Members of the IFSB Secretariat for their commitment, cooperation, efforts and contributions in the development of this SPP 2019-2021. This is the first SPP independently developed by the Secretariat.
ACKNOWLEDGEMENT

The IFSB Strategic Performance Plan (SPP) 2019-2021 is a result of the combined efforts, inputs, thoughts and views of the IFSB Secretariat in consultation with the IFSB Council, Full members, Technical Committee and our other stakeholders.

I would like to record our appreciation to the Honourable Members of the IFSB Council, the IFSB Full members and Technical Committee members who provided productive and valuable feedback throughout the development of this SPP. Our thanks also go to the IFSB member organisations – multilaterals, regulators, supervisors, financial institutions and market players – who took the time to provide the Secretariat constructive feedback via multiple surveys and meetings.

My appreciation also goes to all the staff Members of the IFSB Secretariat for their commitment, cooperation, efforts and contributions in the development of this SPP 2019-2021. This is the first SPP independently developed by the Secretariat internally in the history of IFSB without engaging any external Consultant.

Dr. Bello Lawal Danbatta
Secretary-General
December, 2018
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1.0 Background

1.1 IFSB Mission and Core Values

The IFSB’s mission and the core values that govern the operations of the Islamic Financial Services Board (IFSB), and its main strategic focus areas are as follows:

Illustration 1: The IFSB’s Strategic Framework

1.2 The IFSB Mandate and Organisational Objectives

The IFSB was established in 2002 and started operations in 2003. The mandate of the IFSB is to “promote the stability and resilience of the Islamic financial services industry through the issuance, and facilitating the implementation, of global prudential standards and other initiatives that foster knowledge sharing and cooperation.”

Article 4 of the IFSB’s Articles of Agreement (AoA) states the Objectives of the IFSB as an organisation as:
(a) To promote the development of a prudent and transparent Islamic financial services industry through introducing new, or adapting existing, international standards consistent with Sharīʿah principles, and recommend these for adoption.

(b) To provide guidance on the effective supervision and regulation of institutions offering Islamic financial products and to develop for the Islamic financial services industry the criteria for identifying, measuring, managing and disclosing risks, taking into account international standards for valuation, income and expense calculation, and disclosure.

(c) To liaise and cooperate with relevant organisations currently setting standards for the stability and the soundness of the international monetary and financial systems and those of the member countries.

(d) To enhance and coordinate initiatives to develop instruments and procedures for efficient operations and risk management.

(e) To encourage cooperation amongst member countries in developing the Islamic financial services industry.

(f) To facilitate training and personnel development in skills in areas relevant to the effective regulation of the Islamic financial services industry and related markets.

(g) To undertake research into, and publish studies and surveys on, the Islamic financial services industry.

(h) To establish a database of Islamic banks, financial institutions and industry experts.

(i) Any other objectives which the General Assembly of the IFSB may agree from time to time.

1.3 Council Resolutions

In the 32nd meeting of the IFSB Council in May 2018, the Council provided guidance on the priority areas that should be considered in the IFSB’s workplans and forward-looking strategy. Among the key guidance are:

Member RSAs-Secretariat Synergy and Cooperation

The common mandate between the IFSB and RSAs is to translate into strong relationships and cooperation between the Secretariat and the IFSB’s Member RSAs, especially Council Members. This synergy is important for the IFSB to continue its work in standards development, and more importantly in standards implementation and adoption.
Focus on Standards Implementation

There was a concerted call among the Council members to promote the implementation and adoption of the IFSB Standards (which it endorses) in their respective jurisdictions. A reference was made to the role of the Council in the IFSB AoA in relation to this.

Member's Satisfaction is Key

The IFSB is expected to maintain and enhance the quality of deliverables and increase member’s satisfaction despite pursuing financial sustainability. Financial sustainability should come from efficiency measures rather than non-utilisation of budget.

Achieving Impact

The Council requested the Secretariat to strengthen the links between its performance indicators and results or outcomes, and to move towards Outcome-based reporting, from Activity-based reporting.

1.4 Leadership and Governance Structure

The IFSB comprises Full, Associate and Observer Members, who make up the General Assembly of the IFSB. Policy leadership and guidance is provided by the IFSB Council. The Executive Committee advises the Council on operational and administrative matters, while the direction and guidance of the IFSB’s technical work agenda is steered by the Technical Committee. The IFSB Secretariat manages the administrative work, coordination and communications of the IFSB among and between the various stakeholder groups, in serving the players and institutions of the global financial services industry (See Illustration 2).

Illustration 2: The IFSB’s Governance Structure

The IFSB Secretariat manages the administrative work, coordination and communications of the IFSB among and between the various stakeholder groups

- The representative body of all the members of the IFSB
- The IFSB Council provides policy leadership and guidance
- Steers the direction and guidance of the IFSB’s technical work agenda
- Advises the Council on operational and administrative matters relating to the IFSB
- Working Groups
  - RSA members
- Task Forces
  - RSA members
- Arabic Editing Committee
  - IFSB members
- Sharī‘ah Committee
  - IDB Sharī‘ah Board

General Assembly
- Full, Associate and Observer members

Council
- Full members

Executive Committee
- Full members

Technical Committee
- Full members

Secretariat

The IFSB Secretariat manages the administrative work, coordination and communications of the IFSB among and between the various stakeholder groups
1.5 The IFSB Stakeholders and Common Mandate

The IFSB’s work and activities are aimed to benefit all the key stakeholders of the global Islamic financial services industry (IFSI), namely; Regulatory and Supervisory Authorities (RSAs), International Organisations (IOs), Standard Setting Bodies (SSBs), Multilateral Development Banks (MDBs) and Financial Institutions (FIs). These organisations may or may not be members of the IFSB, but they all benefit from the IFSB’s standards, guidance notes, research, awareness, publications, reports etc.

In carrying out its work and activities, the IFSB interacts and harnesses resources as well as expertise from many stakeholders – IOs, SSBs, MDBs, as well as IFSB member organisations. These stakeholders are directly or indirectly involved in, or contribute to, the work of the IFSB.

While the IFSB shares a common mandate with RSAs and some IOs, that is, in ensuring, facilitating and promoting a sound and stable financial system, the IFSB shares a more indirect relationship with market players i.e. FIs and service providers. Due to a shared mandate, the stakeholder relationship between the IFSB and member RSAs, IOs, SSBs and MDBs tends to be relatively stronger, while the IFSB needs to create further avenues to engage market players and strengthen stakeholder relationships beyond the defined IFSB membership benefits for observer members.

1.6 The IFSB Strategic Performance Plans
2.0 Industry Outlook

2.1 The Global Financial Services Industry Medium-term Outlook

The outlook for the global financial services industry shows some gradual improvements in global recovery in the short term, and near-term financial stability due to the global economic upswing. However, heightened vulnerabilities are also expected in the medium term due to effects of Brexit, international trade wars and geopolitical tension etc.

2.1.1 Specific Trends

- The growth trend across sectors is envisaged to continue in the short term against a gradual but consistent recovery of the global economy.
- The mid- to long-term forecast expects the growth trajectory may be halted especially in emerging markets due to financial tightening in developed markets.

2.1.2 Short to Medium Term Outlook

Continuing steady growth trajectory due to extraordinary policy support, enforcement of fiscal discipline through tax reforms and monetary policy readjustment through interest rates, regulatory improvements and improved capital and liquidity buffer.

Global Trends and Short-Medium Term Outlook

A slowdown is expected in the issuance of new regulations. Nonetheless, regulatory scrutiny is expected to increase, especially for the global systemically important banks (G-SIBs) and domestic systemically important banks (D-SIBs), and small firms may face a surge in regulatory compliance costs.

Emergence of new financial hubs, where significant change is expected due to Brexit in Q1 2019, and the effects of political shock on market orientation.

Instability from volatility in commodity prices, possibly due to geopolitical tensions, trade wars, and rising protectionist sentiments.

Significant shift in the business model of regulated banks, where lending to some segments, for instance, SMEs will be ceded to non-bank financial institutions (NBFIs) such as crowdfunding platforms. Agency-driven innovation such as FinTech, TechFin, InsurTech etc. will also take centre stage.
2.1.3 Long-term Outlook

**Customer Centricity:**
Customer loyalty is predicted to be a major issue to FIs, especially with the environment becoming increasingly commoditised

**Disruption by Non-Bank Financial intermediaries:**
FinTech, TechFin, crowdfunding platforms are projected to cause significant disruption in rendering financial services. Shadow banking growth is currently at 8% per annum and worth $45 trillion (Financial Services Board, 2018)

**Workplace digitisation** / adoption of artificial intelligence, and the consequential high expenditure to replace legacy infrastructure and possibility of technology externalization

**Cyber Risks:** Heightened risk of cyber-attacks on the financial ecosystem, which could potentially undermine international payment systems and disrupt flow of goods and services

**Regulatory Fragmentation:** Slow-down in regulatory integration, refinement of existing regulation, with a renewed focus on implementation and supervision (rather than outright abolishment or reversal)

**RegTech and SupTech giving rise to the need to enhance compliance,** monitoring, and improving real time surveillance towards enhanced regulatory outcomes

**Challenges related to structural factors** such as changing consumer demographic profiles such as aging population due to high life expectancy, effects of climate change etc.

2.2 Islamic Finance Outlook

The overall global outlook shows that the global IFSI continues to grow rapidly, in size and complexity, with the industry’s assets having surpassed the USD 2 trillion-mark value.

2.2.1 IFSI: Specific Trends

- Robust growth has been actively observed across all three sectors of the IFSI, with Islamic Capital Market (ICM) witnessing the highest growth
- Growing market share, increasing number of institutions, and the numerous industry-level initiatives that are under way, has contributed to financial deepening and inclusion in many jurisdictions
- Islamic finance has established a presence over 60 countries and is systemically important in 12 jurisdictions
2.2.2 IFSI: Short to Medium Term Outlook

**Continued steady growth trajectory for Islamic finance:** Global Islamic finance assets growth is expected to rise steadily to USD 2.5 trillion by 2020

**Increased share of Islamic capital markets (ICM) in the global Islamic finance space,** indicating favourable prospects, as several growth drivers are expected to bring ICM to the next stage of development

**Increase in NBFIs:** Expected growth in the number of *takāful*, savings institutions, development institutions and Islamic finance markets etc.

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**Ṣukūk has an increasing role** to fill, including the financing needs for global large infrastructure projects. The demand of *ṣukūk* is higher than the current issuances

**Growth of Islamic finance offerings in non-traditional markets:** Increased geographical presence beyond traditional markets to new players from diverse regions such as Africa, East Asia, Europe, North and South America and others

---

2.2.3 IFSI: Long-Term Outlook

**Youth market:** Islamic finance is well-positioned to tap into the large youth demographic in Islamic finance jurisdictions

**Value-based financing:** Greater emphasis towards creating greater socio-economic impact

**Synergy with ESG and SRI Financing:** Greater synergy between Islamic finance and Environmental, Social and Governance (ESG) and Socially Responsible Investment (SRI)

**Deepening of Islamic finance markets** and increasing linkages between the various elements of Islamic finance

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**Shift in engines of growth** to emerging economies and the increasing role of Islamic finance

**Holistic growth:** Greater strategic focus to address structural challenges and promote holistic growth of the industry

**Technology and Innovation:** Fintech, Regtech, SupTech and greater digitisation driving product innovation

**Significant expansion** of the Islamic asset management industry

**Greater opportunities** for Islamic NBFIs to innovate
3.0 The New SPP 2019-2021

The Strategic Performance Plan (SPP) 2019-2021 is a results-based strategy that charts a medium-term roadmap for the IFSB to engage its stakeholders for strengthening the stability and resilience of the global Islamic finance industry. The SPP identifies four Strategic Key Result Areas (SKRAs), which cover key focus areas of the IFSB, and is aimed at providing the IFSB Council, member organisations and stakeholders an enhanced and flexible tool to assess the progress made on key deliverables of the Secretariat. This is the first time IFSB is developing an SPP internally without using a consultant or outsourcing its development.
3.1 SKRA 1: Formulation and Issuance of Prudential Standards, Research and Statistics

Key Expectations for the 2019-2021 period:

- Increase issuance to 3 standards and guidelines annually
- Increase publication of 5 research and 1 additional paper annually
- Maintain the annual publication of the IFSI Stability Report
- Maintain the issuance of 3 Prudential and Structural Islamic Financial Indicators (PSIFIs) data disseminations annually
- Expand the PSIFIs database to include contributors from the Takāful and Islamic Capital Market Sectors

SKRA 1 Targets for the 2019-2021 period:

<table>
<thead>
<tr>
<th>OUTCOME 1: Enhanced Guidance on the Prudential Regulation and Supervision of the IFSI</th>
<th>Outputs</th>
<th>Key Performance Indicator (KPI)</th>
<th>Contribution to SKRA</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Standards, Guidance Notes and Technical Notes</td>
<td>Percentage of Standards Priority / New Areas covered</td>
<td>50%</td>
<td></td>
</tr>
<tr>
<td>2. Translations of Standards</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>OUTCOME 2: Timely and Quality Research and Studies to Support the Industry Needs</th>
<th>Outputs</th>
<th>Key Performance Indicator (KPI)</th>
<th>Contribution to SKRA</th>
</tr>
</thead>
<tbody>
<tr>
<td>3. Research Papers</td>
<td>Percentage of Research Priority / New Areas covered</td>
<td>30%</td>
<td></td>
</tr>
<tr>
<td>4. Other Papers (staff paper)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>OUTCOME 3: Enhanced Monitoring and Analysis of the Industry’s Growth, Stability and Soundness of the IFSI</th>
<th>Outputs</th>
<th>Key Performance Indicator (KPI)</th>
<th>Contribution to SKRA</th>
</tr>
</thead>
<tbody>
<tr>
<td>5. PSIFIs Database</td>
<td>Utilisation of PSIFIs Database and Stability Report</td>
<td>20%</td>
<td></td>
</tr>
<tr>
<td>6. Stability Report</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
3.2 SKRA 2: Facilitating the Implementation of Prudential Standards and Capacity Building

Key Expectations for the 2019-2021 period:

- Increase number of country/regional workshops hosted by member RSAs
- Introduce implementation workshops for market players and E-workshops
- Improve the IFSB E-Learning Portal by a) enhancing content and b) increasing promotion
- Technical Assistance, Policy Advice and Capacity Building are important tools
- Enhance the Monitoring and Assessment functions of the Secretariat

SKRA 2 Targets for the 2019-2021 period:

<table>
<thead>
<tr>
<th>OUTCOMES</th>
<th>Outputs</th>
<th>KPI</th>
<th>Contribution to SKRA</th>
</tr>
</thead>
<tbody>
<tr>
<td>OUTCOME 4: Increased Capacity Building Initiatives on the IFSB Standards and Guidelines in Member Jurisdictions</td>
<td>1. FIS &amp; RSA Workshops 2. Capacity Building for Market Players 3. E-Learning 4. Outreach Programmes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>OUTCOME 6: Enhanced Monitoring and Assessment of the Adoption of the IFSB Standards in Member Jurisdictions</td>
<td>1. Implementation Survey and Report 2. Country / Self-Assessment 3. Impact and Consistency Assessment Programme (ICAP)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
3.3 **SKRA 3: Increasing Value in the IFSB Membership, Global Visibility and Attractiveness**

**SKRA 3 INCREASING THE VALUE IN THE IFSB MEMBERSHIP, GLOBAL VISIBILITY AND ATTRACTIVENESS**

**OUTCOMES**

**OUTCOME 7:** Effective and Timely Communication and Engagement with the IFSB Members

- 1. Member’s Engagement
- 2. Membership Drive and Outreach
- 3. Membership Administrative Affairs

**KPI:** Increased Member’s Satisfaction on engagement and communication with the IFSB

**Contribution to SKRA:** Increased satisfaction of members on the engagement and communication with the IFSB (%)

**OUTCOME 8:** Enhanced Cooperation with Stakeholders for Awareness and Knowledge Sharing

- 1. Awareness Programmes
- 2. Industry Engagements
- 3. Joint Publications

**KPI:** Participant Satisfaction

**Contribution to SKRA:** Meeting expectations of stakeholders in cooperation with the IFSB (%)

**OUTCOME 9:** Enhanced Global Visibility and Collaboration with Stakeholders and International Counterparts

- 1. Corporate Visibility
- 2. Marketing Communications
- 3. International Collaboration and MoUs

**KPI:** Perception

**Contribution to SKRA:** 40%

**Key Expectations for the 2019-2021 period:**

- Enhanced membership engagements are expected to increase value to the members and increase their satisfaction with interaction with the IFSB
- Outreach to Members/potential member’s through emphasis on high-level meetings
- Increased collaboration on executive forums for revenue generation and increased attractiveness to market player members
- Enhanced communication channels by increased presence in social media and revamping of the IFSB website

**SKRA 3 Targets for the 2019-2021 period:**

**OUTCOMES**

**OUTCOME 7:** Effective and Timely Communication and Engagement with the IFSB Members

- 1. Member’s Engagement
- 2. Membership Drive and Outreach
- 3. Membership Administrative Affairs

**KPI:** Increased Member’s Satisfaction on engagement and communication with the IFSB

**Contribution to SKRA:** Increased satisfaction of members on the engagement and communication with the IFSB (%)

**OUTCOME 8:** Enhanced Cooperation with Stakeholders for Awareness and Knowledge Sharing

- 1. Awareness Programmes
- 2. Industry Engagements
- 3. Joint Publications

**KPI:** Participant Satisfaction

**Contribution to SKRA:** Meeting expectations of stakeholders in cooperation with the IFSB (%)

**OUTCOME 9:** Enhanced Global Visibility and Collaboration with Stakeholders and International Counterparts

- 1. Corporate Visibility
- 2. Marketing Communications
- 3. International Collaboration and MoUs

**KPI:** Perception

**Contribution to SKRA:** 40%
3.4 **SKRA 4: Efficient Management of Resources**

**Key Expectations for the 2019-2021 period:**

- Focus on strengthening and streamlining internal procedures and work processes over the SPP period for increased efficiency
- Enhancements are expected in the organisation’s performance monitoring and reporting
- Exercise to realign staff job description and roles is planned to facilitate the delivery of the SPP targets
- Cost-effectiveness is expected to increase over the SPP period

**Increasing the IFSB’s Efficiency and Productivity**

SKRA 4 looks at the strategic, administrative and finance management functions of the Secretariat in supporting the work of the IFSB. It covers both resource management and internal procedures and processes, effective management of which, combined, will allow the Secretariat to operate at optimum levels of productivity.
ALHAMDUILLAH