



## بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

### Conclusions and Recommendations of the ١٤<sup>th</sup> conference on Future of Islamic Banking

Held on Wednesday and Thursday ٢٠-٢١ Jumada Al-Awwal, ١٤٤٤ AH

Corresponding to ١٤-١٥ December, ٢٠٢٢

Praise be to Allah, Lord of the worlds; prayers and peace be upon our Master and Prophet Muhammad, and upon all his family and companions.

The Saudi National Bank held the ١٤<sup>th</sup> conference on Future of Islamic Banking on Wednesday and Thursday ٢٠-٢١ Jumada Al-Awwal, ١٤٤٤ AH, corresponding to ١٤-١٥ December, ٢٠٢٢ in the JW Marriott Hotel in Riyadh city to discuss the following topics regarding 'banks with Islamic windows':

- Shariah standards of shares in banks with Islamic windows
- Issuance of capital adequacy Sukuk by banks with Islamic windows
- Provisions for dealing with banks with Islamic windows

The conference was attended by many honorable and distinguished scholars, and researchers in jurisprudence and Islamic economics, as well as banking experts and practitioners.

Participants reviewed the research papers prepared for the conference themes and followed them with honest and direct comments and constructive discussions. The conference concluded with the majority of participants reaching the following conclusions and recommendations:

## First Topic

### Shariah classification of the Shares of the Banks with Islamic Windows

#### First: Importance converted of banks with Islamic windows

١. Banks with Islamic windows: banks offering conventional prohibited financial services as well as Islamic financial services within a governance structure that ensures Shariah compliance through bank units that are not themselves independent legal entities.
٢. The conference praises and appreciates that the Saudi Central Bank in regulating the operations and governance of Islamic windows, in order to support Islamic banking and help banks to completely conversion to Islamic banking.
٣. The conference praises and appreciates the extent to which banks with Islamic windows in the Kingdom have reached in terms of predominance of their Islamic assets, where it is banks exceeding a two-third ratio
٤. The conference emphasizes that treating the international banks with Islamic windows should take into account their factual differences and legal framework of business.
٥. The conference emphasizes the importance of taking the initiative to implement serious measures to eliminate usury and its effects in banks with Islamic windows, and to adopt plans to convert to Islamic banking. Moreover, the conference invites specialists, interested parties, Shariah committees in general, and Shariah committees of banks with Islamic windows to provide guidance in this regard.

Second: standards of shares in banks with Islamic windows:

١. Research and discussions have revealed the need for collective Ijtihad institutions to consider issuing a law of permissible activity required for the permissibility of investments in shares of joint-stock companies.
٢. Originally from Shariah side, it is not permissible to own or trade shares of banks with Islamic windows, even if the majority of which is Islamic assets.
٣. The conference urges to continue studying the Shariah view on owning or trading shares of banks with Islamic windows - for which a decision has not previously been issued by the general assembly to convert to Islamic banking - that have a majority of Islamic assets and that have achieved the financial ratios as per the Shariah regulations for stock investments.
٤. It is permissible to own or trade shares of banks with Islamic windows that have been issued with a decision by the general assembly for immediate and complete conversion to Islamic banking after the approval of the supervisory and regulatory authorities, and according to a plan approved by the Shariah committee and while adhering to the steps of conversion to Islamic banking in Shariah Standard No. (٦) regarding “conversion of a conventional bank into an Islamic bank.”

## Second Topic

### Issuance of capital adequacy Sukuk by banks with Islamic windows

First: Banks with Islamic windows can issue Issuance of capital adequacy Sukuk by banks with Islamic windows (first and second segment) and invest in them, under the following conditions:

١. Issuance proceeds must be used in permissible transactions approved by the Shariah committee that supervises and controls the issuance of these Sukuk.
٢. Apply account separation within the banking system in order to regularly verify that the Islamic assets of the bank are equal to or greater than the sources of Islamic funds, including the proceeds of the funding capital support Sukuk, as per the recommendations of the ١٣<sup>th</sup> conference on Future of Islamic Banking.
٣. The aforementioned Sukuk must be subject to the instructions and directives of the regulatory and supervisory authorities.

Second: the conference recommends further study of the Shariah issues that may arise in this type of Sukuk, whether issued from Islamic banks or banks with Islamic windows.

### Third Topic

#### Provisions for dealing with banks with Islamic windows

First: it is permissible to deal with banks with Islamic windows in all financial and investment products and banking services compliant with Shariah regulations. If these transactions result in any benefits for these banks, these benefits are not prohibited because they are not a direct result of the transactions.

Second: real estate, hardware and so on may be sold and leased to banks with Islamic windows unless the seller or lessor knows that the bank's purpose of these contracts is forbidden usage, or the contractor intends to subsidize a forbidden cause.

Third: it is permissible to work in banks with Islamic windows if the work does not involve the employee participating in forbidden transactions tied to his/her job. This does not count as aiding in forbidden transactions because the job of the employee is not a direct cause for forbidden transactions conducted by the bank.