

July 2013

Meeting held on accounting for Sharia-compliant financial instruments and transactions

An inaugural meeting of an advisory group on accounting for Sharia-compliant financial instruments and transactions was held in Kuala Lumpur on 2 July 2013.

Many modern Islamic financial transactions comprise a multitude of contracts and arrangements. They are in legal form different from many of the transactions with which standard-setters from a non-Islamic background are accustomed. These differences have raised questions as to whether existing accounting standards are equipped to adequately address Islamic transactions, or whether the transactions were so unique that some other form of accounting would be required.

The advisory group was formed to assist the IASB with matters related to Islamic finance in order to assist the IASB to;

- Identify and analyze issues that may be of concern to Muslims with regard to some of the concepts and principles on which IFRS are based;
- Define the challenges of applying IFRS to Sharia Complaint Transactions and Instruments;
- Propose approaches to meet those challenges and
- Identify and propose disclosure requirements that serve users who are concerned about the nature of entities' operating, investing and financing activities.

The meeting was attended by representatives of the International Accounting Standards Board, members of the accounting standard setting bodies of Malaysia, Saudi Arabia, Dubai International Financial Centre, Indonesia and Pakistan as well as representatives of the Islamic Financial Services Board and the Gulf Cooperation Council Accounting and Auditing Organisation. The meeting was chaired by Ian Mackintosh, Vice-Chairman of the International Accounting Standards Board (IASB) and coordinated by Wayne Upton, Chairman of the IFRS Interpretation Committee.

During its initial discussions the Advisory Group agreed that membership should be expanded to better represent the interests of all concerned parties. Accordingly it was decided that the Group would benefit from the addition of academics with specific expertise in the area of Islamic finance as well as several banking practitioners who specialize in Islamic-based transactions.

The Group will, in due course, extend an invitation to academics and others for papers discussing four topics identified in the course of the meeting. The IASB staff will develop requests for papers working in consultation with the group's members.

The Malaysian Accounting Standards Board (MASB) coordinated the meeting venue and group members expressed their thanks for the MASB's contribution.

Minutes of the meeting are attached.