

COMPLIANCE & SHARIAH NEWSLETTER

Compliance & Shariah Department of GA SkyLight Berhad

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WHAT IS ISLAMIC CAPITAL MARKET?

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- Islamic capital market (ICM) transactions are conducted in manners that do not contradict Muslim conscience or Islam's religion. Here, Islamic rule is asserted so that the market is devoid of practices prohibited by Islam, such as usury (riba), gambling (maisir), and ambiguity (gharar).
- The ICM is a component of Malaysia's total capital market. It contributes significantly to the country's economic progress. The ICM operates as a parallel market to the conventional capital market and complements the Islamic banking system in widening and deepening Malaysia's Islamic financial markets. Malaysia's ICM remains a tempting location for all stakeholders to this day.
- The SC's initial objective in establishing a specialized Islamic Capital Market Department (ICMD) was to offer critical infrastructure support. The ICMD's mandate is to conduct out development and research activities, such as developing and facilitating a long-term plan to enhance the ICM in Malaysia.
- Malaysia has additionally advocated for the introduction of a two-tier Shariah governance framework for the ICM. In May 1996, the Securities Commission Act was amended to include a provision allowing the Shariah Advisory Council (SAC) to issue judgements.
- Investing in Shariah-compliant securities is not limited to only Muslims as Shariah-compliant securities are part of the securities listed on Bursa Malaysia. In general, all ICM instruments and institutions must comply with Shariah principles, namely:

Prohibition of riba
(interest)

Application of al bai'
(trade and commerce)

Prohibition of maisir
(gambling)

Avoidance of gharar
(ambiguity) in
contractual agreement

Disengagement from
production of prohibited
commodities, such as liquor,
pork, tobacco, etc.