

# Classifying the listed Companies According to Islamic Sharia

March 05, 2019

The Amman Stock Exchange (ASE) CEO, Mr. Nader Azar stated that the ASE has formed a Sharia Advisory Committee of elite specialists in Sharia sciences and Islamic finance for drafting Sharia and Accounting Standards to classify the listed companies at the ASE according to their compliance with Islamic Sharia, where the committee drafted the aforementioned standards after reviewing the decisions of the Board of Iftaa, Research and Islamic Studies in Jordan, the General Iftaa Department's Fatwa, the International Islamic Fiqh Academy, the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) standard number 21 regarding to "**securities: shares and bonds**", Sharia Supervisory Boards' decisions, Dow Jones Islamic Market Index and the international practices, therefore the committee presented the standards on the High Council to be approved.

Mr. Azar added, "The Board of Iftaa approved those standards in its meeting held on 31/1/2019 with the following details to classify the listed companies according to the compatibility with Islamic Sharia" as follows:

**First:** it is permissible to trade the companies' pure, which are the companies that their declared investments, activities and financial statements are devoid of Haraam.

**Second:** It is forbidden to trade the shares of any company that its business activities are involved in Haraam.

**Third:** It is forbidden for any company to deal in interest rate or any other taboos whatever the rate is against the permissible.

**Forth:** Regarding to the companies that are registered under permissible activities, but they are dealing with some forbidden activities for offering or selling some taboos products, where such activities are not the core business of the company, and not indicated in its articles of association, however such companies shall meet two conditions to permit trading with its shares either in buying or selling:

1. The total interest-based amount that is borrowed or deposited shall not exceed 25% of the company's book value.
2. The income or expenses resulting from any forbidden activities as defined in the above definition (Forth) shall not exceed 5% of the company's total revenue.

Where the Sharia justification of these conditions is the flexible Islamic Fiqh laws, represented by

"Amnesty for easy" and "equal the general need with necessity" as well as " necessities are estimated by its measure", hence, all are indicated the Sharia texts and the scholars' threads, besides the rules for bearing the responsibility for whom are dealing with the forbidden activities, and the Haraam shall not exceed into two receivables, especially in the companies where thousands of people are involved in, which made it difficult for each person to detect each forbidden transaction. As this is a duty for a Muslim - despite the permissible conditional provision in getting rid of the revenue resulting from forbidden activities and spending these revenues in public good things that will never return with any benefit to this person, as Allah the only one who knows".

It is worth mentioning that during this year, the ASE is going to classify the listed companies according to the compatibility with Islamic Sharia based on their 2018 financial statements and the aforementioned standards, noting that this classification is in line with the ASE's strategic plan projects that aim at enhancing and increasing the attractiveness of the investment environment by providing new investment options for investors.