

Corporate Governance and Corporate Social Responsibility in Islamic Banking: The Case of the Moroccan Banks in Italy

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Abstract— this paper aims to analyze the model of the Islamic bank with a business economics perspective. In particular, the author analyzes the topic of corporate governance in the Islamic bank. Starting with an overall analysis of the peculiarities and religious principles underlying the model of the Islamic Bank, as well as the similarities present in the field of Corporate Social Responsibility, we will address the theoretical aspect of corporate governance, the relationship between corporate governance and the Islamic bank stakeholders with specific regard to the possible connotations of the active or passive role of savers and investors in the decisions of management and governance related to the selected projects and funding recipients.

Finally, given the current absence of Islamic banks in Italy, we propose a case study concerning the possible introduction of Islamic *Shari'ah-compliant* financial products by Moroccan banks operating in Italy, after the introduction of the recent Moroccan law n° 103.12, approved on 25 November 2014, relating to the credit institutions, envisages the establishment of “Participative Banks” and the offering of *Shari'ah-compliant* financial products.

Keywords: *Islamic Bank, Corporate Governance, Corporate Social Responsibility, Corporate Governance in Morocco, Moroccan banks in Italy, Participatory Depositor.*

I. INTRODUCTION AND LITERATURE REVIEW

In a global economic and social context in which enterprises play a key role in contributing to the growth and well-being of society, we cannot talk about social economic success of an enterprise without taking into account the issue of good corporate governance.

Since the nineties, the debate on corporate governance developed by bringing out the emergence of several factors analysis. Among the main factors were the aggressive use of debt leverage, the increasing impartiality of corporate strategies with devastating effects in terms of scandals and bankruptcies of several large international enterprises, and the activism of institutional investors. Aside from these factors, we can also add the globalization of economy and finance, as

well as the speed of movement of news in the world, thanks to new technologies of communication.

To talk of corporate governance means to talk about the subjects and/or bodies to whom the task of managing and administering the activities pursued by the enterprise is entrusted. In fact, the term corporate governance identifies the summit activity developed by specific organs with primarily administrative and supervisory functions (i.e. Board of Directors, Board of Management, managing director, Board of Statutory Auditors, supervisory board, audit committee) [5].

Corporate governance involves implementing rules and verification processes, and using information and guidelines that have been issued over the years by different countries of the world. In this regard, we quote the definition of Sir Adrian Cadbury which emphasizes the aspect of the modalities by which the management directs and conducts business with shareholders and lenders:

«Corporate Governance is the system by which companies are directed and controlled. It covers the way the board should behave towards, and deal with, its shareholders, auditors, staff and financiers».

Directing and controlling an enterprise-wide corporate governance inevitably passes through relationships that are triggered between the different actors involved and which are essential in achieving the predefined objectives. In this way, a key feature of corporate governance emerges, that is, the attention to the actors who are in some way related to the success or failure of the enterprise. In this direction, the Organization for Economic Co-operation and Development (OECD) (1999) defined corporate governance as:

“a set of relationships between a company’s management, its board, its shareholders and other stakeholders”.

In this definition, we focus on the relationship of interrelations that must exist between the enterprise and

its stakeholders. The focus on the relationships that the enterprise must have towards all the actors who are in some way directly or indirectly involved and/or affected by activities carried out by it; beyond the main partners of reference (the shareholders, management and the board of directors) the firm must consider the stakeholders.

According to the stakeholder theory (Freeman, 1984) [6], [7], [8] the enterprise has to work for a larger set, which includes not only shareholders, but also employees, customers, communities and other stakeholders. It is the representation of the enterprise in an environment with which it interacts, bearer of legitimate interest towards the enterprise itself [5]. The enterprise in fact is not an entity in its own right, but it flows into a multiplicity of expectations, of desires which are often conflicting, that those who are called to lead an enterprise must always take into account and reconcile in the best possible way.

For the enterprise, the advantage that can be drawn from this approach is the increase in knowledge and recognition of its legitimacy in the environment; the consolidation of its ability to meet the expectations, as well as internal and external demands; and above all, in the improvement of its reputation.

Therefore, there has been a shift from a vision of the stakeholders as “passive” subjects, who suffer the consequences of the business, towards a progressive conception of stakeholders as “active” subjects, who relate to the enterprise and who participate with it in the process of value creation by transforming from mere spectators into actors of that process. In this aspect, the “active” role, which the saver/investor should have, is inserted in the model of the Islamic Bank.

The impact of the business on the system of stakeholders does not end with the fulfillment of economic expectations, but also of social and environmental ones. This perspective of the interconnection between business and the environment is part of the concept of Corporate Social Responsibility (CSR), which is understood as a form of management that aims at respecting the environment, promoting safety and improving the quality of life of workers, consumers and society.

The European Commission has defined CSR as “the voluntary integration, by enterprises, of social and environmental concerns in their business operations and in their interaction with interested parties, such as the stakeholders” (Green Paper, 2001) [4].

This concept emphasizes the fact that companies, in addition to respecting the laws, must also build relationships of trust and fairness with stakeholders, as

well as protection of the environment in which it operates. Consequently, to behave in a socially responsible way means that the enterprise should go beyond mere legal obligations by investing more in human capital, environment and relations with stakeholders.

In this respect, corporate governance can be understood as an activity of high administration whose decisions and actions are directed at finding the right balance between the different interests that converge in the enterprise, and who determines the procedures for the establishment of durable relations with all stakeholders while aiming to achieve socio-economic success and enduring consensus in the environment in which it is embedded.

Corporate governance in its broad definition of reconciliation between economic and social interests connects directly to the ethical religious underpinning the model of the Islamic bank which will be developed in the next section of this paper.

II. THE CORPORATE GOVERNANCE OF ISLAMIC BANK: THE POSITION OF THE PARTICIPATORY DEPOSITOR

The Islamic bank, like conventional banks, are enterprises that implement a series of activities with the aim of achieving an adequate return on their investment, with the only connotation to not charge interest on loans and that funded activities have as a base a real asset.

In fact, according to the religious precepts of Islam, the payment of passive or active interest (*Rib'ah*), fixed or determinable on funds lent, is forbidden; since it considers the money a means of exchange and not a traded economic good. Next to the prohibition of *Rib'ah*, there are a number of prohibitions of economic practices that are contained in the concepts of *Gharar* (irrational uncertainty), *Maysir* (speculation), and other behaviors and activities *Haram* (not permitted as tobacco, pornography, arms trade, alcohol, pork, and gambling). Instead of the interest as a source of remuneration of its financial intermediation activities of conventional banks, Islamic banks have the basic principle of sharing the risk of losses and profits “*Profit and Loss Sharing*” (PLS) in financed transactions.

For these reasons, the Islamic bank in addition to performing the financial intermediation, in certain operations, plays the role of investor and then shares the risks of loss related to the funded projects from which it is a participant. The same principle of sharing profits and losses is valid for the class of investors who deposit their savings at the bank and which together with the bank invest in various projects.

In particular, there are several Shari'ah-compliant contracts which can be divided into two main categories: participatory contracts and non-participatory contracts (Table I).

Table I. The diverse *Shari'ah Compliant* Contracts.

Participatory contracts (PLS)* *(that respond best to the founding principles of the Islamic economic system)	Non participatory contracts (Non-PLS)** **(Called "trade based" and used in short- and medium-term and for consumer credit)
Musharakah: similar to the joint venture contract; the bank and the customer confer certain shares of capital to invest in a particular project. Counterparties share the profits and losses in proportion to the investment made and after payment the agreed honorarium for management.	Murabaha: the bank buys a machine for the customer and sells it to the customer by installments without interest but at a higher price previously agreed (mark-up).
Mudarabah: The bank invests funds on behalf of the customer and is entitled to a percentage of the profits from the investment. This contract is used mainly in bank deposits to avoid the Qoranic prohibition to apply the interest rate.	Ijara: similar to the leasing contract. The bank finances the purchase of machinery, buildings or other equipment and then leases them to the customer who pays the rent agreed upon; Ijara-wa-iktina: a lease that gives the customer the right to purchase the asset at a time when payments have accumulated to a level equal to the sale price agreed upon.
	Istisna: The bank finances the production of a machine and the customer pays the installments as the good goes through the various stages of production.

Source: own elaboration.

The differences between the two contracts are: 1) the mode of financing the investment: in *Mudarabah*, capital is entirely given by the bank, while in *Musharakah* both the bank and the entrepreneur participate financially in the project); 2) investment management: in the first case, it is responsibility of the *Mudarib* (the entrepreneur or the bank in case of indirect financing), while in the second, it is shared; 3) and the ownership of the assets purchased through the investment: in *Mudarabah*, they remain the property of the bank; while they are in shared ownership in *Musharakah*) [2].

In addition to these types of participatory contracts, there are other forms of lending, which are free-of-charge, which have as their ultimate goal, mutual assistance in society, or mere charity, as in the case of *Qard Hasan*, and *Zakat* (Islamic ritual or giving alms). Added to these are the *Sukuk*, one of the tools of

modern Islamic finance, which are bonds that have an underlying asset of goods or real assets that generate usufruct returns for their owners.

From these types of contracts, we can deduce that the fundraising of the Islamic bank will have unprofitable deposits and other deposits of a participatory nature. For unprofitable deposits, the bank provides a safe custody of money and aid in the management of payments. These deposits do not provide remuneration nor payment of expenses, and the bank guarantees the return of these sums, and they amount to a contract of current account (*wadi'ah*) or as savings deposits with a passbook [10].

With participatory deposits that are completed, the bank acquires the availability of funds conferred with the obligation to repay at maturity to the part that has not suffered a loss and agreed remuneration based on the percentage of participation in the profits and losses of funded activities. At this point, it is clear that if the bank uses the amounts deposited to fund equally all their projects, then participatory deposits take the form of *deposit accounts* or *unrestricted mudarabah*; but if the money collected is intended to finance specific activities, this is called *investment accounts* or *restricted Mudarabah* with remuneration linked to participation in the profits or losses of the project or the financed investment. Regarding the position of the participatory depositor, it has an obvious similarity with the shareholder of the bank's capital, but unlike the latter, specifically when it comes to investment accounts, it does not have management powers nor on the borrowing enterprise, nor on bank [16].

It is for this ambiguity that from the perspective of corporate governance of the Islamic bank that we should pay serious attention to the involvement of the *participatory depositor* in the management of projects and activities that s/he contributed to financially. This is to ensure greater transparency and confidence in the Islamic bank, but above all, to give the opportunity to a stakeholder who is so important and vital for the Islamic bank, to be an *insider* in corporate governance and the bearer of innovations and ideas. This possible participation of the participatory depositor in the management of projects and/or financed enterprises also implies the possibility of establishing enduring relationships that go in the direction of careful management, not only to fulfill its economic responsibility, but also the social responsibility it has towards its stakeholders.

The same concept of corporate governance, which is considered as an intrinsic aspect and feature of the modern enterprise, is detectable in the peculiarities and religious principles that are the basis of the Islamic financing instruments. We can speak, therefore, of a code of ethics designed in the Holy Quran that is the basis of the concept of good corporate governance and

protection of the stakeholders of the Islamic bank [1]. Good corporate governance of the enterprise implies for Islamic financial institutions to respect the religious precepts, and therefore, compliance with the expectations of all stakeholders.

Considering the definition of corporate governance of the Islamic bank as “*a set of organizational arrangements whereby the actions of the management of a corporation are aligned as possible with the interests of ITS stakeholder*” [17], we notice the convergence of corporate governance principles set out by the various definitions already discussed in this work for the conventional bank and the ones pursued by Islamic bank in terms of prudence, transparency and accountability to stakeholders.

In support of this convergence, in 2006 the IFSB (Islamic Financial Services Board) designed several “Guidelines on Corporate Governance” [11], that in addition to providing directions and recommendations for adjustments to the Islamic financial environment, recall the application of international principles regarding corporate governance elaborated by the OECD and by the Basel Committee for Islamic banks.

In particular, the IFSB recommends the establishment of a special committee of governance, “*Governance Committee*”, intended mainly for the protection of the stakeholders, other than the shareholders. This governance committee should monitor and ensure that the management, administrative and accounting procedures, the system of internal controls and disclosure policies, are carried out in accordance with the interests not represented in the organs of the enterprise, with particular attention to holders of participatory deposits. This committee, following the recommendations of IFSB should be composed of at least one member of the Board of Directors with executive duties, an expert member of the *Shari’ah*, possibly from the *Shari’ah Board*, a member of the Audit Committee and an independent director. Also worth noting is the significant weight that the recommendations of the IFSB attribute to the *Governance Committee* of framing it as a reference body for the supervisory authorities because it is responsible for policies to guarantee depositors. According to the standards of the IFSB [11], the Islamic banks must provide the holders of participatory deposits:

- The right to monitor the progress of their investments and related risks;
- Adequate internal procedures for the selection of investments;
- Professionalism of the operators;
- Proper management of relationships with participatory depositors starting from the pre-contractual phase;

- Adequate information (concerning the characteristics of the relationship, how to participate in the profits and losses, investment policies).

From these recommendations emerges the important role played by the depositor in the participatory system of relations that the Islamic bank has with its group of stakeholders. Therefore there is a need to try to implement the methods and innovative mechanisms that go in the direction of strengthening this relationship and to make it a source of expansion and growth of the interest shared with these subjects, which unlike the conventional model in which their economic expectations are related to the accrual of interest on money deposited and then on the lack of sharing of risks and results, we have a hybrid entity that is configured as a saver-investor, who with respect to such characteristics should have a recognition of a formal representation in the governance structure of the Islamic Bank.

So to achieve the IFSB’s objectives recommendations directed to protect the stakeholders than shareholders, it is necessary that within the *Governance Committee* there sits a representative of this category, such as in the case of the German model of governance through which the German system of co-management or codetermination guarantees to workers and their union representatives an active and important role in the governance of the enterprise. This possibility of active and effective participation of the participatory depositor by means of a specific representative implies for the Islamic bank the establishment of shared management more characterized by the sharing of investment policies that are more strategic and trusted, and which are implemented on stable and long-lasting relationships over time with its customers.

In addition to the prevision of the Corporate Committee, the document articulates IFSB corporate governance guidelines relating to procedures for monitoring compliance with the distinctive religious precepts of the Islamic bank. Given the existence of different religious interpretations by Islamic law schools, the development of international standards in compliance with the religious precepts is often difficult in the face of a constant development of new *Shari’ah Compliant* financial products and services. Add to this the fact that you should not limit freedom of conscience and interpretation of Islamic scholars who should enjoyed the exercise of their functions. Islamic banks must therefore adopt an internal *Shari’ah Board* or external consultants to supervise ex ante and ex post of the religious legitimacy of the activities carried out. The members of these bodies should have proven skills on the knowledge of the subject; should be able to protect their reliability and transparency, the IFSB recommends that the Islamic bank disclose the

religious motivations taken to legitimize or not the Shari'ah compliant products and services offered.

The recommendations and the guidelines articulated by IFSB and by other international organizations regarding corporate governance is a fundamental and essential objective that the Islamic bank must reach in order to create the conditions of good governance to ensure its development in the international economic environment, to meet the expectations of all stakeholders, with specific regard to participatory depositors that in addition to sharing with it the risk of loss resulting from the management of investments financed, rely on it to invest their savings in the observance of their religious beliefs.

III. THE PARTICIPATIVE BANKS IN MOROCCO AND CORPORATE GOVERNANCE SPECIFICITIES

The economic and financial growth over the last decade, which has characterized the Islamic finance industry in the world, has brought with it an opening to this banking model, even in Muslim countries, where in the days of colonization there was the traditional economic system. For several years it has postponed integration at the legislative level of this model in their own banking law. In between these countries, falls the case of Morocco.

Morocco is one of the most important countries of the MENA region, favored for its strategic geographical position, its interesting economic social relations inside the Arab world, Africa and Europe, and with a strong economic growth (4.4% of GDP in 2014). In November 2014, after years of preparation and discussion (Table II) [18], the Moroccan parliament approved the new law no. 103.12 relating to *Credit Institutions and Assimilated Organizations*, which introduced the model of Islamic banks that the Moroccan legislature has decided to call "*Participative Banks*" (as in Turkey). The term "participative" attributed to Islamic banks in Morocco emphasizes the legislature's intention to strengthen the use of financial instruments Islamic participatory (*Mousharakah* and *Moudarabah*) based on the principle of Profit and Loss Sharing and therefore better reflects the aims of reliability, integrity, cooperation, justice and the social responsibility of Islamic finance.

Various studies and surveys indicate a long-awaited openness from Moroccan citizens concerning much interest to the Islamic finance model (according to the empirical study conducted by the Islamic Finance Advisory and Assurance Services (2012): 94% of Moroccans are interested in Islamic finance, 70% desire financial savings products and Islamic investment, the 88% desire operate with products Shari'ah Compliant). In addition, according to several institutions and experts in Islamic finance surveys and

opinions, this legislative openness will take away new foreign investment from the Gulf countries and Asian countries interested in investment opportunities in Morocco and Sub-Saharan countries to which Morocco is today a bridge of economic transactions to Europe (the introduction could take with it more than 70 billion Dirham with a percentage between 3 and 5 of the total banking business by 2018) [19].

Table II. Main stages of the integration of Islamic banks in Morocco

Year	Towards establishing the Participative Banks
1985	Presentation of first request for establishment of an Islamic bank to the Moroccan Central Bank by two international groups
1987	Establishment of the Moroccan Association for Islamic Economics (ASMECI)
1991	Presentation request for opening Shari'ah Compliant windows by the Alwafae banking group
1996	Opening a Shari'ah-compliant investment fund by the banking group Alwafae and the establishment of a legislative commission (Shari'ahh)
1997	Opening of a foreign Islamic financial subsidiary in Casablanca (Faisal Finance)
2007	Publication of a note from the Moroccan Bank that provides for the opening of branches for the financial alternatives transactions at existing banks
2010	The opening of the first institution for alternative operations linked to the Attijariwafa Bank under the name "Dar Assafa"
2011	Opening of "Al Murabaha" transactions by the Moroccan Bank for Foreign Trade (BMCI) and Moroccan Popular Bank (BPM) in the French market
2012	Emanation proposal draft law for the amendment of financial system that provides the possibility of the establishment of the participative banks and <i>Shari'ah compliant</i> windows at traditional banks
2013	Awaiting approval of the draft law after the presentation of amendments by the parliament
November 2014	Approval of the <i>Law 103.12</i> introducing the Participative Banks

Source: own elaboration.

In terms of corporate governance, since the nineties, Morocco has implemented a review procedure of corporate legislation and regulation of the Moroccan financial system. Later, from 2000 and beyond he became interested in the elaboration of its own self-regulatory rules, introducing in the month of March 2008, its first corporate governance code best practice «*Code Marocain de Bonne Pratiques de Gouvernance d'Entreprise*»: a self-regulatory rules that must take into account the specificities of good corporate governance of the participative bank. Good corporate

governance in which there must be an integration with respect to good audit practice and the suggestions from the participative bank.

The new Moroccan banking law 103.12 devotes the *third title* (comprising three chapters relating to the scope, instances of compliance and other provisions) to *Participative Banks*. In particular, the law allows the opening of participative banks, which do not receive or give interest (*Riba'*) on loans and the possibility of opening windows offerings *Shari'ah compliant product* by conventional banks. The *Shari'ah compliant product* envisaged and defined by law 103.12 (Article 58) are the *Mourabaha*, the *Ijara*, the *Moucharaka*, the *Moudaraba*, the *Salam* and *Istisna'a*. Besides these products, the legislation provides for the possibility of introducing other *Shari'ah compliant products* respecting the conditions provided in *Article 54* of this law and the directions of the circular issued by the governor of the Moroccan Central Bank, as well as the acquisition of a positive opinion from the *Oulema Higher Council* that takes care of all the interpretations regarding religion at national and regional level (in Morocco also there is a Ministry dedicated to religious affairs at national level). The products technical characteristics and customers presentation methods are set by circular issued by the Moroccan Central Bank 'governor following the acquisition of the *Credit Institutions Committee* and the *Oulema Higher Council* conformity opinions.

Is important to underline how the legislature has assigned to the *Oulema Higher Council* relevant functions at the level of participative bank's corporate governance, as well as, decisive for the birth or not of these kinds of banks and for their continuity over time. In fact, this last one is the only authority competent and authorized to issue the Islamic religious activities, products and services accordance notice offered by participative banks in Morocco. This approach reflects the special decision by Morocco that sets it apart from other countries, where the responsibility for the control of religious conformity of the operations of Islamic banks is entrusted to committees whose members are appointed by the same banks. In this way, there is the advantage of having a single reference national religion (according to the last census conducted in 2014, the legal population of Morocco has 33,762,036 citizens and 86,206 foreigners; 98% of the population is Muslim and the law religious school tracked is *Al Maliki guidance*) for participative finance, that will surely help in getting a coherent development of the sector.

According to Article 63 of the Law 103.12, the participative banks, at the end of each financial year, have the obligation to transmit the *Oulema Higher Council*, an evaluation report on the compliance of transactions and activities undertaken with respect to indications of conformity issued by the *Oulema Higher*

Council. At the level of corporate governance of the *Oulema Higher Council*, with regard to Participative Banks, with a royal decree *Dahir No. 1-15-02* of 20 January 2015, the prerogatives of the *Oulema Higher Council* have been revised, according to which the establishment of a committee within the board "*Shari'ah Commission for Participatory Finance*" is planned. This will be composed of a coordinator and nine scholars, who are members of the same *Oulema Higher Council*. These scholars, who must be chosen for their skills recognized by the *Oulema Higher Council*' General Secretary, have the task of declaring at a national level the compliance of the participatory financial products, created by the Moroccan Central Bank, from commercial banks, the securities market and insurance agencies, as well as offer them advice and materials on means of creating them. The commission, in the end, has the right to make use of outside experts on technical accounting matters and financial engineering, not mastered by the same *Oulémae* (the scholars of the religious sciences).

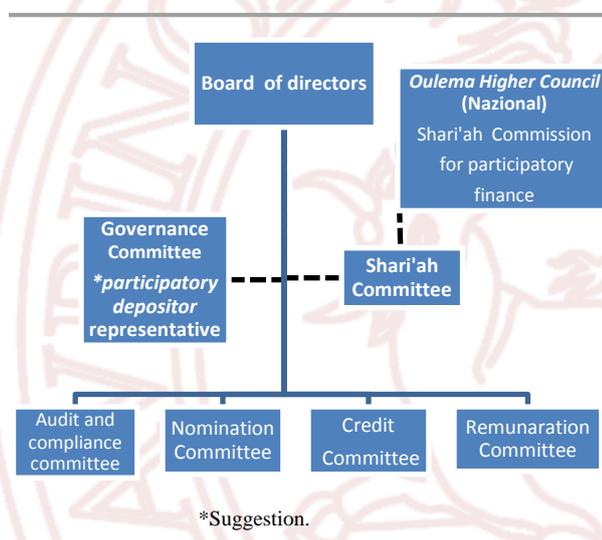
Banking Law relating to participative banks has introduced the two types of Islamic financial products: 1) *participatory products* based on *Profit and Loss Sharing* (*Moucharaka* and *Moudaraba*), and the 2) *non-participatory products* based trade (*Mourabaha*, *Ijara*, *Salam* and *Istisna'a*). Again for participatory depositors, it is necessary to have a perspective of good corporate governance and social responsibility oriented towards the protection of stakeholders, different than shareholders, with their greater involvement in the management and monitoring activities and funded projects with the contribution of the savings deposited by this category of stakeholders, so that to some extent, this will be the category of subjects on which the participative bank must rely on, those who are willing to share the risk of possible losses arising from investments linked to the real economy underpinning Islamic finance.

For these reasons, it is suggested that the *Oulema Higher Council*, together with the Governor of the Moroccan Central Bank, must find and implement mechanisms and procedures to ensure empowerment and involvement, through representation in the governance organs of this category of stakeholders, that in addition to the normal function custody of their money at the participative bank have the ambition to invest in business projects with the aim to reap profits conform to Islamic religious principles. Therefore, the possibility of including in the composition of the *Governance Committee* (organ required by the IFSB) the representatives of these categories of depositors participatory is proposed, in order to ensure greater transparency and their involvement in the management and monitoring of projects in which they are partners. This participation will lead to an increase in confidence towards the bank by participatory depositors and thus contributes to the creation of a climate of collaboration

and a lasting relationship with its customers by sparing investors (Figure I).

It is therefore important that Moroccan participative banks, in addition to observing the rules of the *Oulema Higher Council* and *Moroccan Central Bank*, they should pay attention to the principles of corporate governance internationally recognized and prescribed by the OECD and the IFSB in a perspective of convergence, internationalization, and openness of its business to other economic realities of Mediterranean Europe, the Gulf countries and Sub-Saharan Africa which in recent years have shown a strong interest in the Moroccan market, and also the directions dictated by the corporate governance code to promote the protection of the environment and stakeholders reference enterprise.

Figure I. Corporate governance organs and Shari'ah control of the Moroccan Participative Bank



Source: own elaboration.

IV. THE MOROCCAN BANKS IN ITALY: THE ATTIJARIWafa BANK CASE BETWEEN PERSPECTIVES AND CRITICALITIES IN DEVELOPING SHARI'AH COMPLIANT PRODUCTS

In the previous section, we focused on the case of Participative Banks (Islamic) introduced by the *new banking law n. 103.12* dated November 2014, which saw for the first time in Morocco the recognition and formal integration of Islamic finance in its financial and banking system. The success or failure of this newly introduced aspect in terms of domestic and foreign investment volume in the Moroccan financial market can only be verified in the coming months or years.

The purpose of this work is to analyze the experience of Moroccan banks present in Italy with a view towards a future introduction of these Shari'ah-compliant

financial products. We take as a case study the Attijariwafa Bank in Italy (there are other banks such as Moroccan Foreign Trade Bank and Moroccan Popular Bank), which has subsidiaries in six Italian cities (Milan, Brescia, Padua, Turin, Bologna and Modena) characterized by a strong Moroccan community presence (the most number community of non-EU nationals legally residing in Italy (524 775 people, the 13.5% of total non-EU population in Italy, the majority of which (72.5%) is in North) [14]. Given the socially important presence of Muslims in Italy (4,922,085 people, the 33.1% of foreign residents in Italy) [3], there will surely be a clientele interested in investing their savings in Shari'ah-compliant financial products. We decided to consider the case of Attijariwafa Bank [20] because it was the first bank in Morocco that since 2010 has dedicated its branch "Dar Assafa", before the new law 103.12 in 2014, in offering alternatives financial products (Shari'ah compliant).

Italy is one of those European countries less open to this model of Islamic finance, unlike Britain, France and Germany, even though in reality, given the geographical location and economic interests manifested by the countries of North Africa and the Gulf characterized by demand for infrastructure investment and very liquid markets, the implementation of this financial model could help create real opportunities for economic growth and exit from the economic stagnation that the country needs. This hoped openness towards the Islamic Finance by Italy will be carried out by Moroccan banks that have been operating for several years in Italy and may therefore play a crucial role in the promotion and diffusion of the retail Islamic finance in Italy only through the extension of their range of products to the Islamic finance instruments as well as permitted by the new Moroccan law on participative banks.

At the regulatory level, this prospect of developing Islamic finance in Italy through Moroccan banks, already present and operating in the area for several years, is objectively more feasible since they are banks that already have the necessary authorizations and requirements set by *Text Banking Act (TUB) art. 14* and the *Consolidated Law on Financial Intermediation (TUF)* [9] for non-European Union financial intermediaries.

Italy follows the line drawn by the *International Organization of Securities Commissions (IOSCO)* that in its reports [12], [13] says that in general, there is no problem of compatibility between the conventional finance principles and Islamic financial products with the consequent choosing to not draw up specific rules for Islamic banks.

Specificities and peculiarities that still exist are also to be considered in particular as regards the financial

products religious conformity's supervision, as well as the aspect of corporate governance and protection of the Islamic bank stakeholders. This is an issue in which Directive 2014/65/CE (Directive MIFIDI) has intervened, affirming the need for predisposition of adequate safeguards and procedures by banks to ensure and enhance the characteristics of the Islamic finance instruments, in terms of transparency and adequate Shari'ah compliance disclosure. Therefore, whatever the prospect of transposition of Islamic finance signifies for Italy the need to implement a legislative, accounting and taxation framework in which banks can find a formal legal recognition which can integrate the specificities and religious principles that underpin the tools of Islamic finance [15].

Attijariwafa Bank is a Moroccan banking group, with several branches in Africa and Europe. In January 2006, Attijariwafa bank Europe was created - a subsidiary of the Moroccan banking group - that operate under French law, and which has branches operating in Belgium, Germany, Great Britain, Holland, Spain and Italy. Among the main objectives pursued by the group is to become a partner of choice for Moroccans and Tunisians living abroad for the management of their money at home, for offering transfer solutions and signing banking products in Morocco and Tunisia in their European country of residence, as well as offering the same products and services of the traditional Italian bank. This direct relationship with the Arab-Muslim community could be a key factor for the development of Shari'ah Compliant financial products in Italy with the implementation by the last of the new Banking Law 103.12 and therefore a possible affirmation of this Islamic finance model in Italy.

Attijariwafabank in Italy, a branch of Attijariwafa bank Europe, is one of the cases of banks already licensed and operating in an EU country and which benefit from mutual recognition of banking licenses and therefore meet the requirements of Italian law. Hence, the offer of Shari'ah-compliant products of this bank depends on managerial and strategic choices by the transposition of the 103.12 Moroccan law and expansion of their range of products and services to Shari'ah-compliant financial instruments.

Since May 2010, Attijariwafa Bank in Morocco through its 100% branch "Dar Assafa", has specialized in Shari'ah-compliant alternative financial services (to finance buildings projects, to acquire a new or old vehicle, for the purchase of products and services, to furnish the house) based on *Murabaha* contract. This experience, even if it was not very successful due to the high cost of the products created by double taxation and poor marketing policy, remains a valuable experience for the Moroccan market. The main products offered are related to real estate for the acquisition of properties, with *halal* manner and

without *riba*', and consumer goods such as furniture and automobiles. *Dar Assafa* is aimed to meet the needs closer to the Moroccan consumer facilitating, on an ethical-religious, the access to goods and services that the Muslim may obtain without using the traditional mutual conventional interest-based banks. In view of the law 103.12 introduction, its CEO, Mohamed Kettani said in a press conference on 30 January, "that despite the many applications already received, the group's intention to expand the capital (estimated at 18,40 millions) of the subsidiary Dar Assafa, without the need to build alliances with foreign partners, adding the intention to transform its subsidiary into an Islamic bank with a view of developing this new financial *halal* market in Morocco".

The financial products that the Arab-Muslim communities are looking for in Italy are very similar to those sought by the people of the Maghreb countries, namely the acquisition of houses and consumer goods of medium-long term (home furnishings, cars). Therefore, a possible extension of this experience of Dar Assafa by Attijariwafabank in Italy will surely provide an economic and social success in terms of integration between the different cultures of immigrants, considering that we are now in the third generation of immigrants and therefore the transfer of money in the country of origin happens less and this means more local investment and growth of the Italian economy.

The prospective occurrence of a participative Moroccan bank in Italy is linked to the development of several *factors*: 1) those related to the opening of the Italian financial market to the model of the Islamic Bank, 2) an Italian taxation which takes into account the peculiarities of the participative banks, the corporate governance and compliance monitoring religious specificities and the marketing policies aimed at making known the Shari'ah-compliant products, 3) managerial and strategic choices by the transposition of the 103.12 Moroccan law and expansion of their range of products and services to Shari'ah-compliant financial instruments, and finally, 4) the availability of human resources with adequate training on the instruments of Islamic finance.

This research is a work in progress in which we are carrying out the analysis of these factors by collecting data, by administering a questionnaire directed to the branch managers of Attijariwafa Bank in Italy, the results of which will be developed and published successively.

V. CONCLUSION

In this paper, we analyzed the model of the Islamic bank, focusing on the aspect of corporate governance and the responsibilities that this undertaking entail in

relation to its stakeholders, particularly depositors participatory willing to share the risk of possible losses arising from investments related to real economy underpinning Islamic finance. The involvement of the latter in the participation in management and monitoring activities and financed projects with the contribution of their savings deposited, through representatives in the its corporate governance will lead to a greater appreciation of the economic and social success of the Islamic bank.

We focused on the case of Participative Banks (Islamic) introduced by the new *banking law n. 103.12* dated November 2014, with the aim to draw a perspective of the transposition of this legislation even by Moroccan banks present in Italy and in the near future may offer its customers Shari'ah compliant financial products. In particular, it has analyzed the case of the Attijariwafa Bank in Italy, the first bank in Morocco since 2010 has devoted his branch "Dar Assafa", before the new law 103.12 in 2014, specializing in offering alternative financial products (Shari'ah compliant) present in six Italian cities (Milan, Brescia, Padua, Turin, Bologna and Modena) characterized by a strong presence of the Arab-Muslim community.

Attijariwafabank in Italy, a branch of Attijariwafa bank Europe, is one of the cases of banks already licensed and operating in an EU country and benefit from mutual recognition of banking licenses and therefore meet the requirements of Italian law. Therefore, the offer of Shari'ah compliant products of this bank depends on managerial and strategic choices by the transposition of the 103.12 Moroccan law and the expansion of their range of products and services to Shari'ah-compliant financial instruments.

This prospect of developing participative Moroccan banks in Italy depends on several factors: 1) those related to the opening of the Italian financial market to the model of the Islamic Bank, 2) an Italian taxation which takes into account the peculiarities of the participative banks, the corporate governance and compliance monitoring religious specifies and the marketing policies aimed at making known the Shari'ah-compliant products, 3) managerial and strategic choices by the transposition of the 103.12 Moroccan law and expansion of their range of products and services to Shari'ah compliant financial instruments, and finally, 4) the availability of human resources with adequate training on the instruments of Islamic finance.

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