula 1427 corresponding to 3 to 8 June 2006.	calculation, their main types, their various forms of applications, and the Shari'ah status of each of these forms. The Standard also sets out the Shari'ah rulings that govern Indices.
28	Banking Services in Islamic Banks	This standard was issued on 12 Jumada Al-Oula 1427 corresponding to 8 June 2006.	Sharia Board adopted the Sharia standard for Banking Services at its sixteenth meeting held in Madinah from 7 to 12 Jumada Al-Oula 1427 corresponding to 3, 8 June 2006.	This standard covers the most important banking services that do not involve lending and borrowing, and which the Institutions render to their customers, directly or through other parties, with the aim of facilitating internal and external operations and activities performed by these customers. It does not cover loan and investment services, or other banking services for which separate Shari'ah standards have already been issued, such as trading in currencies, debit and credit cards, investment accounts, and investment Sukuk.
29	Stipulations and Ethics of Fatwa in the Institutional Framework	This standard was issued on 12 Jumada Al-Oula 1427 corresponding to 8 June 2006.	Sharia Board adopted the Sharia standard of Stipulations of Fatwa at its sixteenth meeting held in Madinah from 7 to 12 Jumada Al-Oula 1427 corresponding to 3 to 8 June 2006.	This standard covers the area of Fatwa because it is one of the tasks assigned to Shari'ah Supervisory Boards (Board/Boards) of the Islamic Financial Institutions (Institution/Institutions).

30	Tawarruq (Monetization)	This standard was issued on 1 Dhu al-Qa'dah 1427 corresponding to 23 November 2006.	Sharia Board adopted the Monetization standard at its seventeenth meeting held in Makkah from 26 Shawwal 1427 to 1 Dhu al-Qa'dah 1427 corresponding to 18, 23 November 2006.	This Standard covers the different applications of monetization, whether the beneficiary is the customer or the institution.
31	Controls on Gharar in Financial Transactions	This standard was issued on 26 Sha'ban 1428 corresponding to 8 September 2007.	Sharia Board adopted the Standard of Gharar at its nineteenth meeting held on 26, 30 Sha'ban 1428 corresponding to 8 , 12 September 2007 in Makkah, Kingdom of Saudi Arabia.	This standard covers the impact of excessive, medium and minor Gharar on transactions performed by Islamic financial institutions (Institution/ Institutions). In this respect the standard will set out the Shari'ah rulings pertaining to the case when Gharar is involved in exchange-based contracts/commutative contracts including partnerships, and the case when Gharar is involved in donation contracts/ non-commutative contracts. The standard will also make special reference to the case when Gharar is involved in a contract's condition.
32	Arbitration	This standard was issued on 30 Sha'ban 1428 corresponding to 12 September 2007.	Sharia Board adopted the Arbitration Standard at its nineteenth meeting held on 26, 30 Sha'ban 1428 corresponding	This standard covers arbitration as practiced in financial transactions and other activities and relationships which take place among institutions, or between Institutions and their clients or employees or

			to 8, 12 September 2007 in Makkah, Kingdom of Saudi Arabia	other parties; whether inside or outside the host country of the institution.
33	Waqf (endowment)	This standard was issued on 28 Jumada Al-Thania 1429 correspondin g to 2 July 2008.	Sharia Board adopted the Waqf Standard at its twenty-first meeting held on 24, 28 Jumada Al-Thania 1429 corresponding to 28 June, 2 July 2008 Dar Al Taqwa Hotel, Madinah, Saudi Arabia.	This standard presents the definition of Waqf and discusses its types, Shari'ah rulings, basic elements, and the conditions that pertain to each of these elements. It also covers the conditions required in the Waqf and the Waqif (donor), and illustrates the appropriate methods for Waqf utilization, investment, supervision and management. Furthermore, the standard covers the crucial role that Islamic financial Institutions could play in the development of Waqf, and the appropriate methods of Waqf investment. This standard, however, does not cover other philanthropic Institutions such as Irsad (allocation of public property for public utilities) and financial trusts which resemble Waqf in some aspects.
34	Hiring of Persons	This standard was issued on 28 Jumada Al-Thania 1429 correspondin g to 2 July 2008.	Sharia Board adopted the Waqf Standard at its twenty-first meeting held on 24, 28 Jumada Al-Thania 1429 corresponding	This standard covers hiring of the service/work of persons between the institution and other institutions or individuals. The standard covers the cases when the institution is the

			to 28 June, 2 July 2008 Dar Al Taqwa Hotel, Madinah, Saudi Arabia.	employee and when it is the employer. However, the standard does not cover other contracts such as Mudarabah, investment agency, irrigation, sharecropping, and agricultural partnerships, and Istisna’a.
35	Zakah (Obligatory charity)	This standard was issued on 30 Dhu al-Qa'dah 1429 correspondin g to 28 November 2008.	Sharia Board adopted the draft Zakah standard at its twenty-second meeting held in the Kingdom of Bahrain from 28 to 30 Dhu al-Qa'dah 1429 corresponding to 26, 28 November 2008.	This standard covers identification of the Zakah base for Institutions (including Islamic insurance companies) as well as the subsidiary and the mother company of the Institution (the company). This will be done through identification of the items of financial statements that should or should not be included in calculation of the Zakah base, and the liabilities or allocations that should or should not be deducted from Zakatable assets. The standard also covers payable Zakah rates, disbursement of Zakah funds on the eight categories of Zakah recipients, and the rulings pertaining to disbursement.
36	Impact of Contingent Incidents on Commitments	The standard was issued on 17 Rabi Al-Awal 1430 correspondin g to 15 March 2009.	Sharia Board adopted the Standard of Impact of Contingent Incidents on Commitments at its twenty-third meeting	This Standard covers the contingent incidents encountered in honoring the commitments that stem from application of Islamic modes of financing and investment by Islamic financial institutions

			held in the Kingdom of Bahrain in the period from 15, 17 Rabi Al-Awal 1430 corresponding to 12, 15 March 2009.	(Institution/ Institutions). It also covers the effects of such incidents on commitments. The Standard, however, does not cover defects of will or the conducts that result from mutual consent of the two parties.
37	Credit Agreement	The standard was issued on 17 Rabi Al-Awal 1430 correspondin g to 15 March 2009.	Sharia Board adopted the Standard of the Credit Agreement at its twenty-third meeting held in the Kingdom of Bahrain from Thursday, Saturday, 15-17 Rabi Al-Awal 1430 corresponding to 12, March 15, 2009.	This standard covers credit facilities and the returns and commissions arising from them, whether such facilities are practiced between the Institution and its clients or between the institution and other institutions.
38	Online Financial Dealings	The standard was issued on 17 Rabi Al-Awal 1430 correspondin g to 15 March 2009.	Sharia Board adopted the Standard for Online Financial Dealings at its twenty-third meeting held in the Kingdom of Bahrain on Thursday, Saturday, 15, 17 Rabi Al-Awal 1430 corresponding to 12, 15 March 2009.	This standard covers the Shari'ah rulings relating to conclusion of financial contracts online, either by launching commercial websites, or by provision of online access services. The standard aims to indicate the various aspects pertaining to this subject such as the Shari'ah status of the contracts concluded in this manner, determination of the time of contract inception, permissible procedures of possession after signing the contract, and Shari'ah rulings relating

				to protection of online financial dealings.
39	Mortgage and its Contemporary Applications	Issued on 17 Rabi Al-Awal 1430 correspondin g to 15 March 2009.	Sharia Board adopted the Standard of Mortgage and its Contemporary Applications at its twenty-third meeting held in the Kingdom of Bahrain on Thursday, Saturday, 15, 17 Rabi Al-Awal 1430 corresponding to 12, 15 March 2009.	This standard covers mortgages requested by the institution with the aim of documenting the debts and commitments owed to it by other individuals and institutions. It also covers the mortgages presented by the institution to other parties in order to document the debts and commitments it owes to them. Furthermore, the standard covers the mortgages which the institution, in its capacity as a notary or agent, keeps for the benefit of other parties.
40	Distribution of Profit in Mudarabah-Based Investment Accounts	Issued on Jumada Al-Thania 26, 1430 correspondin g to June 19, 2009.	Sharia Board adopted the Standard for SS Distribution of Profit in Mudarabah-Based Investment Accounts at its twenty-fourth meeting held in Madinah on 25 and 26 Jumada Al-Thania 1430 corresponding to 18 and 1 June 2009.	This standard covers investment accounts managed on the basis of Mudarbah (speculation) and the principles and conditions of realisation and entitlement to profit. The standard also covers how profits are to be distributed between the institution as a speculator and the holders of investment accounts as money owners, and to discuss the procedural aspects of profit realisation such as determination of the expenses to be charged to investment accounts and the allocations and reserves to be deducted from the profits. The standard doesn't cover the accounts managed on the basis of investment agency

				because such accounts require a separate standard.
41	Islamic Reinsurance	Issued on 2 Dhu Al-Qa'dah 1430 correspondin g to 22 October 2009	Sharia Board adopted the Reinsurance Standard at its twenty-fifth meeting held on 2 and 4 Dhu al-Qadah 1430 corresponding to 21 and 23 October 2009.	This standard covers Islamic reinsurance and participation with traditional insurance or reinsurance companies. The standard doesn't cover Islamic insurance which has already been covered in a separate standard.
42	Financial Rights and How They Are Exercised and Transferred	This standard was issued on 4 Dhu al-Qa'dah 1430 correspondin g to 23 October 2009.	Sharia Board adopted the Financial Rights and How They Are Exercised and Transferred Standard at its twenty-fifth meeting held in the period from 2 to 4 Dhu al-Qa'dah 1430 corresponding to 21, 23 October 2009.	This standard provides a description of financial rights, their types, rules, conditions, parameters, the way they are exercised and transferred, and the mechanisms used to protect them. It also addresses the most important rights exercised in the transactions of financial institutions. This standard doesn't cover non-financial rights, options, e.g., term option and revocation option; or rights relating to Waqf (endowments), as they have already been covered in separate standards.
43	Insolvency	This standard was issued on 14 Jumada Al-Thania 1431 correspondin g to 28 May 2010.	Sharia Board adopted the Insolvency Standard at its twenty-seventh meeting held in the Kingdom of Bahrain on 12 and 14	This Standard covers the Shari'ah rules relating to the causes and consequences of insolvency, whether faced by an institution or its institutional or individual business and non-business customers. It also addresses the judicial

			Jumada Al-Thania 1431 corresponding to 26 and 28 May 2010.	declaration of insolvency over an institution and its consequences, and in particular, the sale of its assets, the distribution of the proceeds among the creditors and how insolvency is revoked. It does not cover financial difficulties (as defined by Islamic jurisprudence), liquidity shortfalls or delays in payment that do not lead to a declaration of insolvency.
44	Obtaining and Deploying Liquidity	This standard was issued on 14 Jumada Al-Thania 1431 correspondin g to 28 May 2010.	Sharia Board adopted the standard of Obtaining and Deploying Liquidity at its twenty-seventh meeting held in the Kingdom of Bahrain on 12 and 14 Jumada Al-Thania 1431 corresponding to 26 and 28 May 2010.	This Standard covers what is meant by liquidity and the permissible means of obtaining and deploying it.
45	Protection of Capital and Investment	This standard was issued on 24 Dhu Al-Qa'dah 1431 correspondin g to 30 November 2010.	Sharia Board adopted the Protection of Capital and Investment Standard at its twenty-eighth meeting held in the Kingdom of Bahrain on 22 and 24 Dhu al-Qa'dah 1431 corresponding to 28 and 30	This Standard covers the instruments and methods used to protect capital and investments from loss, decrease and destruction.

			November 2010.	
46	Investment Agency	Issued on 26 Jumada Al-Thania 1432 correspondin g to 29 May 2011.	Sharia Board adopted the Investment Agency Standard for in its thirtieth meeting held in the Kingdom of Bahrain in Al-Tafra on 24, 26 Jumada Al-Thania 1432 corresponding to 27, 29 May 2011.	This Standard covers Investment Agency in various fields, or parts thereof, and the powers and responsibilities of the principal and the investment agent. It does not cover Agency in general or the acts of Un-commissioned Agent (Fodooli) as they are covered by Shari'ah Standard No. (23) on Agency and the Acts of an Un-commissioned Agent (Fodooli).
47	Rules for Calculating Profit in Financial Transactions	Issued on 26 Jumada Al-Thania 1432 correspondin g to 29 May 2011.	Sharia Board adopted the Standard of Rules for Calculating Profit in Financial Transactions at its thirtieth meeting held in the Kingdom of Bahrain on 24 and 26 Jumada Al-Thania 1432 corresponding to 27 and 29 May 2011.	This Standard covers profit, its validity in Shari'ah and rules and methods of calculating and distributing it. It also explains who is entitled to profit earned from the financing and investment activities of the institutions. This Standard does not cover profit distribution in investment accounts because that is provided in a separate Standard.
48	Trust-Based Options	Issued on Jumada Al-Thania 26, 1432 correspondin g to May 29, 2011,	Sharia Board adopted the standard of Trust-Based Options at its thirtieth meeting held in the Kingdom of Bahrain on 24 and 26 Jumada Al-Thania 1432	This Standard covers the rules relating to options of buyers to revoke contracts that arise immediately upon the seller deceiving the buyer by statement or conduct or grossly overcharging him in specific circumstances. It does not cover options to reconsider or options to revoke as they have

			corresponding to 27 and 29 May 2011.	separate Shari'ah Standards dedicated to them.
49	Unilateral and Bilateral Promise	This standard was issued on 21 Safar 1434 correspondin g to 4 January 2013.	Sharia Board adopted the standard of Unilateral and Bilateral Promise at its twenty-fourth meeting held in the Kingdom of Bahrain on 20, 21 Safar 1434 corresponding to 3, 4 January 2013.	This Standard covers promises (unilateral and bilateral) given by certain parties for the purpose of concluding a contract or effecting a disposal, and explains when such instruments are binding and when they are not, the jurisprudential rules that govern them, and the most important contemporary applications of each type in the activities of Islamic financial institutions.
50	Irrigation Partnership	This standard was issued on 21 Safar 1434 correspondin g to 4 January 2013.	Sharia Board adopted the Irrigation Partnership standard at its thirty-fifth meeting held in Madinah on 22 Shawwal 1434 corresponding to 29 September 2013.	This Standard covers the Shari'ah rules and requirements for Irrigation Partnership and its applications in the activities of Islamic financial institutions. It does not cover other forms of agricultural partnership as they have separate Shari'ah standards dedicated to them.
51	Options to Revoke Contracts Due to Incomplete Performance	This standard was issued on 21 Safar 1434 correspondin g to 4 January 2013.	Sharia Board adopted the standard of Options to Revoke at its thirty-fourth meeting held in the Kingdom of Bahrain, corresponding to 21 Safar 1434, 3, 4 January 2013.	This Standard covers options to revoke contracts due to reasons of defect, deal fragmentation and breach of description. It does not cover options to revoke arising from breach of trust or options of due diligence as they have separate Shari'ah standards dedicated to them.
52	Options to	This standard	Sharia Board	This Standard covers

	Reconsider	was issued on 23 Shawwal 1434 corresponding to 30 September 2013.	adopted the Standard of Options to Reconsider at its twenty-fifth meeting held in Madinah, Kingdom of Saudi Arabia, on 22 and 23 Shawwal 1434 corresponding to 29 and 30 September 2013.	options to reconsider (cooling-off options, either- or options, and options to revoke due to non-payment) that are stipulated by the parties to grant them time to reconsider the transaction. It does not cover options to revoke contracts due to incomplete performance (defect, deal fragmentation and breach of condition or description) or options to revoke contracts due to breach of trust (dishonest inducement, deception and overcharging) as they have separate Shari'ah Standards dedicated to them.
53	Earnest Money	This standard was issued on 15 Muharram 1435 corresponding to 8 November 2014.	Sharia Board adopted the Standard of Earnest Money in its thirty-nineth meeting held in the Kingdom of Bahrain on 13 and 15 Muharram 1435 corresponding to 6 and 8 November 2014.	This Standard covers the definition of Earnest Money, the rules applicable to it and its applications in the activities of institutions in commutative financial transactions that do not require spot delivery of countervalues. It does not cover payments made prior to contract such as refundable security deposits, commissions or advance payments made subsequent to contracts that are not subject to options.
54	Revocation of Contracts by Exercise of a Cooling-Off Option	This standard was issued on 15 Muharram 1435 correspondin	Sharia Board adopted the Standard of the Revocation of Contracts by Exercise of	This Standard covers the stipulation of revocation of valid and binding contracts and the causes and consequences of and

		g to 8 November 2014.	a Cooling-Off Option at its thirty-nineth meeting held in the Kingdom of Bahrain on 13 and 15 Muharram 1435 corresponding to 6 and 8 November 2014.	impediments to such revocation. It does not cover the expiry of contracts at the end of their contractual terms or nullification owing to the absence of a condition required by the Shari'ah.
55	Competitions and Prizes	This standard was issued on 30 Rajab 1437 correspondin g to 7 May 2016.	The Sharia Board adopted the Standard of Competitions and Prizes at its forty-third meeting held in the Kingdom of Bahrain from 1 to 3 Jumada Al-Thania 1437 corresponding to 10, 12 March 2016.	This standard sets out the Shari'ah rulings relating to competitions, prizes, and promotional gifts, and the Shari'ah rulings pertaining to their application or sponsorship by the Institutions. The standard does not cover incentives offered to improve performance of Institutions' clients and employees and directors. Nor does it cover job-related competitions and reverse auctions. It also doesn't cover the Shari'ah rulings on Ju'alah in activities other than competitions, as this is covered by a separate standard.
56	Investment Manager Guarantee	This standard was issued on 18 Safar 1438 correspondin g to 18 November 2016.	Sharia Board adopted the Investment Manager Guarantee standard at its forty-sixth meeting held in the Kingdom of Bahrain during the	This standard covers the conditions of the investment manager in terms of the presence or absence of guarantee, the concept of infringement and default, their forms and reference, the provisions resulting from the investment manager guarantee, and the

			period from 17, 19 Safar 1438 corresponding to 17, 19 November 2016.	provisions of the obligation of a concerned party. The standard does not cover the guarantees that do not relate to the investment manager, which are considered in Standard No. 39 on mortgage, Standard No. 5 on guarantees, and Standard No. 45 on capital protection.
57	Gold and its Dealing Controls	This standard was issued on 19 Safar 1438 correspondin g to 19 November 2016.	Shariah Board adopted the Gold Standard at its forty-sixth meeting held in the Kingdom of Bahrain during the period from 17, 19 Safar 1438 corresponding to 17, 19 November 2016.	This standard covers the Shari'ah rulings for gold in its various types and forms, the Shari'ah parameters for trading in gold, and the Shari'ah rulings for gold-based financial products in the institutions. This standard does not cover the Shari'ah rulings related to precious metals other than gold and silver, nor does it cover the Shari'ah rulings for currencies, as they are covered in a separate standard.
58	Repurchase	This standard was issued on 13 Jumada Al-Thani 1438 correspondin g to 12 March 2017.	Sharia Board adopted the Repurchase Standard at its forty-seventh meeting held in Madinah during the period from 10, 13 Jumada Al-Thania 1438 corresponding to 9, 12 March 2017.	This standard covers the repurchase of the property or usufruct that came out of the property of the contract by sale and the related commutative contracts. This in terms of definition, Sharia provision and controls, repurchase provisions, and its applications in institutions. The standard does not cover the repurchase of the property or usufruct that came out of the property of the contract

				by other than sale, nor the actions in which the property belongs to its seller by other than sale or termination, such as duty-paid sale and dismissal.

Source: Accounting and Auditing Organization for Islamic Financial Institutions AAOIFI, **Sharia Standards**, King Fahd National Library, 1437, Bahrain, p.p. 55-1371

Importance of Sharia Standards

- Compliance with these standards will lead to cooperation between financial institutions through joint actions, and even to their unification through contracts, controls and general principles;
- The existence of these standards benefits customers in terms of adherence to the provisions of Sharia, therefore they know their rights, duties and provisions;
- Sharia standards benefit the judiciary or arbitration bodies to reach a fair and clear ruling;
- The existence of such standards and adherence to them benefit the State, central banks, controlling and auditing bodies, in how to deal with and control Islamic financial institutions, to identify their work and contracts, and how to audit them in the light of the principles and controls set by Sharia standards;
- The existence of these Sharia and accounting standards benefits external audit companies in how to control, and internal audit on specific bases, scales and weights.[xv]

B/ Financial Accounting Standards: The table below includes the Sharia standards issued by the AAOIFI, bearing 39 standards as follows:

Table (02): Accounting Standards

Standard no.	**Standard Title**
Standard 1	General Presentation and Disclosure in the Financial Statements of Islamic Banks and Financial Institutions
Standard 2	Murabaha and Murabaha for purchase order
Standard 3	Mudaraba (Speculative) Financing
Standard 4	Partnership Financing
Standard 5	Disclosure of Bases for the Profits Distribution between Property and Investment Accounts Holders
Standard 6	Rights of Investment Accounts Holders and the Like
Standard 7	Salam and Parallel Salam
Standard 8	Management and Management-to-end (Revised)
Standard 9	Zakah (Obligatory charity)
Standard 10	Istisna'a (Manufacturing) and Parallel Istisna'a
Standard 11	Provisions and Reserves

Standard 12	General Presentation and Disclosure in the Financial Statements of Islamic Insurance Companies
Standard 13	Disclosure of Bases for Determining and Allocating Surplus or Deficit in Islamic Insurance Companies
Standard 14	Investment Funds
Standard 15	Provisions and Reserves in Islamic Investment Companies
Standard 16	Foreign Currency Transactions and Foreign Operations
Standard 17	Investments
Standard 18	Islamic Financial Services Offered by Conventional Financial Institutions
Standard 19	Contributions in Islamic Insurance Companies
Standard 20	Credit Sale
Standard 21	Disclosure of Transfer of Assets
Standard 22	Segment Reporting
Standard 23	Consolidation
Standard 24	Investments in Associates
Standard 25	Investment in Sukuk, Shares and Similar Instruments
Standard 26	Investment in Real estate
Standard 27	Investment Accounts
Standard 28	Murabaha and Deferred Payment Sales
Standard 29	Sukuk in Financial Statements
Standard 30	Impairment Credit Losses and Onerous Commitments
Standard 31	Investment Agency
Standard 32	Lease
Standard 33	Investment in Sukuk, Shares and Similar Instruments
Standard 34	Financial Reporting for Sukuk Holders
Standard 35	Risk Reserve Finalization
Standard 36	First Time Adoption of AAOIFI Financial Accounting Standards
Standard 37	Financial Reporting by Waqf Institutions
Standard 38	Promise, Option and Prevention
Standard 39	Financial Report on Zakah

Source: Lekam Abdelkarim Boujalal, Bouznoura Asma, Financial Accounting System Demonstrates the Extent of Compatibility of the Accounting Processing of Islamic Financing Formulas AAOIFI and AAOIFI SCF, Case Study of the Islamic Window of the Algerian National Bank, Proceedings of the International Virtual Conference on 01 – 02 April 2023, Requirements for the Proper Application of Standards Issued by AAOIFI in Different Countries of the World (Arab, Islamic and non-Islamic countries), Arab Democratic Center in Germany, Berlin, p. 130.

Importance of Accounting Standards

- They constitute a reference and a considerable method of work to which the accountant refers when carrying out accounting operations;
- They are considered a roadmap as they clarify the accounting processing for the operations of Islamic financial and banking establishments, and this achieves the principle of uniformity and stability;

- Islamic standards help in making comparisons between the financial statements of the group of Islamic financial and banking institutions and evaluating them appropriately, especially in light of globalization and the spread of regional and international coalitions;
- Work to achieve confidence in the published financial statements at the national level;
- Help achieve cooperation between institutions and global accounting centers.[xvi]

C/ Auditing Standards: They are standards orienting the auditor to express his opinion on whether the financial statements have been established in accordance with the rules of Sharia. The 9 standards are summarized in the following table:

Table (03): Auditing standards

Standard no.	Standard Title
Standard 1	Audit Objective and Principles
Standard 2	External Auditor's Report
Standard 3	Terms of Engagement for Auditing Process
Standard 4	Examination of External Auditor Compliance with the Provisions and Principles of Islamic Sharia
Standard 5	Responsibility of External Auditor to Investigate Fraud and Error while Auditing Financial Statements
Standard 6	External Sharia Audit Standard
Standard 7	Central Sharia Institutions
Standard 8	Sharia Obligation
Standard 9	Classification of Sharia Obligation

Source: Issued standards, in: https://aaoifi.com Access date: 07/07/2024

Importance of Islamic Auditing Standards:

- They examine and evaluate all the work of Islamic financial institutions and the extent of their compliance with Sharia controls, including the banking process; that is, ensuring the deposit and employment of funds and the provision of financing in accordance with Islamic Sharia.[xvii]

D/ Standards of Governance and Ethics:
They are two standards summarized in Table No. 4:

Table (04): Standards of Governance and Ethics

Standard no.	Standard Title
Standard 1	Code of Ethics for Accountants and Auditors of Islamic Financial Institutions
Standard 2	Code of Ethics for Islamic Finance Professionals

Source: Issued standards, in: https://aaoifi.com Access date: 07/07/2024

Importance of Governance and Ethics:

- Ensuring strict adherence to the provisions of Islamic Sharia, by committing to its general principles, and the detailed provisions related to the transactions of Islamic financial institutions;
- Promoting financial stability, gaining the trust of stakeholders, and giving credibility to the Islamic Financial Institution;
- Combating financial and administrative corruption, protecting shareholders' funds, through the application of the principles of disclosure and transparency, and activating the system of financial and administrative control.[xviii]

4. SOURCES FOR ESTABLISHING AAOIFI STANDARDS

There is a set of sources as follows:[xix]

A/ Provisions of Islamic Sharia: They are based on what is mentioned mainly in the Holy Quran and the Sunnah of the Prophet, and in detail in the ancient jurisprudence books in particular, and in the contemporary jurisprudence, such as the interpretation and explanations of Hadith and Islamic systems. This is the main source for building accounting standards for Islamic banks, whether to devise the necessary thoughts to build standards, or to judge the validity of the prevailing accounting thought and its applications.

B/ Rules and Policies Applied in Existing Islamic Banks: They represent a general source for building standards because they have proven their validity in the application and Islamic banks by virtue of their founding systems adhering to the provisions of Islamic Sharia. This commitment is confirmed by the Sharia supervisory bodies. However, due to the differences in the applied policies, and to ensure first that they comply with Sharia provisions, it is necessary to choose the most applied policy or rule and adopt it within the provisions of the standard, based on the fact that custom represents one of the sources of Sharia and that it is not used by only one bank, but rather most or all banks use a different policy .

C/ Prevailing Thought and Accounting Application: Whether in the form of theoretical research and writings or accounting standards issued by international, regional or local organizations, this source includes some thoughts that are agreed upon from the legal point of view, some are contrary to the rulers of Sharia, and some others do not suit the origin of Islamic banks. Therefore, what is contrary or not fitting cannot be adopted. As for the thoughts that do not violate Sharia and are suitable for Islamic banks, there is no objection to benefiting from them.

Conclusion

Accounting and Auditing Organization for Islamic Financial Institutions AAOIFI sought to develop and update its standards in line with the principles and provisions of Islamic Sharia, through training, holding seminars, preparing and publishing research and reports. It aims at developing the confidence of users of financial statements in the information issued by them, encourage them to invest and deposit their funds, and benefit from their various services. This research concluded the following:

- AAOIFI is one of the most prominent supporters of the Islamic banking industry;
- Standards issued by AAOIFI benefit countries and central banks and activate their control and auditing work;
- Islamic banks have gained an efficient role in the wide dissemination of the jurisprudence of financial transactions by providing financing formulas commensurate with the provisions of Islamic law.

Recommendations

- Encouraging banks to move towards and adhere to Islamic financial thought;
- Instilling confidence among individuals by adhering to the provisions of Islamic Sharia in the presentation of Islamic products;
- Promoting standards through seminars, holding international forums and disseminating them widely;
- Providing the legal and regulatory ground that supports the application of AAOIFI standards in banks.

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