SHARIAH

NEWSLETTER

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GA SKYLIGHT

IRPS CASE & NEW SC FRAMEWORK

Assalamualaikum, Dear Readers!

Welcome to our June 2025 edition of Shariah Insights , your trusted source for updates on Shariah-compliant finance, governance, and market developments.
This month, we spotlight a pressing issue in the local capital market involving Islamic Redeemable Preference Shares (IRPS), as well as Malaysia's latest regulatory initiative for tokenised capital market products.

Over 230 investors have recently lodged complaints with the Securities Commission Malaysia (SC) regarding losses linked to an IRPS-based investment scheme, with total claims amounting to RM80 million.

The scheme allegedly promised lucrative dividends but failed to deliver, and its association with well-known personalities led many investors to believe it was credible and Shariah-compliant.

The Malaysia International Humanitarian Organisation (MHO) has formally urged the SC to conduct a thorough investigation into the matter.

SC'S NEW CONSULTATION: TOKENISED CAPITAL MARKET PRODUCTS

In a separate development, the SC has issued Public Consultation Paper No. 1/2025 to gather feedback on a proposed framework governing the offering and dealing of tokenised capital market products — a move to balance innovation with strong governance in the evolving capital market space.

Public Consultation Deadline: 16 June 2025

Read the full consultation paper and submit your feedback here

WHAT IS IRPS?

Islamic Redeemable Preference Shares (IRPS) are Shariah-compliant equity instruments offering fixed profit distributions and redemption rights. Like all Islamic financial products, IRPS must be structured without elements of riba (interest), gharar (uncertainty), and maysir (gambling), with profits derived from halal business activities.

SHARIAH GOVERNANCE ADVISORY

This incident highlights the need for vigilant due diligence before investing:

- Confirm the issuer's SAC (Shariah Advisory Council) approval
- Verify licensing and product registration with the Securities Commission Malaysia (SC)
- Understand the underlying business model and contractual structures

DID YOU KNOW?

In Shariah finance, it's not just about what you invest in — it's also about how the contract is structured. Even a halal business activity can be non-compliant if the transaction involves gharar (excessive uncertainty) or haram contractual terms.

We hope this June edition has provided valuable insights, especially in raising awareness on the importance of due diligence before investing and understanding the critical role of Shariah governance in maintaining compliance within the Islamic capital market.