SHARIAH ELIGIBILITY CRITERIA FOR MS 1900 CERTIFICATION SCHEME

SHARIAH SCREENING

1.1 Shariah is Islamic canonical law which observant Muslim adhere to in their daily lives. Shariah has certain strictures regarding finance and commercial activities permitted for Muslim. During the selection process, the company is reviewed based on various sources such as:

a) Company's Annual Report
b) Company responses to survey forms
c) Inquiries made to respective company's management

1.2 The screening criteria of eligibility for companies seeking for certification of MS 1900 are as follows:

1.2.1 Sector-based

The organization which core business is related to the following activities is not eligible to apply for MS 1900 certification:

i) Manufacture or sale of non-halal products or related products for example selling liquor and pork
ii) Gambling and Gaming
iii) Pornography
iv) Entertainment activities that are non-permissible according to Shariah
v) Stockbroking or share trading in Shariah non-compliant securities/ companies
vi) Other activities deemed non permissible according to Shariah

Note :

a) For Food and Pharmaceutical industries, the products shall comply with Halal Standard in order to qualify for MS 1900 certification.

b) For the companies with activities comprising both permissible and non-permissible elements, two additional criteria are considered:

i) The public perception or image of the company must be good and
ii) The core activities of the companies are important and considered 'maslahah' (benefit in general) to the muslim ummah (nation) and the country and the non-permissible element is very small and involves matters such as 'ummul balwa' (common plight and difficult to avoid), 'uruf' (custom) and the rights of the non muslim community which are accepted by muslim.

1.2.2 Financial-based

a) The tolerable level of mixed contributions from permissible and non-permissible activities towards turnover and profit before tax of a company are based on:

i) The level of interest income received by the company from conventional fixed deposits or other interest bearing financial instruments.
ii) Dividends received from investment in Shariah non-compliance company.

b) The tolerable level of mixed contributions are as follows:

i) The Five Percent Benchmark

This benchmark is used to assess the level of mixed contributions from the activities that are clearly prohibited such as *riba'* (interest-based companies like conventional banks), gambling, liquor and pork.

ii) The 10-Percent Benchmark

This benchmark is used the level of mixed contributions from the activities that involve the element of "***ummul balwa***" which is a prohibited element affecting most people and difficult to avoid. An example of such a contribution in the interest income from fixed deposits in conventional banks. This benchmark is also used for the tobacco-related activities.

iii) The 20-percent benchmark

This benchmark is used to assess the level of contribution from mixed rental payment from Shariah-non compliant activities such as rental payment from the premise that involved in gambling, sale of liquor etc.

iv) The 25-Percent Benchmark

This benchmark is used to assess the level of mixed contributions from the activities that are generally permissible according to Shariah and have an element of ***maslahah*** to the public, but there is other elements that may affect the Shariah status of the activities. Among the activities that belong to this benchmark are hotel and resort operation, share trading, stock broking and others, as these activities may also involve other activities that are deemed non permissible according to the Shariah.

References:

1) List of Shariah-Compliant Securities by Shariah Advisory Council of the Securities Commission

2) Standard and Poor's : S&P Shariah Indices Methodology