PROGRAMME

Seminar on Islamic Finance - The Real Economy and the Financial Sector

23 May 2016 - 24 May 2016

Aula Magna, at Maria de Molina St. # 11: IE Business School, Madrid, Spain
Madrid, Spain

Organised By:

ISLAMIC FINANCIAL
SERVICES BOARD

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Day	Date / Time	Topics
Day 1	**23 May 2016**	SEMINAR ON ISLAMIC FINANCE: AN INTRODUCTION
Monday	14:00 - 15:00	**Registration and Networking**
	15:00 - 15:10	**Welcoming Remarks**
	15:10 - 16:10	**Session 1 - Islamic Finance: Facts and Figures** • Over the last decade, Islamic finance has gained much acceptance in the global arena with estimates indicating the presence of more than 600 Islamic financial institutions operating across nearly 70 countries. The industry has approximately USD2 trillion worth of assets having expanded from offering basic banking services in the 1990s to become a holistic financial sector offering Sharī`ah- compliant capital markets, asset management as well as insurance products and services. The stakeholders of the industry include both Muslim majority and non-Muslim majority jurisdictions as well global multilateral development banks and international organisations. In Europe, Islamic financial transactions are actively undertaken in some countries including in the United Kingdom, Luxembourg and Germany. This session aims to: • Highlight the growth and development of the global Islamic financial services industry (IFSI) across diverse regions globally. • Detail out the progress made in each of IFSIâ s three main segments â Islamic banking, Islamic capital markets and Takāful (Islamic insurance). • Discuss the regulatory developments in Islamic finance, and the role and work of the IFSB. • Discuss the initiatives and prospects for Islamic finance in Europe.
	16:15 - 17:15	**Session 2 - Challenges and Opportunities for the Implementation of Islamic Finance in Spain** • Islamic finance provides a new and alternative source of funds for families, companies and public institutions. Although this system has originated from the Middle East and Asia, it is gaining traction globally during times when many are deliberating viable alternatives to the traditional financial systems in the Western countries. In Spain, a particular segment that experiences difficulty in steady availability of credit is the Small and Medium Enterprises (SMEs). Islamic finance principles propose a risk- sharing and equity- based financing mechanism that potentially provides a more viable modality for financing entrepreneurs, SMEs, as well as corporations and the whole society in general. Nonetheless, there will be challenges in the implementation of Islamic finance in Spain. This session aims to: • Explore the value proposition for Islamic finance as an alternative financing modality for Spanish businesses • Explain key features and models of Islamic finance • Discuss the opportunities for Islamic finance in Spain, and its implementation challenges
	17:15 - 00:00	**Coffee Break and Networking**
Day 2	**24 May 2016**	SEMINAR ON ISLAMIC FINANCE: THE REAL ECONOMY AND FINANCIAL SECTOR
Tuesday	08:30 - 09:30	**Registration**
	09:30 - 10:00	**Welcoming Remarks**
	10:00 - 10:30	**Coffee break**
	10:30 - 11:45	**Session 1: Panel Discussion - Islamic Finance: Legal and Regulatory Considerations** • The rapid growth of Islamic finance in recent years has spurred increasing interest in the subject including in Europe. Estimates indicate the size of Islamic finance assets in Europe range between \$60 billion and \$70 billion as of end-2014. Almost 40 banking institutions have Islamic banking operations across the European continent, while in the Islamic capital market segment, a total of 294 Islamic funds were domiciled in Europe (as of Sept 2014). Similarly, Sukūk has been used as a fund- raising instrument across the United Kingdom, Luxembourg, Germany and France with the former two having floated debut sovereign Sukūk in 2014. Fundamental to sustaining the growth of Islamic finance growth in Europe is, among other factors, an enabling environment with an appropriate regulatory and supervisory framework, and supporting legal basis, that provides for a level playing field. The scope and implementation of the needed legal and regulatory reforms can differ across jurisdictions but contain certain core elements that can draw from international core principles and standards with a view towards strengthening real sector linkages.
	11:45 - 13:00	**Session 2: Sukūk - A Growing Alternative Asset Class to Fund the Real Sector** • In the backdrop of global macroeconomic challenges and financial pressures in major markets, the fast expanding global pool of Sharī`ah- compliant capital has become an attractive source over the years for various sovereigns, government- related entities and corporates to tap into in order to meet their financing needs. In particular, Sukūk instruments have gained widespread acceptance among stakeholders as economically viable tools to achieve funding diversification and offer tailored financing (especially for infrastructure investments). In the past five years, global Sukūk outstanding has been the fastest expanding asset class in the Islamic financial services industry, achieving a compounded annual growth rate of more than 19% (2009-2014). Nonetheless, several key imperatives remain in order to expand the role of Sukūk in funding the real sector. Among these are reforms to taxation and the development of the legal and regulatory framework that accommodates the specificities of Sukūk; strengthening the market infrastructure to support the intricacies of Sukūk structures; supporting liquid and active secondary markets (e.g. by a regular Sovereign/ Central Bank Sukūk programmes of different maturities to establish a benchmark yield curve); and other necessary considerations such as dispute resolution frameworks and Sukūk insolvency regimes.
	13:00 - 14:00	**Lunch**
	14:00 - 15:15	**Session 3: Equity- based Financing and its Effects on Macroeconomic Resilience** • A series of recent studies, including some published as working papers by the IMF, have suggested that all crises of the past have been, at their core, debt crises, regardless of whether they were labelled as 'currency' or 'banking' crises. As such, some experts argue that an economic model based on equity- based principles where the rate of return to finance is derived directly from the rate of return to the real sector, produces a stable equilibrium and avoids the mismatches of maturities and values between assets and liabilities. In an economy that where equity- based financing is endemic (e.g., mortgage finance, corporate finance, etc.), as prices fluctuate in the real sector so do the value of financial assets; hence, assets and liabilities of economic agents vary in the same direction. The importance of this framework can be considered in light of the global financial crisis and its relationship to housing finance and macroprudential risks and their management.
	15:15 - 15:45	**Coffee table**
	15:45 - 17:00	**Session 4: Banking the Unbanked: Enhancing Financial Inclusion using Risk- Sharing Instruments** • Enhancing financial inclusion is a common objective for many governments, central banks and international organizations based on evidence from research that suggests that financial inclusion plays an important role in poverty reduction, reducing income disparities and increasing economic growth. However, the formal financial sector often fails to adequately meet the needs of the perceived riskier borrowers of a particular society given their inability to furnish collateral; this category includes microfinance for the lower- income households, financing for small and medium enterprises, and micro- insurance to others. As a solution, some experts suggest that the use of risk- sharing contracts provide a viable alternative to debt- based financing for meeting the funding needs of the financially excluded segments. Currently, such risk- sharing models are beginning to be implemented by the informal financial sector consisting of NGOs, private- equity and crowdfunding platforms, and so on. As the scope of such financial models expand, policymakers may consider formalizing the use of risk- sharing contracts as an alternative to debt- based financing to enhance financial inclusion. This would critically require strong regulatory support, for instance, in removing regulatory and tax impediments to risk- sharing contracts and strengthening the overall financial inclusion market infrastructure (e.g. crowdfunding platforms, accommodative regulatory guidelines, etc.)

End of Event

Disclaimer: Please be advised that the above mentioned agenda points are tentative and that the IFSB reserves the right to make any necessary amendments/ changes to the programme without prior notification.