

Shariah Advisory Council (SAC) of Bank Negara Malaysia (BNM) Resolution No. 125 Dated 27 April 2006

Financing to a Party Who Explicitly Performs Non-Shariah Compliant Activities

The SAC was referred to on the issue as to whether Islamic financial institutions may grant financing facilities to a party who performs non-Shariah compliant activities such as liquor industry, gambling activities, brothel and others.

Resolution

The SAC of BNM, in its 58th meeting dated 27 April 2006, has resolved that Islamic financial institutions are prohibited from granting financing to companies, bodies or individuals whose activities explicitly involve non-Shariah compliant elements such as gambling, liquor industry and brothel.

Basis of the Ruling

The aforesaid SAC's resolution is based on the account that such financing would result in the revenue of Islamic financial institutions being generated by non-Shariah compliant activities. The prohibition is consistent with the saying of Allah SWT as follows:

“...help one another in furthering virtue and God consciousness, and not in what is wicked and sinful...” (Al-Maidah: 2)

Reference:

Shariah Resolutions in Islamic Finance (2nd edition), BNM,

https://www.bnm.gov.my/documents/20124/9198675/shariah_resolutions_2nd_edition_EN.pdf