Professionalism in Islamic finance

WORKING in Islamic financial institutions (IFIs), a certain culture is expected from being part of the Islamic banking and finance (IBF) industry. There is no doubt that IBF is primarily a business phenomenon, ie, it does not have a hidden political or religious agenda, yet it cannot be denied that IBF has a civic dimension.

The prohibitions of *riba* (interest) and *gharar* (gambling) connote adherence to rules, but an alternative system could just as well have these facets without labelling itself as Islamic. By defining the industry as such, users, who are predominantly Muslims, presuppose that IFIs will not only adhere to Islamic law in its practices, but those who are on the supply side of IBF will also observe Shariah requirements related to rituals (*ibadaat*), manners (*adab*) and social interactions (*muamalat*).

Thus it is not acceptable that a Muslim employee of an IFI is seen clubbing, dancing, drinking and involved in other activities that are deemed Shariah repugnant. Such behaviour is more tolerable for a non-Muslim employee of an IFI though by no means encouraged or recommended. In this sense, employment in an IFI impels perforce following a social code of conduct and lifestyle.

The importance of professionalism in IBF

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It is important that consideration is given to the development of professionalism in IBF. Already, the establishment of a Financial Services Professionals Board (FSPB) was announced in the Annual Report of Bank Negara Malaysia (BNM) 2013.

Indeed, BNM has been committed to the
development of a professional framework for IBF. It has been heavily involved in the creation of the Finance Accreditation Agency (FAA) that focused on IBF in the first year of its operations.

FAA has achieved a number of milestones in accrediting Islamic financial qualifications, which it accomplished in a short span of time. Similarly, if the proposed FSPB is required to focus on Islamic financial professionalism in its first year and develop standards for it, it will have lasting effects with distinct value addition.

There are a number of frameworks already in existence for financial professionalism (like Chartered Insurance Institute’s Professional Standards Board in UK) but professionalism in IBF has yet to be looked into systematically. Malaysia can take a lead role in this respect, given that it has already been playing a leadership role in the development of the global Islamic financial services industry.

It is surprising to note that despite huge emphasis on professionalism in all professions, both in the public and private sectors, there is no concise and objective definition of professionalism. People talk about professionalism with reference to character, attitude, competency and conduct, but these are components and do not provide an essential definition.

My general definition of professionalism is as follows:

Professionalism is doing a job in line with a code of conduct and by observing contractual obligations associated with it ensuring efficiency, productivity (competency and the required skills) and ethics for the maximum satisfaction of all the stakeholders.

In the context of IBF, professionalism can be defined as undertaking jobs in accordance with a code of conduct and by observing contractual obligations associated with it ensuring efficiency, productivity (competency and required skills), and also upholding Shariah considerations for the maximum satisfaction of all the stakeholders.

There are six important terms in this definition:
1) Code of conduct.
2) Contractual obligations.
3) Efficiency.
4) Productivity.
5) Shariah considerations.
6) Stakeholders.

Codes of conduct already exist in varied forms for a number of professionals working for or with IFIs. Perhaps the best example of such a code of conduct is the “fit and proper criteria” adopted by different regulatory bodies (like the State Bank of Pakistan and BNM) for Shariah advisors working for IFIs. It may not be a bad idea to extend and expand these “fit and proper criteria” to develop an Islamic financial professional code for staff of IFIs.

Contracts are central to all social, political and economic activities. Therefore, professionalism must be defined and included in the contracts of employment. It is only through contracts of employment and other agreements (like consultancy and advisory engagements) that Islamic financial professionalism can be developed and efficiency and productivity are considered important pillars of professionalism even in conventional frameworks for professionalism. IFIs can adopt and adapt from such conventional standards for professionalism.

Shariah plays a central role in Islamic banking and finance, and Shariah requirements can be built into Islamic financial professionalism by developing a comprehensive Islamic financial professional code.

Finally, it is absolutely important that a stakeholder approach is taken towards Islamic financial professionalism.

The Islamic financial professionals must be seen as working for all stakeholders and not merely shareholders and the bosses in higher management. The stakeholder approach will bring increased respect to Islamic financial professionalism and will in the long run help the industry grow in a sustainable way.

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