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IMPACT OF THE HIGHER SHARIAH AUTHORITY (HSA) ON SHARIAH GOVERNANCE IN THE UAE: INSIGHTS FROM SHARIAH PERSONNEL

Asim Anwar Kamal[i], Rusni Hasan[ii] & Azman Mohd Noor[iii]

[i] (*Corresponding author*). Ph.D Candidate, IIUM Institute of Islamic Banking & Finance (IIBF), International Islamic University Malaysia. asimanwark@gmail.com
[ii] Professor, IIUM Institute of Islamic Banking & Finance (IIBF), International Islamic University Malaysia. hrusni@iium.edu.my
[iii] Professor, IIUM Institute of Islamic Banking & Finance (IIBF), International Islamic University Malaysia. azmann@iium.edu.my

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Abstract

Shariah Governance is imperative for ensuring the Shariah compliance of Islamic financial institutions (IFIs) and for achieving stakeholder confidence within the Islamic finance industry. This study explores the impact of the establishment of the Higher Shariah Authority (HSA) in the UAE on Shariah Governance based primarily on the insights of Shariah Personnel. The researchers conducted qualitative semi-structured interviews with 15 Shariah Personnel from various Islamic financial institutions (IFIs) in the UAE in order to gain their insights. The findings of the study show that the establishment of a Central Shariah Board/Shariah Committee i.e. the HSA has had a positive impact overall on Shariah Governance in the UAE, particularly when it comes to enhancing the independence of both the Shariah Board/Shariah Committee members as well as Shariah Personnel at IFIs operating within the jurisdiction. The study also highlights some of the negative impacts of the establishment of the HSA, while providing some suggestions and recommendations to solve such negative impacts. Finally, this study adds to the limited literature on Shariah Governance particularly on the UAE.

Keywords: *Shariah, Governance, Authority, UAE, Personnel.*

INTRODUCTION

The United Arab Emirates (UAE) is a key Islamic finance jurisdiction and is home to prominent Islamic financial institutions (IFIs). This includes one of the oldest IFIs in the world, Dubai Islamic Bank which was established in 1975 (Dubai Islamic Bank, n.d.). Furthermore, Dubai Islamic Bank is among the largest IFIs in the world, recording assets of AED 416 billion in 2025 (Dubai Islamic Bank, 2025). Strengthening the notion that the UAE is an important Islamic finance jurisdiction is the fact that it was ranked 3rd in the Islamic Finance Development Indicator 2025 (ICD – LSEG, 2025).

Within the past few years, there have been rapid developments within the Shariah Governance space in the UAE, especially in terms of having a comprehensive Shariah Governance framework issued by the regulator. Previously, the UAE was often lagging behind other jurisdictions such as Malaysia, which has consistently been at the forefront of issuing comprehensive Shariah Governance frameworks and was among the highest scoring countries for Shariah Governance in the Islamic Finance Development Index (ICD – LSEG, 2023).

A comprehensive Shariah Governance framework was only issued by the regulator in the UAE in recent years, even though the country has had an active Islamic finance industry for decades. Based on a review of the limited literature on Shariah Governance practices within the UAE, it is found that, historically, regulators followed a more passive and minimalist approach to Shariah Governance (Ulfi, 2022), with very little regulation.

Each IFI was generally left to self-regulate their Shariah Governance practices. However, since 2020, the trend has been shifting with the issuance and implementation of a more comprehensive Shariah Governance framework and guidelines. The UAE has seen rapid developments with the establishment of a Higher Shariah Authority (HSA) reporting to the UAE Central Bank (CBUAE) in 2018, and the issuance and implementation of a comprehensive Shariah Governance standard (framework) for IFIs in 2020 (Yasin, 2020).

However, it should be noted that although Article 5 of the Federal Law No. 6 of 1985 (Federal Law No. (6) Concerning the Issuance of the Civil Transactions Law of the United Arab Emirates, 1985) had been issued in the UAE, stipulating the establishment of a HSA attached to the Ministry of Justice and Islamic Affairs, this was actually only implemented much later in 2018 (Bessais et al., 2024), when the HSA was eventually established at the CBUAE, and its members appointed, pursuant to Article 17 of the Federal Law No. 14 of 2018 (Federal Decree – Law No. (14) Concerning the Central Bank and the Regulation of Financial Institutions and Activities, 2018).

In 2020, pursuant to the provisions of the previously mentioned Federal Law No.14 of 2018, the CBUAE issued a comprehensive Shariah Governance standard (framework) to set the minimum requirements for IFIs, ensuring their compliance with Shariah principles in all their objectives, activities, operations, and codes of conduct. Since its establishment, the HSA has been implementing a range of Shariah Governance initiatives within the UAE such as the implementation of the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) Shariah standards.

Previous Shariah Governance research has largely focused on Malaysia as opposed to other key Islamic finance jurisdictions, primarily due to the country's advanced level of comprehensive Shariah Governance frameworks, supported by strong regulator guidance and support from the early days of the Islamic finance industry. This notion is strengthened by a bibliometric analysis conducted by Yenice (2025) for the period between 2008 and 2024, whereby Malaysia ranked first in the list of countries with the most scientific research on Shariah Governance in terms of both publications and citations.

Furthermore, they found that many influential publications on Shariah Governance are either authored by Malaysians or focused on Shariah Governance within Malaysia. The reason for this is that Malaysia has well-established Shariah Governance mechanisms, and was one of the pioneers in implementing Shariah Governance frameworks. There is still a lack of Shariah Governance research focusing on Arab countries (Khatib et al., 2022) and most interview-based research on Shariah Governance has focused on Bangladesh (Wasim & Zafar, 2024).

This research paper attempts to fill some of literature gap as it focuses on a key Islamic finance jurisdiction in the Gulf, namely the UAE. Additionally, there has been limited research on Shariah Governance following the recent developments in the UAE. Thus, this research paper explores the impact of the establishment of a Central Shariah Board/Shariah Committee on Shariah Governance in the UAE, focusing on the insights of Shariah Personnel.

LITERATURE REVIEW

Shariah Governance has gone through many stages of development over time; initially, there was no stringent framework in place (Grassa, 2013). However, it is clearly evident that with the rapid development of the Islamic finance industry, Shariah Governance has also come on leaps and bounds. As discussed by Hasan (2010), since the early days of the Islamic finance industry, each jurisdiction has taken on different approaches to Shariah Governance.

Some jurisdictions practice a passive Shariah Governance approach with not that much regulation with each IFI generally left to self-regulate their Shariah Governance practices. Other jurisdictions, meanwhile, impose Shariah Governance through law and regulation to various degrees. However, it should be noted that some researchers believe that having a loose Shariah Governance approach is not ideal (Alam et al., 2020).

With all the different Shariah Governance variations, we can evidently see that there is no one-size-fits-all or single model of Shariah Governance (IFSB 10, 2009). This argument is further strengthened by Hani'ah (2025) who found through a systematic qualitative literature review on indexed journal articles that different approaches to Shariah Governance do not act as an impediment to the development of Islamic finance but rather are evidence of its adaptability.

However, while there exist different approaches to Shariah Governance, prominent standard setting bodies within the Islamic finance industry, such as the Islamic Financial Services Board (IFSB) and AAOIFI (AAOIFI, 2017), strongly recommend the establishment of a Central Shariah Board/Shariah Committee for the purposes of harmonising Islamic banking and finance practices within a jurisdiction.

On the other hand, according to other prominent researchers, while compliance with Shariah standards by IFIs is necessary, regulators do not necessarily need to impose Shariah standards such as AAOIFI's as long as they do not stop their individual implementation; this is because the self-imposition of Shariah standards by individual IFIs is something positive (Elgari, 2020).

Supporting this view, other research has stated that having one sole authority which is only eligible to give Shariah pronouncements is not something recommended nor practical, unless the purpose is to standardise the pronouncement giving process and to avoid strange opinions within the contemporary Islamic finance industry (Alshubaily, 2022).

Furthermore, other research opined that even in jurisdictions that have a comprehensive Shariah Governance framework in place, it is undesirable for it to be driven by central banks, as they will not allow IFIs to take on business risks. Therefore, it is suggested that Shariah Governance frameworks should have minimum interference from central banks (Abozaid, 2020).

When it comes to the UAE in particular, it is interesting to note that although there was actually a law issued in the UAE in 1985, namely Article 5 of the Federal Law No. 6 of 1985, stipulating the establishment of a Central Shariah Board/Shariah Committee or Higher Shariah Authority (HSA) attached to the Ministry of Justice and Islamic Affairs, this was in reality only implemented many years later in 2018 (Bessais et al., 2024), when a HSA was eventually established at the CBUAE and its members appointed pursuant to Article 17 of the Federal Law No. 14 of 2018. According to this federal law, the role and responsibilities of the HSA are as follows:

1) Pursuant to this decretal law, a Shariah authority referred to as "Higher Shariah Authority" (HSA) affiliated to the Central Bank shall be established with a membership of not less than five (5) members and not exceeding seven (7) members, with knowledge and experience in the jurisprudence of Islamic financial transactions.
2) The Board of Directors shall approve the authority's charter, its functions and competencies, and the mechanism for financing the costs of its establishment and continuity of work.
3) The Governor shall issue a decision to form the authority and appoint its members.
4) Licensed Financial Institutions, which carry on the whole or part of their business and activities in compliance with the provisions of Islamic Shariah shall bear all expenses of the Authority referred to in item (1) of this article, including remunerations, allowances and expenses of its members according to the decision issued by the Board of Directors.

5) The HSA shall determine the rules, standards, and general principles applicable to Shariah-compliant Licensed Financial Activities and business, and shall undertake supervision and oversight of the internal Shariah supervisory committees of Licensed Financial Institutions, referred to in Article (79) of this decretal law.
6) The HSA shall approve Islamic monetary and financial tools issued and developed by the Central Bank to manage monetary policy operations within the State, and provide its opinion regarding the specific regulatory rules and instructions relating to the operations and activities of Licensed Financial Institutions which conduct the whole or part of their business and activities in accordance with the provisions of Islamic Shariah.
7) The Fatawa and opinions of the HSA shall be binding on the internal Shariah supervisory committees, referred to in Article (79) of this decretal law, and on Licensed Financial Institutions which conduct the whole or part of their business and activities in accordance with the provisions of Islamic Shariah.
8) The HSA may seek assistance of a specialised entity, if deemed necessary, to conduct a Shariah external audit of the business of any Licensed Financial Institution, which carry on the whole or part of their business and activities in accordance with the provisions of Islamic Shariah, and the conditions and procedures determined by the Authority, at the expense of the concerned institution.

However, it should be noted that although the HSA was only established in 2018, Article 6 of the Federal Law No. 6 of 1985 (Federal Law No (6) Regarding Islamic Banks, Financial Institutions and Investment Companies, 1985) states that all IFIs should stipulate in their articles and memorandum of association the formation of a Shariah supervisory authority, meaning a Shariah Board/Shariah Committee consisting of a minimum of three members to ensure the IFIs' compliance with Shariah.

Hence, it can be observed that IFIs within the UAE have established a Shariah Board/Shariah Committee prior to the establishment of the HSA. However, this was more a self-regulatory approach to Shariah Governance, with the IFIs generally left to determine the way the Shariah Board/Shariah Committee would be formed, how its duties would be discharged, as well as any other terms of reference (AlQassar & Ahmed, 2021).

Further developments occurred in late 2025, when the CBUAE issued and implemented Federal Law No. 6 of 2025 (Federal Decree – Law No. (6) Regarding the Central Bank, Regulations of Financial Institutions and Activities, and Insurance Business, 2025), which repealed the previous Federal Law No. 14 of 2018 discussed above. Article 24 of the new federal law discusses the establishment and powers of the HSA as follows:

1) An authority named HSA attached to the Central Bank shall be established with a membership of not less than five (5) members and not exceeding seven (7) members, of sufficient knowledge, experience in jurisprudence of Islamic financial transactions.
2) The Board of Directors shall approve the HSA's charter, powers, functions, and competences; and the mechanism for its funding.
3) The Central Bank shall issue a decision to appoint the HSA members in accordance with its charter; and members shall serve for a three (3) years term renewable for similar periods.
4) Islamic Financial Institutions shall bear all expenses of the HSA including remunerations, allowances and expenses of its members, in accordance with the HSA's charter approved by the Central Bank.
5) The HSA shall establish the Shariah rules, controls, standards, and general principles relevant to Shariah-compliant Activities and Business, and Shariah governance requirements applicable thereto. The HSA shall also undertake supervision and oversight of the internal Shariah supervisory committees of Islamic Financial Institutions, referred to in Article (75) of this decree-law.
6) The HSA shall undertake the following:

a. Provide its opinion regarding specific regulatory rules and instructions relating to the operations and activities of Islamic Financial Institutions;
b. Provide its opinion regarding the activities of the Central Bank's subsidiaries relating to their operations and activities that are compatible with the rules and principles of Islamic Shariah;
c. Provide its opinion on sovereign sukuk issuances and other Shariah compliant instruments; developed and issued by the Government and governments of Union member emirates, upon their request;
d. Approve Shariah compliant monetary and financial instruments developed and issued by the Central Bank and its subsidiaries, directly or indirectly, to manage monetary policy operations and develop Islamic money and capital markets in the State; and
e. Exercise its powers and mandates stipulated in applicable laws and regulations in the State.

7) The HSA may issue resolutions and fatwas, upon request from Government-Related Entities and at their own expense, pertinent to their sukuk issuance programs or other Islamic financial structures, if it deems this conducive to the development of Islamic money and capital markets in the State.
8) The resolutions and fatwas of the HSA shall be binding on the internal Shariah supervisory committees, referred to in Article (75) of this decree-law as well as on Islamic Financial Institutions, and other entities seeking Higher Shariah Authority's opinion, resolutions and fatwas.
9) The HSA may require special examination or seek the assistance of a specialised entity, if deemed necessary, to conduct Shariah audit on Shariah-compliant Activities and Business of any Islamic Financial Institution, or any other entity seeking HSA opinion, resolutions and fatwas, or in relation to any instrument approved by the HSA. The HSA shall determine the scope of work and procedures of such specialised entity. The expenses for such engagement shall be borne by the Islamic financial institution or entity requesting such opinion, in accordance with the terms and conditions issued by a decision of the Central Bank.
10) With the exception of the provisions of paragraph (c) of item (6) of this article, no other provisions contained in this Article shall apply to the Government or governments of Union member emirates.

What is interesting to note from the above federal law is that the HSA can now require special examinations or seek the assistance of a specialised entity to conduct Shariah audits on any IFI, with the IFI incurring the actual expense. Besides the above articles, another related article of the new federal law of 2025 is Article 77 which states that the CBUAE, in consultation with the HSA, may now impose sanctions on IFIs for contravening Shariah rules in the course of their business.

This is an interesting development and bodes well for improved Shariah compliance. In addition to this, it is stated in Article 111 that the CBUAE can suspend or revoke the authorisation of individuals if any resolutions or guidelines of the HSA are violated by them, in addition to being able to impose personal fines on them as stated in Article 168. It can be expected that these developments will cause Shariah Governance to be taken even more seriously.

As stated in the introduction, since its establishment the HSA has made a number of Shariah Governance decisions such as making AAOIFI Shariah standards compulsory for IFIs. In the only identified previous research, written in the Arabic language, Bessais et al., (2024) studied the effect of some of these HSA decisions. The researchers interviewed Shariah Personnel from a number of IFIs in the UAE and found that the interviewees were split into three groups.

The first group believed that the role of the HSA and its decisions have been excellent. The majority were from full-fledged Islamic banks, which made it easier for them to implement HSA decisions such as separating Internal Shariah Audit from Internal Shariah Control and implementing the AAOIFI Shariah standards.

The second group consisted of those who believed that the HSA and its decisions have been positive with only slight observations. Some of those in this group were from Islamic finance companies and others from Islamic windows which already have Shariah departments and the related policies and procedures even before the HSA was established.

The third group, while acknowledging the positive role of the HSA, were of the opinion that some of its decisions were too strict and had a negative effect on some IFIs. This group also consisted of those from Islamic finance companies and Islamic windows, some of which had minor reservations as they did not have strong Shariah Governance before the presence of the HSA; therefore, they found it difficult to implement the Shariah Governance framework and AAOIFI Shariah standards.

Others in the third group, mainly those from Islamic windows, showed major discontent towards certain aspects of the HSA due to its specific decisions regarding Islamic windows. In the Standard Re. Regulatory Requirements for Financial Institutions Housing and Islamic Window 2020, it is mentioned that Islamic windows can either have (1) standalone separate branches and offices to serve Islamic banking customers as well as designated staff, or (2) embedding of designated and/or dedicated Islamic window personnel within the existing branch network and premises, or (3) any other form subject to the Central Bank approval" (Central Bank of UAE, 2020).

Some of those interviewed stated that the parent company of the Islamic window focused on the phrase "or dedicated Islamic window personnel" which led to staff being involved in both Shariah and non-Shariah compliant activities. This subsequently led to staff resigning due to their lack of contentment after being involved in both Shariah and non-Shariah compliant activities and ultimately resulted in the closure of dedicated Islamic branches of the Islamic window.

Some of the respondents also believed that the imposition of the AAOIFI Shariah standards was not a good decision and that they still find them difficult to implement despite the sufficient time given to do so. The researchers found that some IFIs were very slow in reacting to this initiative and had not even established a Shariah department at the time of the interviews in 2023. On the other hand, many of the interviewees considered the imposition of the AAOIFI Shariah standards to be a great decision.

METHODOLOGY

For the purpose of the research, the researchers opted to use semi-structured interviews as the research instrument. Semi-structured interviews consist of a blend of closed and open-ended questions, can be followed up with why or how questions (Adams, 2015), and enable control over the line of questions (Creswell, 2014).

Semi-structured interviews were the most appropriate research instrument as they allowed the researchers to explore the insights of the Shariah Personnel in depth on the impact of the establishment of the HSA on Shariah Governance in the UAE as well as due to the limited available literature on Shariah Governance in the UAE. In selecting the participants, the primary selection criterion was Shariah Personnel with vast experience in the field.

Shariah Personnel were defined for the research as the full-time staff of Islamic banks or Islamic windows who are working in one of the Shariah Governance components or functions in the UAE. Shariah Personnel from different components or functions of Shariah Governance as well as from different IFIs were selected to gain diverse insights. A Shariah Personnel from a Shariah Advisory firm was included in the UAE sample to gain additional insights.

As it was not possible to interview all Shariah Personnel in the UAE, non-probability purposive sampling was used, whereby the study sample was chosen purposively based on certain characteristics (Johnson & Christensen, 2014). The data from the interviews subsequently compiled, analysed and summarised.

The following tables show brief details of the Shariah Personnel interviewed in the UAE and their respective IFIs:

Number of Institutions and Respondents

Country	Number of Institutions/Types	No of Respondents
UAE	Full-fledged Islamic Banks (4)	8
	Islamic Windows (5)	6
	Shariah Advisory Firm (1)	1
Total	10	15

List of Shariah Personnel

Respondents' ID	Current Position	Institution	Working Experience as Shariah Personnel
SP1-UAE	Head of Internal Shariah Control	Islamic Window 1	More than 10 Years
SP2-UAE	Head of Internal Shariah Control	Islamic Window 2	More than 10 Years
SP3-UAE	Head of Internal Shariah Audit	Islamic Window 3	More than 5 Years
SP4-UAE	Head of Internal Shariah Control	Islamic Window 4	More than 5 Years
SP5-UAE	Head of Internal Shariah Control	Islamic Window 5	More than 10 Years
SP6-UAE	Head of Internal Shariah Control	Islamic Bank 1	More than 5 Years
SP7-UAE	Head of Internal Shariah Audit	Islamic Bank 2	More than 10 Years
SP8-UAE	Senior Internal Shariah Auditor	Islamic Bank 3	More than 5 Years
SP9-UAE	Head of Shariah Compliance/Senior Internal Shariah Auditor	Islamic Bank 3	More than 10 Years
SP10-UAE	Senior Internal Shariah Control	Islamic Bank 3	More than 10 Years
SP11-UAE	Senior Internal Shariah Control	Islamic Bank 4	More than 5 Years
SP12-UAE	Senior Internal Shariah Control	Islamic Bank 4	More than 5 Years
SP13-UAE	Senior Internal Shariah Control	Islamic Bank 4	More than 10 Years
SP14-UAE	Senior Internal Shariah Control	Islamic Window 5	More than 5 Years
SP15-UAE	Senior Shariah Consultant	Shariah Advisory Firm	More than 10 Years

RESULTS AND DISCUSSION

Positive Overall Impact On Shariah Governance Due To Establishment Of HSA

AAOIFI strongly encourages the establishment of a Central Shariah Board/Shariah Committee, without mandating it, in AAOIFI Governance Standard 8 - Central Shariah Board

(AAOIFI, 2017). It was found by the researchers that all of the Shariah Personnel interviewed in the UAE were of the opinion that the establishment of the HSA positively impacted Shariah Governance overall within the UAE and was long overdue.

This notion was supported by SP15-UAE who stated that the HSA has strengthened Shariah compliance within the Islamic finance industry in the UAE as now there is a final Shariah authority when it comes to Islamic finance.

Enhanced Shariah Board/Shariah Committee Independence

The level of independence of Shariah Board/Shariah Committees as well as Shariah Personnel is still a topic of debate and discussion among researchers in the area of Shariah Governance (Hidayat & Al Khalifa, 2018). This is because Shariah Board/Shariah Committee members as well as Shariah Personnel are renumerated by the IFIs that they are attached to (Abozaid, 2020).

Shariah Board/Shariah Committee members should have no undue influence on their decision-making process (Othman et al., 2013). When it comes to the UAE in particular, in the Shariah Governance framework independence is defined as the act of ensuring that the Shariah Board/Shariah Committee is not subject to any form of undue influence when issuing Shariah pronouncements (CBUAE, 2020).

According to the Shariah Personnel, the independence of the Shariah Board/Shariah Committee in IFIs within the UAE has drastically enhanced after the implementation of the comprehensive Shariah Governance framework and the formation of the HSA. Reinforcing this view, SP1-UAE opined that prior to the implementation of the Shariah Governance framework and the establishment of the HSA, Shariah Board/Shariah Committees were under significant business pressure from the executive management of the IFIs that they served.

One of the ways that this enhanced independence has manifested and has been clearly perceived by Shariah Personnel is from the issuance of independent Shariah pronouncements by the Shariah Board/Shariah Committee without any interference of the executive management of the IFIs. For example, despite strong recommendations of a business proposal by the executive management, the Shariah Board/Shariah Committee may reject the proposal if it is not Shariah compliant or may affect the image of the IFI.

Such instances give a strong indication of the enhanced independence of the Shariah Board/Shariah Committee according to the Shariah Personnel. Strengthening this idea, SP13-UAE declared that Shariah Board/Shariah Committees now enjoy enhanced independence, as can be clearly seen during instances when the Shariah Board/Shariah Committee would reject business proposals presented to them by the Shariah Personnel.

Such Shariah pronouncements involving rejections have a significant impact on the business of IFIs. Further supporting this notion, SP13-UAE additionally mentioned that even in such scenarios of rejection by the Shariah Board/Shariah Committee, the executive management of the IFIs are unable to interfere with the Shariah Board/Shariah Committee decision-making process, even if they disagree with the Shariah pronouncement.

More importantly, the enhanced independence of the Shariah Board/Shariah Committee can be seen from the active involvement of the HSA on this matter. The HSA does not allow any IFI to terminate any Shariah Board/Shariah Committee member without its approval. As argued by SP10-UAE, this part of the Shariah Governance framework has already been tested whereby an IFI wanted to terminate a Shariah Board/Shariah Committee member with a new proposed member.

Since this was a matter related to termination, Provision 7.12 of the Shariah Governance framework which states that "Termination of appointment or resignation of ISSC members is not considered effective until the termination or resignation request is approved by HSA, before it is presented to the general assembly for approval" as well as Provision 7.13 which states that "The request must clarify the reasons for termination or resignation of the ISSC member" came into effect (CBUAE, 2020).

Pursuant to these two provisions, the HSA conducted a proper investigation and as a result rejected the proposed change. The positive effect of the HSA's active involvement in this case is that it increased confidence among the Shariah fraternity within the industry, that no Shariah Board/Shariah Committee member can be removed by an IFI without proper justification approved by the HSA. The IFIs must conduct an objective assessment on the performance of the Shariah Board/Shariah Committee members and no appointment or termination should be based on unrelated reasons.

This particular finding highlights the positive impact of the HSA on improving the level of independence of the Shariah Board/Shariah Committee at individual IFIs. The finding supports existing literature and guidance from standard setting bodies such as AAOIFI which strongly recommend the establishment of a HSA as per AAOIFI Governance Standard 8 – Central Shariah Board (AAOIFI, 2017) as previously highlighted.

Additionally, the finding contradicts what has been found in other jurisdictions such as Bangladesh whereby Shariah Board/Shariah Committees are not independent as the board of directors appoints them (Alam & Miah 2021).

Enhanced Shariah Personnel Independence

Similar to the Shariah Board/Shariah Committee, it is extremely important that Shariah Personnel enjoy independence in order for there to be effective Shariah Governance overall. When it comes to the independence of the Shariah Personnel specifically in the context of the UAE, the Internal Shariah Control and Internal Shariah Audit must not be subject to any form of undue influence (CBUAE, 2020).

Data from the interviews reveal unanimous consensus among respondents regarding a substantial increase in the independence enjoyed by Shariah Personnel following the regulatory implementation and the establishment of the HSA. For example, SP6-UAE indicated that prior to the Shariah Governance framework implementation and the establishment of the HSA, there were actual cases of business personnel succeeding in getting Shariah Personnel dismissed for not aligning with their business goals.

However, now, the Head of Internal Shariah Control and the Head of Internal Shariah Audit cannot be appointed or removed, except with the approval of the Shariah Board/Shariah Committee and HSA. This dual-tier statutory protection effectively protects Shariah Personnel from arbitrary dismissal and executive coercion.

Furthermore, these regulatory developments have institutionalised a structured "Three Lines of Defence" Shariah governance architecture. As highlighted by SP4-UAE, the historical absence of a clear three-lines model frequently resulted in Shariah personnel being embedded directly within the first line of defence (i.e. with business personnel), creating inherent conflicts of interest and practical Shariah governance failures.

The current framework has empowered Shariah Personnel to render objective, unbiased decisions without commercial interference (SP2-UAE). In practice, when faced with executive pushback, Shariah Personnel can leverage centralised HSA mandates to neutralise commercial pressure, compelling business units to take regulatory requirements seriously.

Another example which further proves the increased independence of Shariah Personnel was expressed by SP13-UAE. During the AAOIFI Shariah standards implementation phase, although the 1st line of defence, i.e., the business line found it difficult to accept such a drastic evolution and were at times not willing to implement the changes required, the Shariah Governance framework and HSA equipped the Shariah Personnel with the necessary independence and authority to deal with the challenge.

The findings demonstrate that the implementation of the HSA and the related regulatory framework has elevated the institutional standing, security, and functional autonomy of Shariah Personnel across IFIs in the UAE.

Appointment Of Shariah Board/Shariah Committee Members

Among the key structural benefits from the establishment of the HSA is the regulatory standardisation of qualification criteria for Shariah Board/Shariah Committee or Internal Shariah Supervisory Committee (ISSC) members, enforced through mandatory centralised vetting for all appointments. As articulated by SP3-UAE, previously there was no comprehensive fit and proper criteria in place for Shariah Board/Shariah Committee members in the UAE.

Furthermore, prior to the establishment of the HSA, as stated by SP6-UAE, some IFIs were appointing a limited number of Shariah Board/Shariah Committee members. Hence, it was found that the HSA establishment has improved the selection of Shariah Board/Shariah Committee members.

Increased Accountability For Shariah Board/Shariah Committee Members

It was identified by the researchers from the interviews that prior to the Shariah Governance framework implementation and establishment of the HSA, the IFIs suffered notable jurisprudential fragmentation and limited institutional accountability, that often resulted in contrary products approval even across institutions sharing the same Shariah Board/Committee members.

Following these standardised regulatory reforms, broad-based standardisation and macro-level uniformity have been established across domestic Shariah rulings. As declared by SP2-UAE, there is now overall uniformity and standardisation at a broad level when it comes to Shariah pronouncements within the UAE. More responsibility has been placed on the Shariah Board/Shariah Committee members regarding their Shariah pronouncements as they are now accountable to the HSA.

Supporting this finding, Federal Law No. 6 of 2025 states that any pronouncements of individual Shariah Board/Shariah Committee should not be in conflict with the resolutions of the HSA, thereby establishing legal certainty and eliminating cross-institutional jurisprudential inconsistencies.

Increased Hiring Of Qualified Shariah Personnel

The regulatory enforcement under the HSA has driven significant human capital development and professionalism of Shariah personnel across UAE institutions. Interview findings reveal that prior to the central authority's mandates, many IFIs particularly Islamic windows operated with understaffed Shariah departments responsible for managing all Shariah governance functions simultaneously.

Mandatory regulatory compliance has since compelled IFIs to expand their internal Shariah teams, creating market demand, elevating compensation benchmarks, and significantly increasing career opportunities in the sector. Crucially, the HSA established explicit "fit and proper" criteria for key leadership roles, such as the Head of Internal Shariah Control and the Head of Internal Shariah Audit, filling a prior regulatory void.

This structural investment in qualified Shariah personnel has improved the operational oversight. As noted by SP12-UAE, the technical quality of Shariah reviews and comments on transaction documentation has enhanced remarkably due to the higher calibre of Shariah Personnel now mandated by the regulator.

Shariah Process Streamlining And Increased Customer Confidence

Beyond governance structures, the establishment of the HSA has significantly streamlined operational workflows for complex Shariah matters while simultaneously elevating public market confidence. From an operational standpoint, Shariah Personnel now benefit from a formalised regulatory escalation mechanism. When encountering ambiguous juristic issues or unprecedented operational challenges, Shariah Personnel can seek definitive rulings directly from the central authority rather than attempting localised ijtihad (independent reasoning).

As affirmed by SP3-UAE, this standardised escalation process provides crucial professional protection, shielding Shariah Personnel from liability regarding their compliance determinations. Parallel to these operational efficiencies, the presence of a supreme, centralised Shariah body has noticeably strengthened customer and stakeholder trust across the sector, reassuring market participants of jurisdictional integrity and standardised Shariah compliance throughout the UAE Islamic finance landscape.

NEGATIVE IMPACTS OF HSA

While the overall impact of the establishment of the HSA in the UAE was found to be positive, there were some negative impacts raised by the Shariah Personnel. For business personnel, it was very difficult to digest the Shariah requirements from the HSA, resulting in some initial reduction in Islamic finance business. This provides support to past findings (Bessais et al., 2024). However, according to the Shariah Personnel, this initial friction was to be expected, and business personnel are now gradually adapting to the new Shariah Governance landscape and HSA requirements.

Furthermore, some Shariah Personnel noted that certain HSA resolutions are overly granular, particularly regarding banking operations. For example, HSA resolutions at times delve into specific operational mechanics such as profit calculations. Several Shariah Personnel argued that these technical calculations are primarily commercial/business decisions rather than clear-cut Shariah issues, and thus should be left to the discretion of individual Shariah Boards/Shariah Committees.

Administrative bottlenecks were also highlighted as a key operational concern. Because the HSA must approve all appointments for Shariah Board/Shariah Committee members as well as the Heads of Internal Shariah Control and Internal Shariah Audit within the UAE, significant delays and ambiguity arise when candidates are rejected. As SP4-UAE observed, IFIs sometimes spend months identifying and vetting suitable candidates for these critical roles, only for them to be turned down late in the process.

To address this, Shariah Personnel suggested that rather than requiring ex-ante approval for every single appointment, the HSA could issue comprehensive "fit and proper" criteria guidelines and subsequently verify compliance ex-post through periodic regulatory examinations.

A primary substantive concern raised by a number of Shariah Personnel is that the HSA's centralised authority significantly restricts the scope for independent ijtihad (juristic reasoning) by individual Shariah Board/Shariah Committees. This is because, as asserted by SP10-UAE, internal Shariah bodies now have diminished space for independent *Ijtihad* because all pronouncements must strictly align with HSA directives. Consequently, IFIs experience reduced operational flexibility, which is often crucial when structuring products or navigating unique commercial scenarios.

CONCLUSION

In conclusion based on the insights of the Shariah Personnel interviewed in the UAE, the establishment of a Central Shariah Board/Shariah Committee i.e. the HSA has had a positive impact on Shariah Governance overall. One of the main impacts has been enhancing the independence of both Shariah Board/Shariah Committee members as well as Shariah Personnel at IFIs in the UAE, an area which is crucial to overall Shariah Governance. The establishment of the HSA has additionally widened the pool of Shariah Board/Shariah Committee members appointed in the UAE as well as set out the necessary fit and proper criteria for such appointments.

Similarly, when it comes to Shariah Personnel, due to the requirements of the HSA, there has been more hiring at IFIs of qualified Shariah Personnel, thereby improving Shariah Governance capacities at IFIs within the country. Furthermore, Shariah Board/Shariah Committee members have increased accountability for their pronouncements as they are now responsible for any of their decisions in front of the HSA. The results shows that establishing a Central Shariah Board/Shariah Committee as recommended by standard setting bodies such as AAOIFI can contribute positively to improving Shariah Governance within a jurisdiction. Thus the example of the UAE can be studied and tweaked for other jurisdictions looking to enhance their Shariah Governance practices.

However, the researchers did identify some negative impacts of the establishment of the HSA, such as the reduction in Islamic finance business initially, ambiguity and delays related to appointments, as well as reduced flexibility in *Ijtihad* for Shariah Board/Shariah Committee members at IFIs. Hence, as recommended in previous research, it is important that any decisions made by Central Shariah Boards/Shariah Committees are studied thoroughly before any actual implementation (Bessais et al., 2024).

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