

EMERGING FINANCIAL INNOVATIONS

From Compliance to Innovation:
Is Shariah Governance Ready for the Future of
Finance?

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IIUM Institute of Islamic Banking and Finance (IiBF)

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50 Years of Islamic Finance

From pioneering experiments to a value-based and sustainable financial ecosystem.

THE 50-YEAR JOURNEY

Key milestones in the evolution of Islamic finance



GLOBAL SNAPSHOT (2024)



ISLAMIC FINANCE ECOSYSTEM (2024)

A global ecosystem supporting a resilient and sustainable Islamic finance industry



MALAYSIA KEY HIGHLIGHTS (2025)



WHY MALAYSIA MATTERS

- 1. MAINSTREAM SYSTEM**
 Islamic finance is becoming a core part of Malaysia's financial system.
- 2. MAQASID & SUSTAINABILITY**
 Malaysia is redefining Islamic finance through value-based intermediation and sustainability.
- 3. GLOBAL STANDARD-SETTER**
 Malaysia continues to shape the future of Islamic finance through regulation, sukuk leadership and Shariah governance.

EVOLUTION OF ISLAMIC FINANCE

FROM ASPIRATION TO INTEGRITY



Aspiration

Could economic life be organised without riba?



Institutionalisation

Operationalising fiqh inside modern balance sheets.



Governance

Structures of oversight, accountability and assurance.



Integrity

Shariah integrity, technical sophistication and ethical purpose

1

Islamic finance began as a bold experiment at the margins of the global financial system has grown into a significant and increasingly sophisticated industry.

2

In its early years, the central concern was whether a viable financial system could exist without riba and other prohibited elements

3

then moved to Institutionalization i.e. figuring out how to operationalize Fiqh in balance sheets – then advanced to Governance i.e. establishing accountability lines

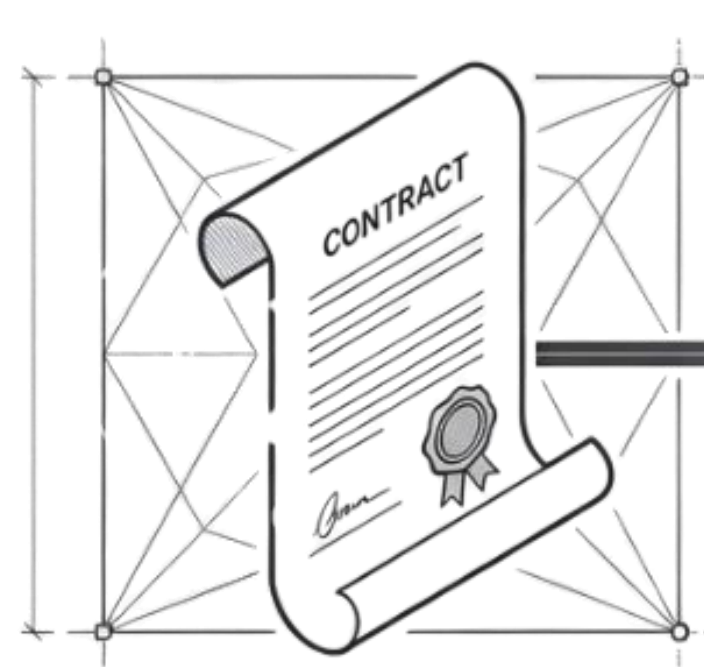
4

The next frontier is integrity i.e. whether the substance of our institutions continues to reflect the values that justified their existence in the first place

THE CHANGING ARCHITECTURE OF FINANCE

FROM BANK-CENTRIC PRODUCTS TO PROGRAMMABLE FINANCIAL ECOSYSTEMS

Bank Centric
Traditional Finance



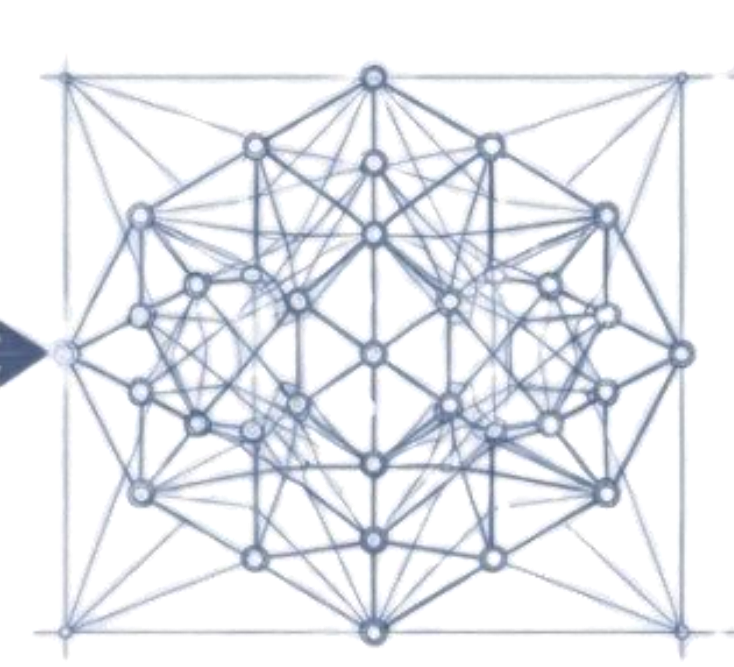
- Physical branches
- Product-based
- Human decision-making

Platform - enabled
Digital Finance

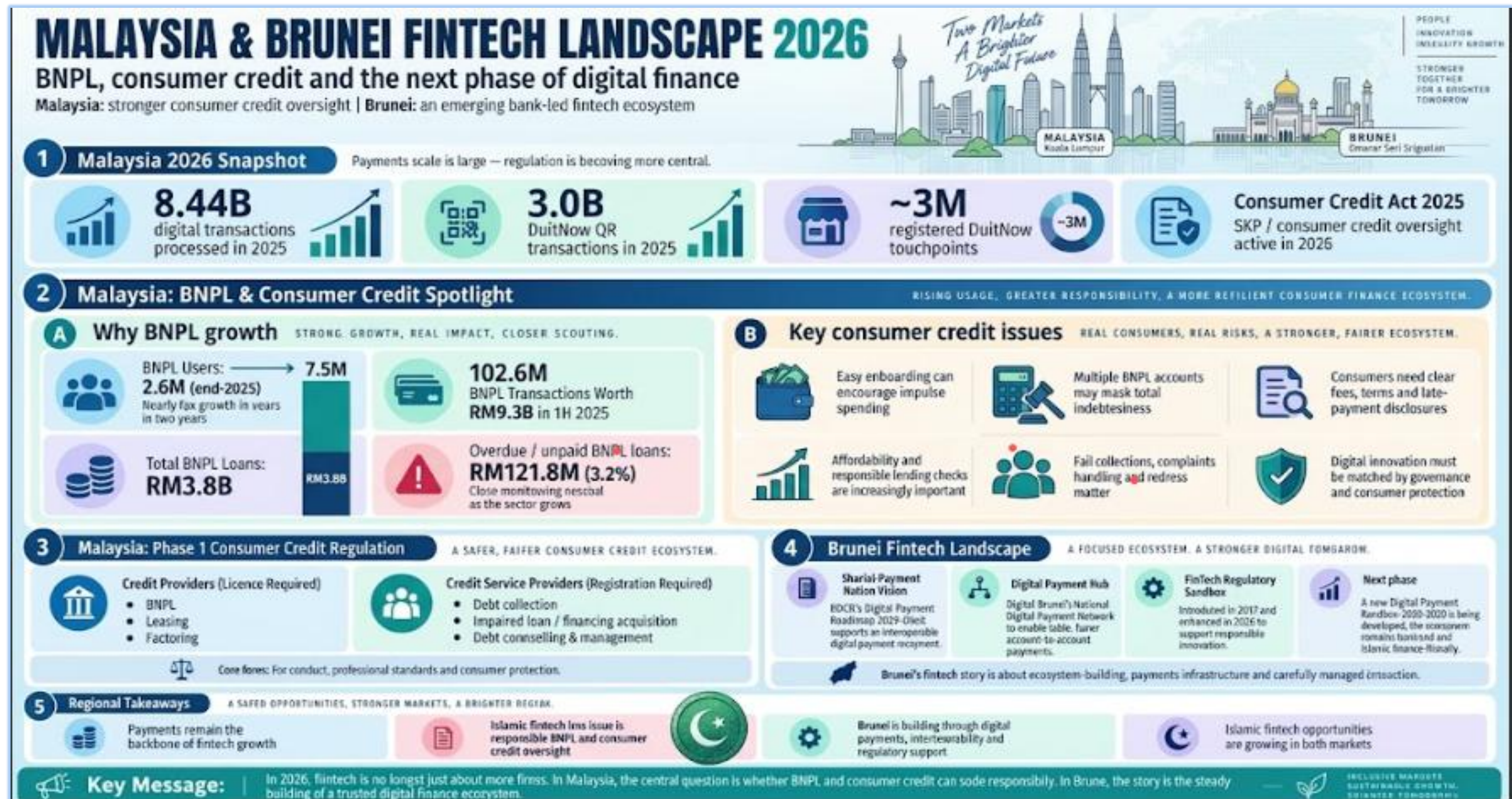


- Digital banking & fintech
- Mobile payments & BNPL
- Embedded finance

Code- enabled
Programmable Finance



- Tokenization & smart contracts
- AI-driven decisions
- Digital assets & DeFi



ASSESSMENT SHIFT

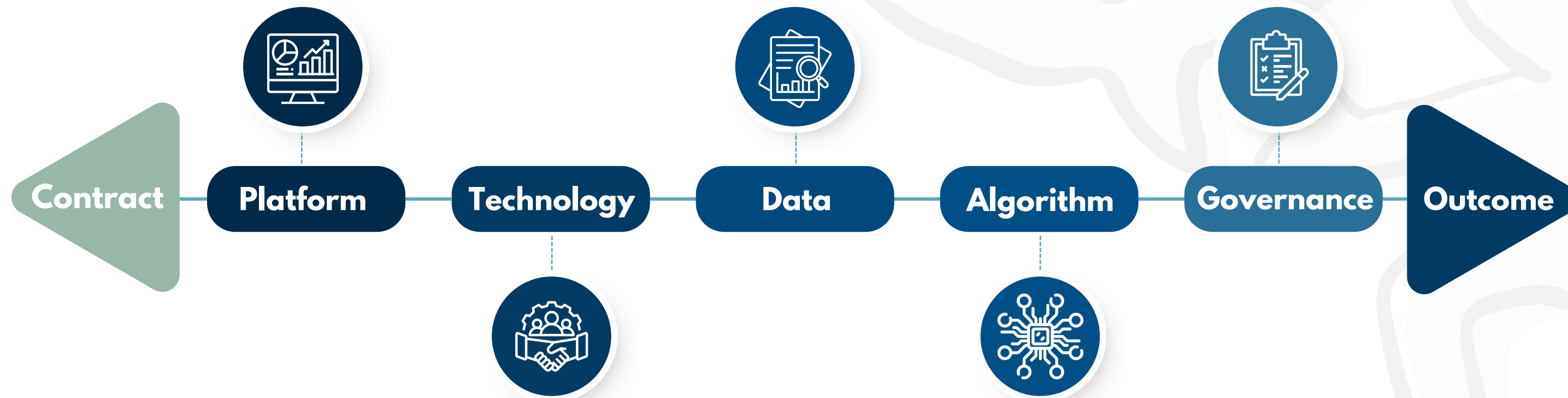
THE SHARIAH QUESTION HAS CHANGED

Traditional Question

“Is this product Shariah compliant?”

Emerging Question

“Is the entire financial architecture Shariah-compliant?”



“Classical contracts remain relevant but their application environment has fundamentally changed”

Traditional Model



What we already have

- ✓ Shariah governance structures
- ✓ Shariah committees
- ✓ Shariah review
- ✓ Shariah audit
- ✓ Shariah risk management
- ✓ Regulatory oversight
- ✓ Shariah standards / resolutions

ARE CURRENT SHARIAH GOVERNANCE FRAMEWORKS READY?

FROM SHARIAH COMMITTEE APPROVAL TO SHARIAH INNOVATION GOVERNANCE

Future Model



Shariah review must evolve from **PRODUCT-BASED** to **SYSTEM-BASED** assessment

Dimension and Readiness

Technology



Regulatory framework



Shariah standards



Shariah talent



Cross-disciplinary expertise



Continuous Shariah monitoring



Maqasid-based innovation



INDUSTRY READINESS

WHERE ARE THE GAPS?

“The gap is often not Shariah knowledge itself but the ability to translate Shariah principles into rapidly changing technological environments”



DARE
TO
BEGIN

ACTION AGENDA:

FIVE STRATEGIC PRIORITIES FOR THE INDUSTRY



1

Move from approval to anticipation

Shariah participates at the innovation design stage.

2

Strengthen interdisciplinary expertise

Shariah + technology + finance + law + risk.

3

Develop adaptive Shariah governance

Governance frameworks evolve with technology.

4

Use Maqasid as an innovation filter

Not simply a post-product justification.

5

Build regulatory, industry, and Shariah collaboration

Innovation cannot be governed in silos.

Shariah should move from a final approval gate to an embedded innovation partner

THANK YOU

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