

SHARI'AH GOVERNANCE OF ISLAMIC BANKING INDUSTRY IN SRI LANKA

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Introduction

Today Islamic banks are operating in nearly all Muslim countries and many non-Muslim countries since 1970s. Unlike conventional banking industry, Islamic banking industry provides only the *halal* financial services for their customers because of its *shari'ah compliant* system.

Therefore, the *shari'ah governance* is the essence and vehicle for a comprehensive regulatory and supervisory infrastructure of Islamic banking system and it is the key feature of Islamic banking industry which distinguishes it from the conventional financial system. The overall compliance of Islamic banking and financial business is solely depending on the adequacy and efficiency of the *shari'ah* governance.

To ensure that Islamic banking system is complying with the religious requirements, it is required to utilize the service of *shari'ah* supervisory board (SSB). These SSB consist of number of *shari'ah* scholars who Conduct internal religious audit in Islamic financial Institutions and are required to approve the *shari'ah Compliance* of new financial products before they are launched commercially.