

Commodity Murabahah Deposits in Islamic Banking: An Easy Way Out Deposit Komoditi Murabahah dalam Perbankan Islam: Satu Penyelesaian Mudah

MASTURA MOHD SHAFIE
MAT NOOR MAT ZAIN
NIK ABDUL RAHIM NIK ABDUL GHANI

ABSTRAK

Akta Perkhidmatan Kewangan Islam 2013 (IFSA) membezakan secara jelas antara akaun deposit dan akaun pelaburan Islam berdasarkan kontrak Syariah yang digunakan. Produk yang berasaskan prinsip Syariah dengan ciri-ciri yang tidak dijamin prinsipal diklasifikasikan sebagai akaun pelaburan, manakala produk yang dijamin prinsipal adalah akaun deposit. Memandangkan penandaan ini, makalah ini bertujuan untuk menonjolkan reaksi institusi kewangan Islam (IFI) dari segi penawaran produk untuk membuat penyesuaian dengan peraturan baru ini. Metodologi penyelidikan yang digunakan adalah pendekatan kualitatif di mana penulis memperoleh data dan maklumat dari artikel, jurnal, penerbitan penyelidikan dan dokumen bertulis lain. Kajian empirikal menunjukkan bahawa IFI telah berpindah dari produk kontrak Syariah berasaskan pelaburan kepada produk deposit berasaskan komoditi murabahah atau tawarruq. Komoditi murabahah telah menjadi satu bentuk teknik perbankan Islam yang sangat biasa di Malaysia, yang kebanyakannya digunakan dalam penyediaan kemudahan pembiayaan seperti pembiayaan peribadi, pengguna dan perdagangan serta produk deposit, sebagai tambahan kepada penstrukturan sukuk dan untuk tujuan pengurusan kecairan. Walau bagaimanapun, rasional perdagangan komoditi pendasar yang berlaku dan kewujudan unsur wakalah yang membawa kepada tatacara yang jelas dalam urusan niaga tersebut telah menyebabkan kebimbangan mengenai tindak balas industri terhadap keperluan IFSA.

Kata kunci: Komoditi murabahah; kemudahan pembiayaan; akaun deposit dan pelaburan; Akta Perkhidmatan Kewangan Islam 2013

ABSTRACT

The Islamic Financial Services Act 2013 (IFSA) provided clear distinction between Islamic deposit and investment account based on the Shariah contract applied. Products which are based on Shariah principles with non-principal guaranteed features are classified as investment accounts, while those products which are principal guaranteed are deposit accounts. Given this demarcation, this paper aims to highlight the reaction by Islamic financial institutions (IFIs) in terms of product offering to align with the new regulation. The research methodology used is qualitative approach whereby the author garnered data and information from articles, journals, research publications and other written documents. The empirical studies showed that IFI had migrated from investment-based Shariah contract's products to deposit products based on commodity murabahah or tawarruq. Commodity murabahah has become a very common form of Islamic banking technique in Malaysia, mostly used in the provision of financing facilities such as personal, consumer and trade financing as well as for deposit products, in addition to sukuk structuring and for liquidity management purposes. Despite that, the rationale of underlying commodity trading took place and the existence of wakalah element that led to an apparent arrangement in such transactions have caused concern on the industry response to the IFSA requirements.

Keywords: Commodity murabahah; financing facilities; deposits and investment accounts; Islamic Financial Services Act 2013

INTRODUCTION

Islamic Financial Services Act 2013 (IFSA) had been enacted to among others strengthen Shariah compliance by Islamic Financial Institutions (IFIs) in their entire activities and banking operations. Given

the main business of IFIs are provision of financing facilities and deposits taking services to customers, the effective and accurate application of Shariah contracts in the products structure are of an utmost important to ensure income received are Shariah compliant. In this regard, IFSA imposes stringent

requirements to the extent of particularities of Islamic products and operations in order to align with regulatory and Shariah principles as well as to promote greater operational certainty.

Unlike definition of deposit under the repealed Islamic Banking Act 1983 (IBA) that provided flexibility to IFIs to apply various Shariah contracts, including those of non-principal guaranteed such as *mudarabah* and *wakalah*, as the underlying principles for deposit products structure, IFSA enforces clear demarcation in defining Islamic deposits and investment accounts. Following this, deposit products that apply the Shariah contracts of *mudarabah*, *musharakah* and *wakalah* shall be reclassified into investment accounts (non-principal guaranteed), while products with principal guaranteed features has to be classified as deposit, in accordance with the definition under section 2(1) of the IFSA (Bank Negara Malaysia 2014).

In the attempts to comply with the regulatory requirements imposed, IFIs have to revisit the existing products in the market and start reinventing alternative products that precede deposit products with features that are contradicting to the Shariah principles. In this respect, this paper intend to highlight how IFIs reacted to this new regulatory direction and the alternative or option provided with regards to the existing deposit products in their book.

LITERATURE REVIEW

One of the aims of the Financial Sector Masterplan (FSMP) which was launched in 2001 is to further strengthen the regulatory and Shariah framework governing the activities and operation of IFIs in Malaysia. In this respect, the IBA and the Banking and Financial Institutions Act 1989 (BAFIA) had been amended and fine-tune to further strengthen regulation and supervision over these IFIs (Bank Negara Malaysia 2001). To facilitate achievement of this objective, IFSA was then enacted and one of the immediate significant impact on the IFIs operation are the need to reclassify the deposit products according to the underlying Shariah principles applied.

REGULATORY AND POLICIES DIRECTION

Section 2 of the IFSA defined deposits as a sum of money accepted or paid in accordance with Shariah which must be returned back to the depositors in

full, with or without any gains, return or any other consideration in money or money's worth. The money has to be returned either on demand or at a time or in circumstances agreed by or on behalf of the person making or accepting the payment. Meanwhile investment account pursuant to the IFSA means a product or services offered by IFIs whereby there is no obligation or guarantee that the invested money will be returned back to investors in full. Profits derived, or both profits or losses resulted from the investment undertaken shall be shared by the investors and the entrepreneurs and in the case of IFI, it has to be shared between investment account holders and the bank.

In relation to this, with effect from 1 July 2015, IFIs shall have reclassified all their deposit products either into deposit or investment account as defined in the IFSA. In order to facilitate smooth transition to the new policy direction, Bank Negara Malaysia (BNM) had on 14 February 2014 issued Transition policy under Islamic Financial Services Act 2013 (Transition Policy) to clarify and provide policy direction for the implementation of Islamic deposits and investment accounts. Based on the Transition Policy, IFIs are allowed to continue offering and/or accepting deposits from customers in the form of current account, savings account or other similar accounts based on the already approved Shariah contract then, which is non-principal guaranteed until 30 June 2015, except for any term deposit accepted with maturity period beyond 30 June 2015; or any term deposit held as security against another financing facility until the settlement of the facility. Subsequently, all deposit accounts shall be recorded in accordance with the Shariah principle used as the underlying contract.

On the investment account front, BNM had on 10 October 2017 issued a policy document on Investment Account to facilitate the development and operationalisation of investment accounts in line with the requirements of IFSA and to ensure compliance with standards on Shariah issued by BNM. This policy outlined disclosure requirements by IFIs in order to protect the interest of investors as well as the prudential requirements to support sound risk management of investment accounts by IFIs.

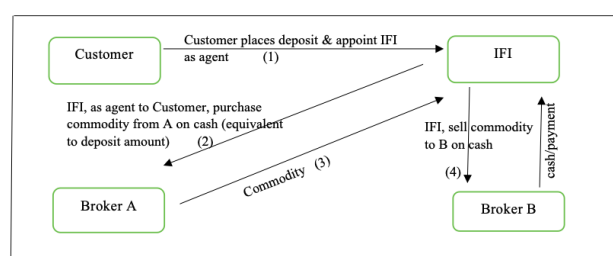
COMMODITY MURABAHAH DEPOSIT IN MALAYSIA

In the recent years, Islamic banking industry in Malaysia has experienced the growth in usage of commodity murabahah transactions in both assets

and liability side of the banks' book. The commodity murabahah contract, commonly referred to as tawarruq, also being used to structure mechanism for managing risk exposures within the bank such as tools for hedging instruments (Asyraf & Nurdianawati 2011). The empirical studies showed that deposit products offered by IFIs are skewed towards commodity murabahah/tawarruq based transactions subsequent to the enforcement of IFSA.

Commodity murabahah was officially endorsed in July 2005 by the Shariah Advisory Council of Bank Negara Malaysia as a permissible instrument to be used in the Islamic financial market (Asyraf 2007). The permission for the practice of murabahah is derived based on the justifications from the Holy Quran verse 275 wherein Allah swt says '... whereas Allah has permitted trading and forbidden *riba usury*...' and the legal maxim which stipulated '*mu'amalah is permissible, except when there is a provision prohibiting it*'. Majority scholars also agreed on the permissibility of murabahah according to the saying of the Prophet SAW '*I will preferably take it at acquisition price*', when the Prophet SAW refuses to accept the camel purchased for his migration to Medina, from Abubakr without any cost (Abdul Ghafar 2010).

Murabahah refers to the contract between a seller and a buyer wherein the seller will sell Shariah compliant commodity to the buyer on the mark-up or "cost-plus" price, payable on cash or at a future agreed date either in a lump sum or via instalments arrangement. The party to murabahah contract may also enter into the contract through an agent (Bank Negara Malaysia 2013). From the banking perspective, commodity murabahah is widely used in the Islamic banking practices in Malaysia and has become a popular alternative among IFIs as a product to replace the controversial Bay al-Inah based product. Figure below illustrated typical structure for commodity murabahah deposits practices in Malaysia.



Typically, in a commodity murabahah deposit structure, IFI has acted as intermediary or agent

to the customer to purchase Shariah compliant commodity from a broker via Bursa Suq Al-Sila' Malaysia (BSAS). Later, customer as the owner of the commodity will sell those commodity to the IFI on deferred basis. Effectively, customer has made placement with the IFI which is equivalent to the intended deposit amount. IFI will then sell those commodity to a broker, other than broker in the first leg of transaction, via BSAS on cash basis. The proceed from sale of commodity received will be utilised for IFI's funding purposes such as provision of financing and investment. The end result of this kind of arrangement is called organised tawarruq, which had rendered the structure as unacceptable by many prominent Shariah scholars.

ISSUES AND DEBATES ON COMMODITY MURABAHAH

Based on the above, the role played by IFIs as agent to the customer to trade commodity, and the buying and selling took place which serves as means to facilitate immediate movement of cash from customer to the IFIs, has led to controversial issues on this product. Besides, the *wakalah* element (agent) that exist in commodity murabahah transaction has triggered this structure as an organised arrangement which subjected to massive criticism by many Middle Eastern scholars (Fathullah & Jasni 2018). Notwithstanding, BNM via Tawarruq Policy had allowed commodity murabahah transaction based on dual agency whereby IFIs have been appointed to conduct all transactions on customers' behalf by way of multiple agency appointments. This practice is however in contrast with the Shariah Standard 30 of AAOIFI which restricted the selling of commodity on customer's behalf if the customer initially bought that commodity from the IFIs, neither the IFIs arrange a proxy third-party to sell this commodity (Salman 2009).

A designated third-party in an organised tawarruq is only a trick to prevent commodity transaction from being concluded between two parties, which in the end resulted in the items traded returned to the original seller. There are elements of fraud and ambiguity (*syubhat*) in this practice when IFIs claim that the designed transaction is Shariah-compliant. The organized or pre-arranged commodity murabahah transaction in practiced has led to disallowance of the use of this arrangement by the Organisation of International Council of Islamic Fiqh Academy (OIC). However this ruling was opposed by several Islamic scholars such as

Mohammad Akram Laldin, Dr Abdul Sattar Abu Ghuddah and Mohammad Sa'id Al-Buti who are of the views that in the modern commerce that required intermediation, *tawarruq* or commodity *murabahah* enable such intermediation process. Besides, there is no basis for invalidity of organised *tawarruq* as each sale in commodity *murabahah* transaction is valid and hence the organised *tawarruq* is indeed Shariah-compliant (Nikan 2009).

There are also classical scholars who perceived commodity *murabahah* as exploitative in nature given that the contract is entered by the party who are in need for funding or liquidity, while the counterparty has made arrangement to sell commodity with mark-up price for profit, instead of giving loan. The transaction is like a sale of a forced person to get the liquidity from another person, wherein the person with excess liquidity does not willing to give loan but rather institute sale transaction to get profit. Ibn Taymiyyah has prohibited *tawarruq*/commodity *murabahah* with a view that illah of *riba* is achieved in *tawarruq* and that the Prophet Muhammad has forbidden selling while in urgent condition. He mentioned that *tawarruq* is worse than *riba* since *tawarruq* entails a higher cost and losses (Shochrul et al 2010).

It is further noted that none of the contracting parties have the intention to actually acquire or hold the commodity transacted, notwithstanding the option given to customer to take physical delivery of such commodity. The real intention of the contract is to create debt obligation, hence the underlying commodity traded is rather a route to mobilise money. The sale of commodity in this case is something illusionary to earning money for money without any real exchange. This situation entices claim that IFIs are practicing interest-based finance in hidden way by virtue of *tawarruq* as the main instrument that facilitate the financing transaction. This product also appears costly as fees and charges imposed by IFIs has been exaggerated due series of interrelated binding agreements such as *murabahah* profit and agency fees involved (Ellida et al 2017; Kahf & Habbani t.th).

As commodity *murabahah* transacted is intended to create debt obligation rather than the true sale, renowned scholars like Nejatullah Siddiqi and Abbas Mirakhor have contended to the practice. Application of commodity *murabahah* is viewed as heading harm more than benefit as it does not improve the net wealth of society nor generate economic

substance, but instead promoted redistributions of wealth in favour of the supplier of finance/creditors, which is clearly parallel to traditional loan. There is thin relationship between IFIs and the real economy sectors (Amir 2013).

The distinct views on the legality of *tawarruq*/commodity *murabahah* among Shariah scholars, Fatwa-issuance body like OIC Fiqh Academy, economist etc is a sign of suspicious and mixing between permissible and non-permissible practices of the contract.

METHODOLOGY

This study has adopted document analysis approach to understand the action by IFIs towards the requirements of the new IFSA with regards to their deposit products offered in the market. The reference materials for this study are derived mainly via library research consisting of secondary sources namely books, journals, articles as well as financial disclosure of IFIs. The information gathered on financial position of IFIs are publicly available information, hence the restriction and need to observe secrecy or confidentiality of data or information disclosed does not arise. For the purpose of this study, the writer had made reference to the data for 2013 given the launched date of IFSA, 2015 for the transition period allowed by BNM as well as the position as at 2017, the latest IFIs' financial data made available publicly.

RESULTS OF THE STUDY

Throughout the year 2015, IFIs have finalized the migration of customers' deposit accounts into either deposits or investment accounts according to the definitions provided under the IFSA. During the two years transition period, customers are given options to convert their deposits into either an investment account that offer better rate of return but were not principal guaranteed or to keep it as deposit. Notwithstanding the available options, Islamic banking industry has experienced enormous growth in the offering of commodity *murabahah* deposits since the enactment of IFSA in 2013. Table below provides the proposition of commodity *murabahah* deposits to the total deposits of IFIs for the year 2013, 2015 and 2017.

TABLE 1: Value Proposition of Commodity Murabahah Deposits to Total Deposits

	2013	2015	2017
Total Deposit ('000)	310,976,110.00	377,478,481.00	457,861,939.00
Commodity Murabahah	15,333,322.00	99,550,012.00	165,929,556.00
Tawarruq	-	38,663,311.00	45,239,620.00
Murabahah	52,057,678.00	103,052,246.00	114,397,338.00
Total (include murabahah) [a]	67,391,000.00	241,265,569.00	325,566,514.00
Total (exclude murabahah) [b]	15,333,322.00	138,213,323.00	211,169,176.00
[a]/Total Deposit (%)	21.67	63.92	71.11
[b]/Total Deposit (%)	4.93	36.61	46.12
Mudharabah	122,394,839.00	19,476,268.00	1,000,806.00
Wakalah	34,875,763.00	882,277.00	87,769.00
Investment account	-	22,206,341.00	30,485,392.00

Source : IFIs Financial Statements 2013 – 2017.

The above statistical data on deposit accounts have been segregated into relevant Shariah contracts applied as the underlying product structure. It is noteworthy to highlight that some IFIs used tawarruq, while others used commodity murabahah or murabahah for their deposit products. In this regard, the term 'murabahah' deposits used by some IFIs can also be referred as commodity murabahah, not pure murabahah, as the nature of IFIs' business is accepting deposits from customers and not a trading company that sell goods in return for cash (deposited money).

As reflected in the table, commodity murabahah/tawarruq has contributed a big chunk of more than 70% of the IFIs' total deposits for the year 2017 as compared to 22% reported prior to the introduction of IFSA in 2013. Subsequent to the migration exercise of deposit in 2015, IFIs have recorded a more than three times (+250%) increased in commodity murabahah/tawarruq based deposit products from 2013. Further increment of more than 30% was registered for 2017. This trend showed that commodity murabahah has become alternative product preferred by IFIs to replace the investment deposits, in order to comply with IFSA requirements. In relation to this, Abu Sattar Abu Ghuddah in Fathullah & Jasni (2018) opined that IFIs should use commodity murabahah contract only in the range of 15% to 20% given the massive critics from majority Islamic scholars with regard to its status of Shariah compliance. The unethical elements of oppression, treachery, ambiguity and obscurity exists in this

product structure is contradicting to Shariah and requirements of IFSA.

Table above also exhibited that total deposits based on Shariah contract of mudharabah and wakalah represented more than 50% of the IFIs' total deposits for the year 2013. Under IFSA, principal and profit for products which are structured based on these two Shariah contracts are not guaranteed, hence by nature they are investment products. Return on these type of products are purely derived from the performance of the investment portfolio. In view of this and as a consequence, it is noted that investment accounts are less preferable by the IFIs. For the year 2015 and 2017, investment accounts represented less than 10% of the total deposits of IFIs as compared to commodity murabahah deposits. This state of marginal investment accounts exposures may be due to IFIs and customers' risk averse appetite following potential lost of capital invested or stringent regulatory and policy requirements with regards to managing an investment account.

Introduction of IFSA has actually marked initiative to provide comprehensive regulatory framework to support the growth and development of Islamic banking sector, including the effective application of Shariah contracts in Islamic products offering, which was then lacked specificities. The distinct definition for deposit and investment accounts will allow the IFIs to innovate and develop a wider range of products to meet the demands of the customers. Despite that, the operationalisation of this new requirements entails enhancement and

realignment to the system and operations of the IFIs. Further, BNM had also outlined stringent operational requirements for the offering of investment account products by the IFIs. In this regard, IFIs shall exercise due care and make informed decision in dealing with new product innovation.

Investment account was introduced to provide alternative and broader investment platform that will further expanded options for financing of entrepreneurship in the real economy. For Islamic banking industry, investment account will broaden the role of IFIs as the financial intermediaries to promote economic growth, while charting opportunities to tap into new sources of funding via application of equity-based Shariah contracts, or funding from viable ventures. Investment account shall complement private equity and venture capital funds, for businesses to access to financing (Bank Negara Malaysia 2014). However, market development indicated that IFIs had focused more on generating funding via commodity murabahah deposits, thus negated the intention of IFSA to pave the way to hasten the development of investment accounts as a distinct Shariah-compliant assets class and source of funding for IFIs. A study by Azharul and Mohammad Firdaus (2017) on Hong Leong Islamic Bank and Alliance Islamic Bank from 2013 to 2016 revealed that commodity murabahah deposits had increased while mudharabah investments reduced post implementation of IFSA. This study then suggested IFIs to enhance customers awareness via awareness campaign, advertisement, seminar and training on Islamic banking products, in addition to improvement to the policies and business strategy.

On the prerequisite regulations, the policy on Investment Account that govern operationalisation of investment account had set out capital adequacy and liquidity requirements for investment account, disclosure requirements that commensurate with risk exposures of the investors as well as responsibilities of IFIs to manage the investments in accordance with sound investment principles. To achieve this, IFIs need to formulate a comprehensive capital plan and business strategy which include reasonable assumptions and stress testing scenarios for effective risk management, particularly investment risk. A well-defined and prudent investment strategy incorporating diversification and tactical assets allocation shall also be established with the aim to maximise profit and stabilise returns on investment to the investors. However this exercise require

skill, competencies and capabilities to position the management of investment portfolio within the appropriate range of the bank risk appetite and risk management system.

In relation to this, there are bankers who are reluctant to implement investment-based products due to lack of expertise to monitor and manage the investment accounts. In addition, as customers are at the advantage of having first hand information and the financial position of the projects in hand, there are critical need for IFIs to address the issues of asymmetric information. This issue may impede informed decision by IFIs on viability of certain investment projects as a result of misleading information provided or inadequate disclosure by customers. Besides, customers' risk aversion and lack of appetite for investment-based products also contributed to this scenario (Gulzar & Masih 2015).

IFIs also need to comply with the capital requirements imposed by regulators with regard to investment accounts. BNM via policy on Capital Adequacy Framework for Islamic Bank (Risk Weighted Assets) had imposed that mudharabah or musharakah based project financing, for example, shall be assigned 150% risk weight in view of the risky nature of such financing (Bank Negara Malaysia 2012). This requirement indicated that for every RM1.0 million exposures to the above said Shariah-based contracts, IFIs have to allocate RM1.5 million additional capital as buffer to mitigate risk of insolvency and protect the depositors as well as to support the need of IFIs' operations. While strengthening capital coverage is meant to withstand crisis, holding of high mandatory capital may adversely effect the IFIs' capability to grow its assets or business.

Clouded with demanding regulatory requirements for investment accounts, IFIs had rather resolved the situation via commodity murabahah arrangements and dodged the investment-based products. Hence, the study revealed that despite critics and controversial issues surrounding commodity murabahah in practice and rejection of commodity murabahah from global perspective, IFIs are more intense towards offering this type of products. Commodity murabahah can offer upfront fixed return to depositors, easily executed and perceive as a friendly products to facilitate customers in obtaining immediate cash against deferred sale contract with higher price. The manner this commodity murabahah or tawarruq behave is not very different from the interest-based

product in conventional banking system, thus it is well accepted and recognised by the customers at large. In addition, the risk of losing capital/saving deposits are not arises as depositors are protected under the Malaysian Deposit Insurance Corporation guarantee.

Question is, are the facts on true principle of Islamic banking being ignored? The IFIs are ignoring the facts that Islamic banking is about profit and loss sharing and profound the spirit of just and fair? Zubair (2014) impressed that Islamic banking transactions shall provide financing and involve in real economy sectors. All transactions shall be supported with trading activities or sale of goods and services or the investment activities whereby the partners in the project are exposed to the risk of loss from the project performance. Another salient features of Islamic banking is creation of fair and just transactions as well as prohibition of *riba*, *gharar*, *maysir* etc to protect the interest of all contracting parties. Islamic banking is also established on the basis of cooperation which translated via equity-sharing, risk-sharing and stake-taking (Asyraf & Nurdianawati 2011).

CONCLUSION

The key principle of Islamic banking operations is to render assistance to the socio-economic and development of wealth within the society. Accordingly, the value that shall be reinforced in Islamic banking business shall hovered around mutual agreement, participativeness and involvement, profit and risk sharing as well as just and fair. However, the principle of profit maximization has been fixed in the mindset in banking. Following this, despite looking to support the regulatory and policy intent as well as the *maqasid* of Shariah by developing or enhance the instruments to meet investment criteria, IFIs had turned to deployment of commodity murabahah products as the replacements.

If the concentration on commodity murabahah/tawarruq continuous, it will damage and lead to negative impact on the reputation of the Islamic banking industry in the long run due to massive critics and disputes among the prominent scholars. The practice may also reflect failure on the part of IFIs to innovate in the new products development which in the end will affect the image of IFIs. As Islamic finance should have distinct from conventional financing, the products, services and behaviours should have reflected those value or else

no point for the existence of another banking system which replicated the conventional counterpart.

Otherwise, the commodity murabahah products in practice need to be reviewed to ensure the structure and operations are aligned with the global practices. Of importance is for IFIs to observe the Shariah requirements with regard to the prohibition of *riba*, *gharar* and *maysir* in the trading transactions as there are a lot of doubtful things and controversial issues with commodity murabahah/tawarruq transactions. The governance process for commodity murabahah also need to be further improved and precised for commodity murabahah products to be acceptable at the global front.

REFERENCES

- Abdul Ghafar Ismail. 2010. *Money, Islamic Banks and the Real Economy*. Cengage Learning Asia Pte Ltd.
- Amir Shaharuddin. 2013. *Is Bay Al-Tawarruq Better Alternative in Fulfilling Islamic Finance Objectives?*.
- Asyraf Wajdi Dusuki. 2007. Commodity Murabahah Program (CMP): An Innovative Approach to Liquidity Management. Paper, 5th International Islamic Finance Conference 2007.
- Asyraf Wajdi Dusuki & Nurdianawati Irwani Abdullah. 2011. *Fundamentals of Islamic Banking*. IBFIM Kuala Lumpur.
- Azharul Adha Dzulkarnain & Mohammad Firdaus Mohammad Hatta. 2017. Factors influencing consumer intention towards investment account: Post IFSA 2013. *ASEAN Comparative Education Research Journal on Islamic and Civilization (ACER-J)* 1(2) September. eISSN:2600-769X
- Bank Negara Malaysia. 2012. *Capital Adequacy Framework for Islamic Banks (Risk Weighted Assets)*.
- Bank Negara Malaysia. 2013. *Murabahah*.
- Bank Negara Malaysia. 2014. *Transition policy under Islamic Financial Services Act 2013 (IFSA)*. 14 February. *BNM/RH/STD 033-1*
- Bank Negara Malaysia. 2014. *Financial Stability and Payments System Report*.
- Bank Negara Malaysia. 2001. *Financial Sector Masterplan 2001 – 2010*.
- Ellida Fauziah Ahmad, Mariyam Shihama, Nur Sulaim Ashikin Mohamad Tarmizi, Saidu Mudi Jibril, Samia Ibrahim Djama & Aishath Muneeza. 2017. The acceptability of tawarruq as a product for financing within the Islamic banking system. *International Journal of Management and Applied Research* 1: 31-43.
- Fathullah Asni & Jasni Sulong. 2018. Non-ethical elements in tawarruq munazzam product for islamic housing financing in Malaysia. *International Journal of Academic Research in Business & Social Science*.
- Monzer Kahf & Elhadi Idris Habbani. t.th. *Tawarruq Potential Risks: The Practices of Islamic Financial Institutions in Qatar*.

- Nikan Firoozye. 2009. Tawarruq : Shariah risk or banking conundrum? *Opalesque Islamic Finance Intelligence*. Issue 1.
- Rosana Gulzar & Mansur Masih. 2015. *Islamic Banking: 40 years later, still interest-based? Evidence from Malaysia*. 15 July. INCEIF Malaysia.
- Salman H. Khan. 2009. Why Tawarruq Needs to go. AAOIFI and the OIC Fiqh Academy : Divergence or Agreement? www.islamicfinancenews.com
- Shochrul Rohmatul Ajija, Mia Fathia & Agusdiwana Suarni. 2010. Tawarruq: Issue & Challenge. [https://s3.amazonaws.com/academia.edu.documents/31054355](https://s3.amazonaws.com/academia.edu/documents/31054355)
- Zubair Hassan. 2014. *Islamic Banking and Finance: An Integrative Approach*. 1st edition. Kuala Lumpur: Oxford University Press. Oxford Fajar Sdn Bhd.

Mastura Mohd Shafie
Jabatan Pematuhan dan Semakan Syariah
OCBC Al-Amin Bank Berhad
Tingkat 25, Wisma Lee Rubber 1
Jalan Melaka 50100 Kuala Lumpur
Malaysia
mstmastura@ocbc.com

Mat Noor Mat Zain
Pusat Kajian Syariah
Fakulti Pengajian Islam
Universiti Kebangsaan Malaysia
43600 Bangi, Selangor
mnmz@ukm.edu.my

Nik Abdul Rahim Nik Abdul Ghani
Pusat Kajian Syariah
Fakulti Pengajian Islam
Universiti Kebangsaan Malaysia
43600 Bangi, Selangor
nikrahim@ukm.edu.my