SHARI'AH GOVERNANCE PRACTICE FOR ISLAMIC CAPITAL MARKETS IN NIGERIA: AN APPRAISAL

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Abstract

One major distinction between Islamic Capital Market and the conventional capital market is in the area of compliance with Islamic principles and rulings. This is always achieved through the *Shari'ah* governance mechanism. The Islamic Capital Market comprises both the Islamic debt market such as the Islamic equity market and *Sukuk* (Islamic bonds). One of the issues with private *Sukuk* structure in Nigeria is that it needs no approval of the Securities and Exchange Commission (SEC) as in the case of a public *Sukuk*. This practice, therefore, eliminates the additional level of *Shari'ah* compliance which is the case in public *Sukuk*. Similarly, the SEC rules provides for the establishment of the *Shariah* Advisory Council which shall be set up by the regulators to serve the financial market. But as it is now, the SEC is yet to establish the council and it refers such matters on *Shari'ah* compliance to the Financial Regulation Advisory Committee of Experts (FRACE) at the CBN for validation. In view of the above, this paper, therefore, examines the viability or otherwise of the framework for *Shari'ah* Governance in Islamic Capital Markets in Nigeria. It concludes that there is a need for a review of the *Shari'ah* governance practice in the Islamic capital market in Nigeria with the urgent need for the Securities and Exchange Commission to establish its independent *Shari'ah* Advisory Council as required by its rules.

Keywords: *Shari'ah*; Governance Practice; Capital Markets; Nigeria.

1. Introduction

Shari'ah governance is a component of corporate governance which ensures that Islamic financial institutions comply with *Shari'ah* principles in their products, instruments, operations, practices, management and so on. Studies have indicated that *Shari'ah* compliance is essential factor in patronising Islamic financial products and services.[1]

The Islamic Capital Market in Nigeria is regulated by the Securities and Exchange Commission (SEC). One of the major *Shari'ah* issues in structuring *Sukuk* (Islamic bonds) in Nigeria is that

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[1]. Philip Gerrad and J. Barton Cunningham, 'Islamic Banking: A Study in Singapore' *International Journal of Bank Marketing* (1997) 204-216 < emerald.com > acessed 13th July 2021.

the SEC Rules requires that the Special Purpose Vehicle (SPV) which will be a subsidiary company who intends to invite members of the public to subscribe and invest in such *Sukuk* structure must be incorporated and as a public limited company (PLC). This presupposes that the SEC will refer such *Sukuk* instrument to the Financial Regulation Advisory Committee of Experts (FRACE) for validation. This serves as a second or additional level at which compliance with the principles of Shari'ah are ensured.

However, *Sukuk* instruments that are private in nature cannot invite members of the public to invest in such instruments. Such private *Sukuk* arrangement will have to rely on an internal *Shari'ah* arrangement at that level for *Shari'ah* compliance. There will be no referral to the FRACE as it is the case if it is a public *Sukuk*. This, therefore, raises some *Shari'ah* issues as to the level of compliance with *Shari'ah* principles particularly for private *Sukuk*.

Secondly, the SEC rules and regulations provides for the establishment of the *Shariah* Advisory Council which shall be set up by the regulators to serve the financial market. According to the SEC rules and regulations, the *Shari'ah* Advisory Council ensures *Shari'ah* compliant/related issues. However, the SEC refers such *Shari'ah* functions to the FRACE at the Central Bank of Nigeria. Having the FRACE with its present membership strength to entertain matters from almost all sectors in the Islamic financial industry in Nigeria raises some issues as to whether considering the workload, that may not ultimately affect *Shari'ah* compliance in the Islamic Capital Market in Nigeria. These are some of the *Shari'ah* Governance issues in the Islamic Capital Market this paper aims to address. This paper, therefore, examines the nature of Islamic Capital Market, the *Shari'ah* Governance Practice for Islamic Capital Market and the framework for *Shari'ah* Governance in Islamic Capital Markets in Nigeria. In this wise, the paper examines the viability or otherwise of the framework for *Shari'ah* Governance in Islamic Capital Markets in Nigeria.

2. General Overview of the Islamic Capital Market

The Islamic Capital Market is one of major segments of the Islamic financial industry. Broadly, the Islamic Capital Market refers to the market in which longer-term debt and equity instruments are traded.[2] Both Islamic and conventional capital markets represent a significant component of the entire financial system which facilitates the mobilization of funds and acting as an efficient platform to channel these savings for the financing of long-term projects for both governments

[2]. Hassan, R. (2014) Corporate Governance Practice in Islamic Financial Institutions, IBFIM, Kuala Lumpur. P159.

and private sector businesses. They also provide much needed liquidity to market players through a well-functioning secondary market.[3] Unlike the conventional capital market, the unique feature about the Islamic Capital Market is compliance with the principles of *Shari'ah* in trading in long term and equity instruments. For this market to function effectively, there should be complete avoidance of *Riba* (interest), *Gharar* (Uncertainty), *Maysir* (Gambling)and other prohibited activities and commodities must be completely eliminated.

The Islamic Capital Market comprises both the Islamic debt market such as *Sukuk* and the Islamic equity market. This allows corporations or firms to seek long-term cost of funds and securities for financing large investments, development projects, providing capital or expansion of business. The Islamic debt market is the issuance of Islamic private debt securities to raise funds to finance long-term infrastructure. It allows Islamic financial institutions to diversify part of the risks emanating from asset and liability mismatches. The Islamic equity market allows investors to participate in capital raising exercises.[4]

The Islamic capital market plays a significant role in the Islamic financial system. It ensures stability in the system in the sense that it complements the role of the Islamic banking system. The Islamic capital market has so far provided a wide range of products and services such as *Shari'ah* compliant stocks, *Sukuk* (Islamic bonds), Islamic funds, Islamic risk manage products and so on.

In view of the popular demand for the Islamic capital market in Nigeria, it has been proven that this market is able to provide a viable and sustainable source of funding and financing in accordance with *Shari'ah* principles. In 2016, the Federal Government of Nigeria issued 100 billion naira of *Sukuk ijarah* for 25 road infrastructure projects throughout the federation. The *Sukuk*, which has been illustrated as a low risk and save investment, was issued by the Debt Management Office (DMO) with seven years tenor. In addition, the *Sukuk* attracted an over subscription of 105.9 billion naira, indicating investors' desire and demand for *Sukuk.*[5]

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[3]. International Shari'ah Research Academy for Islamic Finance (ISRA), (2015) Islamic Capital Markets Principles and Practices, Pearson Malaysia Sdn Bhd, Kuala Lumpur. P. 4.

[4]. Islamic Financial System: Islamic Capital Markets Principles and Operations , Kuala Lumpur: ISRA,

[5]. AbdulKareem, I.A., Mahmud, M.S, AbdulGaniyy, A. (2020) Thematic Review of Sukuk Ijarah Issued in Nigeria: An Opportunity for Economic Development, Conference Paper in Jurnal Iqtisaduna. P.69. www.researchgate.net. Last accessed 14th December, 2021.

3. *Shari'ah* Governance Framework

The *Shari'ah* governance mechanism in the Islamic Capital Market is a practical approach to ensure that all transactions comply with the principles of *Shari'ah*. To have an established *Shari'ah* governance system is important in ensuring that all relevant stakeholders in the Islamic Capital Market observe the necessary Shari'ah procedures. The Islamic Financial Services Board (IFSB)-10 defines *Shari'ah* governance system as "a set of institutional and organisational arrangements through which an IIFIS ensures that there is effective independent oversight of *Sharī`ah* compliance over…

i. issuance of relevant *Sharī`ah* pronouncements/resolutions…
ii. dissemination of information on such *Sharī`ah* pronouncements/resolutions to the operative personnel of the IIFS…
iii. An internal *Sharī`ah* compliance review/audit for verifying that *Sharī`ah* compliance has been satisfied …
iv. An annual *Sharī`ah* compliance review/audit for verifying that the internal *Sharī`ah* compliance review/audit has been appropriately carried out and its findings have been duly noted by the *Sharī`ah* board.[6]

The above definition emphasizes the need for an independent supervision in order to ensure that there is Shari'ah compliance in the products and services of IFI's. The Central Bank of Nigeria (CBN) Guideline has to some extent, though not adequately, addressed the issue of independence of the Advisory Council. Section 3.1 of the CBN Guideline provides that "the FRACE shall established an expert advisory organ to advice the CBN on matters of Islamic commercial jurisprudence as they relate to the operations of NIFIs. Members of the FRACE shall be appointed on a part-time basis."[7]

The fact that the members are not appointed on a full-time basis provides for the independence of such members in the discharge of their duties and responsibilities. The presumption is that the members being experts in their own rights would have a fulltime engagement elsewhere such that they would not be influenced by the remuneration from the Central Bank. However, it has been argued that such assumption of a potential conflict of interest by the FRACE is not really

[6]. Islamic Financial Services Board Guiding Principles on Shari'ah Governance Systems for Institutions Offering Islamic Financial Services, December, 2009, pp.1-3. Available at www.ifsb.org last accessed on the 10th day of February, 2021.
[7].

accurate. This is because the FRACE members are expected to be guided by moral belief and religious values.

The other aspects addressed by the definition are the *Shari'ah* pronouncements, dissemination of information and an internal *Shari'ah* governance process that covers both ex-ante and ex-post aspects of Shariah compliance framework.

In the area of corporate governance, Islamic Financial Institutions have the additional responsibility of *Shari'ah* compliance.[8] The *Shari'ah* governance system is exclusive and unique to the corporate governance framework in the Islamic Financial Institutions which basically distinguishes them from their conventional counterparts.[9] One of the major component of *Shari'ah* governance is *Shari'ah* supervision which is one of the major functions of the *Shari'ah* supervisory board. Through the *Shari'ah* governance framework, the *Shari'ah* supervisory board advise the Islamic financial institutions on *Shari'ah* matters in order to ensure compliance with *Shari'ah* rules at all time in their operations and it also endorses and validates relevant documentations relating to the products and services of the Islamic financial institutions.[10]

Shari'ah governance is a process which involves the ex-ante and ex-posts phases. The Ex-ante *Shari'ah*-compliance phase includes product proposal, legal documentation, *Shariah* review, procurement and dissemination of *Shari'ah* rulings. On the other hand, the Ex-posts phase involves the periodic and annual *Shari'ah* review.[11] These two phases ensure the legitimacy of a products and its compliance with *Shari'ah* principles.

Generally, the *Shari'ah* governance system is aimed at achieving certain objectives which are to ensure *Shari'ah* compliance, avoidance of *Shari'ah* non-compliance risk, to retain the confidence and trust of stakeholders and to maintain justice and fair play in financial transactions. On ensuring Shariah compliance, IFI's are out to provide certain services and products. Expectedly, each of those services and products from their initiation until they get to the customers should comply with the Shariah ruling and principles.[12] On avoidance of *Shari'ah* non-compliance risk, Rule 1 of the IFSB- defines *Shari'ah* non-compliance risk as: "the risk that arises from IFIs' failure to comply with the Shariah rules and principles determines by the *Shari'ah* Board or IIFs

[8]. Elasrag, Hussein.(2014) Corporate Governance in Islamic Fnancial Institutions, Munich Personal RePEc Archive. Available at https://mpra.ub.uni-muenchen.de/56221/ last visited on 21st September, 2020. p.30.
[9]. International Shari'ah Research Academy for Islamic Finance (ISRA) op. cit. at p.725.
[10]. Elasrag, Hussein op. cit. at p.30.
[11]. Ibid at p.728.
[12]. International Shari'ah Research Academy for Islamic Finance (ISRA) op. cit. at p.728.

or the relevant body in the jurisdiction in which the IIFs operate."[13] On the need to retain the confidence and trust of stakeholders such as include the investors, depositors, employees and other stakeholders. The main factor that influences the dealing is the assurance that all the activities of the Islamic Capital Market are being done in a manner provided by the *Shari'ah*.

4. *Shari'ah* Governance Framework for Islamic Capital Market in Nigeria

The major regulatory body responsible for the Islamic Capital Market in Nigeria is the Securities and Exchange Commission (SEC). The SEC rules and regulations provides for the establishment of the *Shariah* Advisory Council/*Shariah* Supervisory Board (SSB) which shall be set up by the regulators to serve the financial market. According to the SEC rules and regulations, the *Shari'ah* Advisory Council ensures *Shari'ah* compliant/related issues.[14]

Shari'ah supervisory functions are essential component of the Islamic capital market. This can only be achieved through a *Shari'ah* governance structure put in place in that regard. This is one of the areas of uniqueness of Islamic Capital Market and the conventional capital market. For instance, the Securities Commission in Malaysia provides for the functions of the *Shari'ah* Advisory Council as follows; to advise on operation and development; to advise on compliance criteria and guidelines; to review proposal, inquiries and offer legal opinions; to promote harmonization and convergence of *Shari'ah* principles; and to provide general guidelines on matters related to Islamic investments and transactions.[15]

It is worthy of note that even when the SEC Rules and Regulations in Nigeria make provision for the establishment of *Shari'ah* Advisory Council for the SEC, the SEC is yet to establish one. As it is now, the SEC does refer matters in the capital market to the FRACE at the level of the CBN.

Shari'ah governance in Non-Interest Financial Institutions in Nigeria is structured based on the institutionalization of Financial Regulation Advisory Council of Experts (FRACE) at the central level. With that, FRACE is at the apex level of the *Shari'ah* Governance structure established at the CBN level with the power to oversee the workings of NIFIs.[16] The role of the FRACE is majorly advisory to the CBN and other regulatory agencies in the Nigerian financial system, which shall include but not limited to: the Nigeria Deposit Insurance Corporation (NDIC), the

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[13]. Islamic Financial Services Board (IFSB-1) 2005, Guiding Principles of Risk Management for Institutions (other than Insurance Institutions) offering only Islamic Financial Services. Kuala Lumpur.
[14]. Securities and Exchange Commission Rules and Regulations, (2013) www.sec.gov.ng
[15]. Hassan, R. op.cit. at 174.
[16]. Central Bank of Nigeria, Guidelines for the Regulation and Supervision of Institutions Offering Non-Interest Financial Services in Nigeria. Rule 9.

Securities and Exchange Commission (SEC), the National Insurance Commission (NAICOM), the National Pension Commission (PENCOM) and Debt Management Office (DMO). The advisory role of the FRACE to the CBN shall be on matters of Islamic commercial jurisprudence as they relate to the operations of NIFIs.

This multiple role of the FRACE to all the agencies mentioned above will certainly add to the volume of work the FRACE will attend to. The responsibility of the FRACE is to the CBN first, then to other institutions. The possibility that the FRACE is not being overworked is minimal. As such, in order to ensure better and effective compliance with the principles of *Shari'ah* in the Islamic Capital Market in Nigeria, there is need to revisit the present practice of having only the FRACE to superintend over *Shari'ah* matters in the non-interest banking sector and as well the Islamic Capital Market in Nigeria.

To address this challenge, one of the following should be considered. First, the *Shari'ah* Advisory Council needs to be established at the level of SEC. It is obvious that the work load at the CBN level is indeed demanding for the FRACE as well as the SEC. It may be admitted that before now there is the paucity of *Shari'ah* experts at that level. But as the Islamic financial industry continue to grow, more experts are coming up and more people are specializing in this aspect of the finance in order to fill the existing gap in the industry.

Secondly, the number of the FRACE members can be increased while considering expertise in Islamic banking, Takaful Insurance and the Islamic capital market. It is equally important to note that for the purpose of centralising Islamic financial matters in Nigeria, matters of Islamic capital market should continue to be referred to the FRACE at the CBN level. More so, there are indications that there is the paucity of *Shari'ah* experts in finance in Nigeria. Thereafter, practical efforts can be made to encourage mentorship and grooming of young scholars who can later fill in the already existing gaps in *Shari'ah* governance in Islamic finance in Nigeria.

5. Qualification and Role of the *Shari'ah* Adviser to the Fund Manager

The SEC Rules and Regulations define a *Shari'ah* Adviser as a person or a corporation that advises the fund manager on *Shariah* related issues. It further provides for the Qualification of a *Shari'ah* Adviser as follows:

i. The person shall not have been convicted for any offence arising from criminal proceedings.

ii. The person has never been declared bankrupt.

iii. The person is of good repute and character.

iv. The person possesses the necessary qualifications and expertise, particularly on Islamic *Fiqh*/jurisprudence and has experienced exposure in Islamic finance and capital market.

Apart from the general requirements on the qualification of a *Shari'ah* Adviser, the SEC Rules and Regulations make specific mention of the requirements of experience and exposure in the capital market. This is vital in the sense that the even the conventional capital market has a lot of intricacies. So, the requirement for experience and exposure in Capital Market cannot be overemphasised.

Another point worthy of mention is the fact that the SEC Rules and Regulation is silent on the requirement of ability to communicate, both written and verbally, in Arabic language. This omission can be fatal in the sense that, ability to ensure compliance with the provisions of the *Shari'ah* in Islamic capital market can better be achieved with eminently qualified individuals serving either as members or the *Shari'ah* Advisory Council or *Shari'ah* Adviser with abilities to consult classical works in Arabic language on the matters of Islamic capital market. This is more important in the sense that the CBN and the NAICOM Guidelines on *Shari'ah* governance make specific provision in that regard.

The SEC Rules and Regulations further provides that the role of *Shari'ah* adviser shall include, but shall not be limited to the following; to advise on all aspects of Islamic fund management in accordance with *Shari'ah* principles; to provide *Shari'ah* expertise/guidance on all matters, particularly in documentation, structuring and investment instruments, and ensure compliance with relevant SEC rules including resolutions issued by *Shari'ah* supervisory board; to review reports of compliance of fund manager or any investment transaction reports to ensure that investment activities are *Shari'ah* compliant; to provide a periodic report to the trustees certifying whether the Islamic fund has been managed/administered in accordance with the *Shari'ah* principles and the rules. In carrying out the above roles, the *Shari'ah* adviser shall act with due care, skill and diligence.[17]

5.1 Fund Manager

As part of the *Shari'ah* governance procedure, the SEC Rules makes provision for the fund manager who will be responsible for managing *Shariah* compliant fund. The rules further provides that the Fund manager shall; at all times, have adequate employees with necessary

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[17]. SEC Rules and Regulations op.cit. Rule 39.

qualifications, expertise and experience to achieve the objectives of the fund; provide adequate and sufficient training, whether internal or otherwise, for all its employees and licensed representatives so that they acquire the necessary knowledge for its business; and ensure its *Shari'ah* adviser is well versed on Islamic fund management and has adequate *Shari'ah* knowledge on Islamic finance and capital markets.

In addition to the provision of these rules and regulations, the rules also provide for the investment committee which shall include at least a member who is knowledgeable in Islamic finance and *fiqh.* The rules also make provision for portfolio management wherein the fund manager offering *Shari'ah* compliant portfolio management must ensure that its investment activities are limited to *Shari'ah*-compliant investments. The fund shall invest, at its discretion, in securities listed on a recognised securities or commodities exchange in Nigeria. However, part of the fund's assets may be invested in unquoted securities in line with the rules of the Commission. The rules further provide that for investment in securities traded on a recognised stock or commodities exchange, the fund manager shall only invest in securities according to the methodology endorsed by internationally established standards board especially those issued by recognised *Shari'ah* bodies such as the Accounting Auditing Organizations of Islamic Financial Institutions (AAOIFI) and Organization of Islamic Countries (OIC) Fiqh Academy.[18]

5.2 Written Disclosure and Declaration by the *Shari'ah* Advisory Council

As part of the *Shari'ah* governance framework in Islamic capital market in Nigeria, the SEC Rules provide for the written disclosure and declaration by the *Shari'ah* Advisory Council. It provides that the fund manager shall prepare annually a written disclosure and declaration to the board of directors of the fund manager, and the trustees that the management of the fund is carried out in accordance with *Shari'ah* principles; a fund manager shall forward annually a certificate of compliance issued by the *Shari'ah* advisory council to the board of directors of the fund manager and the trustees that the management of the Islamic fund is carried out in accordance with *Shari'ah* principles; the fund manager shall ensure that the disclosure, declaration and other interpretations made by the *Shari'ah* adviser are maintained and that the records shall be made available for examination upon the Commission's request.[19]

[18]. Ibid
[19]. Ibid.

5.3 Internal Audit Mechanism for *Shari'ah* Compliance

The rules provide that the fund manager shall put in place appropriate systems and mechanisms within its internal audit requirements to monitor *Shari'ah* compliance according to the instructions of the *Shari'ah* supervisory board (SSB), these rules and regulation and other relevant SEC regulations and/or standards, including resolutions issued by the *Shari'ah* adviser.

6. *Shari'ah* Governance on *Sukuk* in Nigeria

Under the SEC Rules and Regulations, Sukuk is structured to include; *Sukuk Ijarah* – (leased contract), *Sukuk Musharakah*– (sharing contract), *Sukuk Istisna'*– (exchange contract), *Sukuk Murabahah* – (financing contract) and any other form of contract approved by the Commission.

The rules further provide that public companies, state governments, local government, and government agencies as well as multilateral agencies are eligible to issue, offer or make an invitation of *Sukuk* upon seeking the Commission's approval under these rules. An issuer must appoint an issuing house to seek an approval of the Commission for the proposed issue, offer or invitation of *Sukuk* under the rules.[20]

Rule 574 provides that the issuer, with the agreement of the trustee and issuing house shall appoint a *Shariah* adviser, registered or recognized by the Commission, to carry out the following primary responsibilities; advise on all aspects of the *Sukuk* including documentation and structuring; issue a *Shari'ah* certification which outlines the basis and rationale of the structure and mechanism of the *Sukuk* issue, the applicable *Shari'ah* principles used for the *Sukuk* issue and relevant *Shariah* matters relating to the documentation of the *Sukuk* issue; ensure that the applicable *Shari'ah* principles and any relevant resolutions and rulings endorsed are complied with; and apply *Ijtihad* (reasoning) to ensure all aspects relating to *Sukuk* issuance are in compliance with *Shari'ah* principles.

The Rules further provides for the qualification of a *Shariah* Adviser as follows; the person shall not have been convicted for any offence arising from criminal proceedings; the person has never been declared bankrupt; the person is of good repute and character; the person possesses the necessary qualifications and expertise, particularly on Islamic *fiqh*/jurisprudence and has experienced exposure in Islamic finance and capital market. The Commission shall recognize a *Shari'ah* adviser such as an Islamic Development Bank, a bank licensed by the Central Bank of

[20]. Ibid

Nigeria (CBN) to operate as non-interest bank or a fund manager registered by the Commission to manage a *Shari'ah* compliant Fund.[21]

Recently, the Federal Government of Nigeria through the Debt Management Office offered for *Sukuk* subscription through Geenwich Merchant Bank Limited; Stanbic IBTC Capital Limited and Capital Management Limited as Issuing Houses who were authorized to receive applications for Two Hundred and Fifty Billion Naira (N250,000,000,000.00) 10-Year *Ijarah Sukuk* due December, 2031 with 12.80% rental rate per annum. The Federal Government was able to raise the said fund. This is owing to the fact that the last *Sukuk* issued by the Federal Government in Nigeria was oversubscribed.

One of the major *Shari'ah* issues in structuring *Sukuk* in Nigeria is that the SEC Rules requires that the Special Purpose Vehicle (SPV) which will be a subsidiary company who intends to invite members of the public to subscribe and invest in such *Sukuk* must be incorporated and as a public limited company (PLC). This will allow such a company to go public by making public advertisement and even have bill boards as the case may be. Such a company as SPV will be supervised by the Securities and Exchange Commission (SEC). The Financial Regulatory Advisory Council of Experts (FRACE) who serves as *Shariah* Advisory Council to the SEC will equally scrutinize such instrument and ensure that it complies with the principles of the *Shari'ah*. Having the FRACE to validate such instruments will go a long way in reducing *Shari'ah* non-compliant risks. This is because it will be an additional layer of ensuring that such instruments are *Shari'ah* compliant apart from the *Shari'ah* compliant process that the instrument must have gone through at the issuant company level. This will equally give an opportunity to institutional investors such as Pension Fund Administrators (PFA's), Collective Investment Schemes, commercial banks and so on to invest in such instruments.

However, *Sukuk* instruments that are private in nature with less than fifty (50) subscribers cannot have members of the public to invest in such instruments. Such private *Sukuk* arrangement will have to rely on the internal *Shari'ah* arrangement at that level for *Shari'ah* compliance. There will be no referral to the FRACE as it is the case if it is a public *Sukuk*. This raises some *Shari'ah* issues in the sense that, having an additional layer of *Shari'ah* supervision as in the case of public *Sukuk* will no doubt reduce *Shari'ah* non-compliance risk.

[21]. Ibid

7. Conclusion

From the foregoing, there is a need for a review of the *Shari'ah* governance practice as it in in the Islamic capital market in Nigeria. There is the urgent need for the Securities and Exchange Commission to establish its independent *Shari'ah* Advisory Council as required by its rules to oversee *Shari'ah* compliant issues in the industry. Better still, the membership of the FRACE can be expanded to have additional members with expertise in Islamic capital market to take care compliance issue in the industry.

There is also the need for a review of the *Shari'ah* governance framework that will provides for an additional level of *Shari'ah* scrutiny in private *Sukuk* as it is the case in public *Sukuk*. This may be by way of providing for referral of provide *Sukuk* instruments to the *Shari'ah* Advisory Council or the FRACE as the case may be. This will further strengthen *Shari'ah* compliance general in the industry. This is owing to the fact that *Shari'ah* compliance ultimately distinguishes the Islamic capital market from the conventional capital market in Nigeria.