Consultation Fact Sheet

Revised Guiding Principles for the Governance of Islamic Collective Investment Schemes

Body Islamic Financial Services Board (IFSB)	
Published 2026-07-21	Consultation deadline 2026-09-04
Scope of application Regulatory and supervisory frameworks for Islamic collective investment schemes, including open and closed-ended funds, contractual and unit trust structures, individual and umbrella funds, and Islamic windows of conventional collective investment schemes	Impacted / targeted stakeholders Regulatory and supervisory authorities responsible for oversight over sukuk markets and by extension sukuk issuers and external reviewers whose claims and assessments may be subject to their oversight

Synthesis

> The IFSB is consulting on 10 revised guiding principles to strengthen governance and supervisory frameworks for Islamic collective investment schemes, updating IFSB-6 issued in 2009. The revision reflects the sector’s growth and the evolution of Sharīʿah governance, Islamic financial markets and technology. It focuses on governance considerations arising from ICIS-specific characteristics, particularly investment eligibility methodologies, market conditions and continuing Sharīʿah compliance. The proposals seek to embed these characteristics consistently in oversight and day-to-day management. Boards and senior management would be expected to ensure that approved investment eligibility and Sharīʿah requirements inform portfolio, risk, liquidity and valuation processes, including when holdings become non-compliant or markets are stressed. They also reinforce accountability and effective judgement where ICIS rely on third parties, shared Islamic-window arrangements or technology-enabled processes, supporting investor protection and confidence in Islamic capital markets.

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Purpose & rationale

ICIS have grown significantly since IFSB-6 was issued in 2009, while Islamic financial markets, Sharīʿah governance and technology have continued to evolve. Although ICIS generally share the legal and operational features of conventional collective investment schemes, their investment eligibility methodologies, market and infrastructure characteristics, and ongoing Sharīʿah compliance obligations can create distinct governance, liquidity, valuation, operational and risk-management considerations. The revised principles therefore aim to strengthen proportionate governance and supervisory frameworks for ICIS-specific issues while complementing, rather than duplicating, broader IOSCO and IFSB standards.

Specific policy objectives:

- Strengthen regulatory, board and senior-management oversight of the specific characteristics and operating environments of ICIS.

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- Embed investment eligibility and Sharīʿah requirements consistently across portfolio management, compliance and corrective-action processes.
- Align risk, liquidity and valuation arrangements with actual market conditions, including market depth, transaction capacity and pricing observability.
- Preserve accountability and effective oversight where ICIS rely on third parties, shared Islamic-window arrangements or technology.

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Key proposals

The Exposure Draft proposes 10 guiding principles for authorities, to be applied proportionately to the size, complexity, operational structure and risk profile of each ICIS.

Dimension	Proposed principle	Issue(s) addressed
Board and senior management oversight	Authorities should ensure that boards and senior management understand ICIS-specific characteristics, approve proportionate governance arrangements, embed them in day-to-day management and maintain timely reporting and escalation.	Investment eligibility methodologies shape ICIS portfolio construction and require ongoing oversight. Changes in issuer classifications, financial thresholds, business activities or methodology assumptions may trigger disposals or other portfolio adjustments, creating governance needs around their consistent application, monitoring and implementation.
Investment eligibility methodologies	Authorities should ensure that operators use documented, approved and periodically reviewed screening methodologies, apply them consistently, retain capacity to challenge external approaches and manage eligibility changes and non-compliant holdings in an orderly manner.	
Sharīʿah governance	Authorities should ensure proportionate Sharīʿah governance arrangements with appropriately empowered and independent organs, coordinated compliance processes and documented procedures for escalation, remediation, disposal and purification.	ICIS require continuing assessment of portfolio compliance and clear treatment of holdings or income that become non-compliant after investment.
Risk management framework	Authorities should ensure that risk frameworks and stress tests reflect the actual markets, instruments, operational constraints and infrastructure relevant to the ICIS, supported by appropriate expertise and periodic review.	In some markets, limited depth and secondary market liquidity, together with scarce short-term instruments and Islamic alternatives for liquidity and risk management, may constrain transaction execution and redemption management.

Dimension	Proposed principle	Issue(s) addressed
Liquidity risk management	Authorities should ensure that liquidity frameworks align with redemption terms, asset composition and market conditions, use prudent stressed assumptions and provide effective governance of liquidity-management tools, forced disposals and contingency arrangements.	These market characteristics should therefore be reflected in ICIS risk and liquidity-management frameworks.
Valuation	Authorities should ensure that valuation arrangements reflect the ICIS's pricing environment, escalate material uncertainty, validate non-observable or model-based inputs and provide effective oversight of external pricing providers.	Infrequent trading and fragmented price discovery can weaken valuation reliability and increase reliance on indicative, proxy or model-based pricing, particularly during market stress.
Outsourcing and third-party dependencies	Authorities should ensure due diligence, ongoing oversight, internal challenge, concentration-risk management and contingency planning for specialised third parties, while preserving the operator's accountability.	Reliance on a limited number of screening, index, Sharīʿah advisory, data or pricing providers can create critical dependencies and weaken independent judgement.
Islamic windows	Authorities should ensure that Islamic windows segregate assets, records, information flows, operations and decision-making, with clear controls and accountability where personnel, systems or services are shared.	Shared arrangements with conventional activities can create commingling, inconsistent treatment, conflicts and inappropriate influence over the ICIS.
Conflicts of interest	Authorities should ensure that operators identify, escalate and manage conflicts involving Sharīʿah governance organs, affiliates, service providers, related-party transactions and purification arrangements, including restrictions on connected-party benefits.	Multiple roles and connected-party arrangements can impair independent judgement or cause decisions and purification outcomes to depart from investors' interests.
Technology and automated decision-making	Authorities should ensure that AI and automated processes remain aligned with approved methodologies, transparent, traceable and independently reviewable, with human oversight wherever qualitative judgement or exceptions are involved.	General-purpose or automated tools may misapply ICIS-specific classifications, jurisdictional requirements or transitional treatments and obscure how material compliance decisions were reached.

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