
THE ROLE OF THE ULAMA RELIGIOUS AUTHORITY IN THE GOVERNANCE OF ISLAMIC BANKS

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Abstract

Morocco has, in recent years, decided to expand its financial system to foreign groups as well, starting in 2007 with the sale of shares in some banks and the entry of French capital. The intention of the Moroccan government has been to open up the country's market to Islamic finance, realizing the potential for the Moroccan economy of a segment of the population not yet banked and financially included.

It is, in fact, since 2015 — with Decree No. 1.15.02 of February 9, 2015 — that the Council of Participatory Finance Commission was created. The purpose of this commission is to ensure compliance with the precepts of Islam regarding the products proposed by banks by issuing opinions on the determinations issued by the Governor of the Central Bank of Morocco, the technical supervisory body, regarding products and insurance. The commission consists of nine permanent members who are specialists in *Shari'a* and *fiqh* and five additional members who act as experts and assist the permanent members in carrying out their duties.

The Kingdom of Morocco has sought to give a breakthrough to Islamic finance through the strengthening of the Ulama Council, which

is also in charge of scrutinizing the financial compliance of Islamic products and promoting Morocco’s new Islamic finance sector (Chihab et al., 2019).

All Moroccan banking institutions, whether participatory or conventional, have compulsorily in-house a *Shari’a* board, i.e., an Islamic law compliance committee made up of 4 to 7 experts and which may be permanent or meet periodically depending on the statutes of the financial companies in which it is established. At the end of each financial year, financial institutions are required to send a report to the Ulama board.

The objective of our research will be precisely to study the role of the Ulama — present across the Islamic world (Kechichian, 1986) — in Morocco. This will be achieved through a systematic review of scholarly literature on the Ulama in the Moroccan financial system.

We will first investigate aspects of the history of the Ulama in the Moroccan legal, religious, and social system and then move on to the analysis of governance in the Moroccan financial system, from the beginning of the involvement of the Ulama Council in the financial sphere to the state of the art on the subject.

In particular, the aspects to be explored in depth in the study — with regard to the involvement of the Ulama in Morocco in the financial sphere — will be the type of control of the Ulama within the governance of the banks and how the Superior Council interfaces with the Moroccan Central Bank.

In conclusion, we will see what improvements could be made to make Ulama control more effective and conducive to a better social inclusion of Muslim consumers in both the regulatory and *Shari’a* board spheres.

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