MESSAGE BY THE SECRETARY - GENERAL

The Secretariat greeted 2022 in high spirits, with the new IFSB Strategic Performance Plan (SPP) 2022-2024 in place to transform the IFSB, thus hoisting the IFSB to a heightened level at par with other International Setting Bodies. This transformation heeds to the growing aspirations of the IFSB members, as well as in response to contemporary challenges that the IFSB faces; focusing on enhancing the quality of outputs, the impact of the outcomes on the IFSB’s ecosystem, strengthened engagement with the IFSB members and holistic viability of financial and human resources of the IFSB.

The 40th IFSB Council Meeting and 20th General Assembly stole the limelight of the plenty of excitement happened in the 2nd quarter of this year. The State Bank of Pakistan successfully hosted the annual meetings. Also, the nomination of the new Executive Committee Members has been circulated for the appointment to take effect after the second Council Meeting, planned to happen in December this year. With the diligent guidance and steering of the Council, the Executive Committee and the Technical Committee, the IFSB transformation road map is well on track to materialise its objectives.

Post pandemic, with the shift of the global scene towards endemic and recovery, plenty of challenges and opportunities lie ahead. Together with Qatar Financial Centre and Qatar Central Bank, The IFSB will be holding the 4th Innovation Forum this 14th September to give way to Islamic Financial Services Industry (IFSI) market players to showcase their innovations in Sustainable Finance and Fintech. The forum, with many other upcoming highlights, envisions another exciting and fruitful 3rd quarter of the year. Inshaa Allah.

Dr. Bello Lawal Danbatta

The 40th Meeting of the Council and the 20th General Assembly hosted by the State Bank of Pakistan (SBP), chaired by H.E. Dr. Murtaza Syed, Acting Governor of State Bank of Pakistan and Chairperson of the IFSB for 2022.
STRATEGIC COLLABORATIONS

Secretory-General of the Islamic Financial Services Board (IFSB), Dr. Bello Lawal Danbatta chaired the 4th-panel session discussing 4 research papers on Islamic finance and digitalisation during the 42nd AlBaraka Islamic Economics Symposium – The Digital Economy, The Way Forward. The Al Baraka Symposium for Islamic Economics represented a scientific and essential reference, and database which feeds research and Fatwas of Shariah boards of Islamic banks, Islamic financial institutions, Fiqh academies, and different organisations and agencies around the globe.

The Islamic Financial Services Board (IFSB), Dr. Bello Lawal Danbatta pledged the IFSB’s commitment to further strategic collaboration with its members to promote stability & resilience of Islamic finance globally, during a meeting with Mr. Mohammed ElKuwaiz, Chairman of the Capital Market Authority (CMA) in Riyadh, KSA.

Secretary-General of the Islamic Financial Services Board (IFSB), Dr. Bello Lawal Danbatta represented the IFSB as one of the panelists at the Islamic Finance News (IFN) KSA Dialogues 2022, during ‘Session 1: Shariah Compliant Asset Management and Islamic Capital-Raising in Saudi Arabia.

The annual IFN Dialogues explores the hurdles & opportunities in one of the most active & influential markets in the Islamic finance world through a series of extended discussions amongst leading industry players, both domestic & international, to discuss & identify the Kingdom’s most pressing issues.
The IFSB Roundtable on Exposure Draft GN-8: Guidance Note on Deepening the Islamic Capital Markets

The Roundtable was organised to discuss the Exposure Draft in line with the IFSB due process for the development of Standards and Guidance/Technical Notes. The ED GN-8 seeks to promote financial stability through deep and liquid Islamic financial systems with diverse instruments that will help enhance countries’ resilience to shocks, and in turn, also support the resilience of other parts of the Islamic financial services industry by providing a wider range of investments with better price discovery.

Public Hearing on the ED-27: Core Principles for Islamic Finance Regulation [Takāfūl Segment]

The Public Hearing aim to provide an international benchmark standard to promote a sound regulatory and supervisory system for maintaining a fair, safe and stable takāfūl sector for the benefit and protection of the interest of Takāfūl participants, 2 beneficiaries and claimants, as well as contributing to the stability of the Islamic financial system.


Given the extent of developments in Shari‘ah governance practices globally, the Council of the Islamic Financial Services Board (IFSB) approved the preparation of a new standard, on Shari‘ah Governance Framework for Institutions offering Islamic Financial Services. The IFSB Council also approved for IFSB to collaborate with the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) to jointly develop this standard on Shari‘ah governance.

The objective behind this collaboration is to cater to the growing needs of the global Islamic finance industry in a more efficient and effective way, while avoiding duplication of efforts from the two standard-setting bodies.

Facilitating the Implementation of the IFSB Standards (FIS) for The Bangko Sentral Ng Pilipinas

Dedicated to the Central Bank of Philippines (Bangko Sentral Ng Pilipinas) to discuss several IFSB standards and other relevant topics to Islamic Banking, Islamic Capital Markets, and takāfūl.

The 4-day workshop covered the following topics:
- Core principles for Islamic finance regulation.
- Shari‘ah-compliant lender of last resort.
- Digital transformation in Islamic banking.
- Industry Practices of Structuring Islamic Liquidity Instruments and Islamic Banking products.
- Disclosure Requirements for Islamic Capital Markets (Sukūk).
- Key Elements in the Supervisory Review Process (SRP) of Takāfūl/ Retakāfūl Undertakings.

The IFSB FIS workshop series will continue for the next months to come, revolving discussions around other IFSB standards across the three segments; Islamic Banking, Islamic capital markets and takāfūl.

Apart from workshops, the Implementation team held several meetings with member organisations from Regulatory and Supervisory Authorities (RSAs) to line up more implementation initiatives for the year. The IFSB’s implementation activities are offered membership benefits to facilitate the implementation of IFSB standards.
FIS workshop IFSB-23 - Revised Capital Adequacy Standard for IIFS

A virtual workshop that was attended by over 70 participants around the world, aimed to assist Institutions Offering Islamic Financial Services (IIFS) and their supervisory authorities in the implementation of a capital adequacy framework that will ensure effective coverage of risk exposures of the IIFS and allocation of appropriate capital to cover these risks, thus enhancing the resilience of the Islamic Financial Services Industry.

FIS Workshop on IFSB-26: Core Principles for Islamic Finance Regulation (Financial Market Infrastructures)

This 1-day online workshop is open to all IFSB members for free as part of their membership benefits. The outline of the workshop is as follows:
- Introduction to the standard
- Key risks for Islamic Financial Market Infrastructures (FMIs)
- Discussion on 25 Core principles for Islamic Finance Regulation

The standard presents an overview of the key risks in Financial Marker Infrastructure (FMI) along with core principles for aspects related to the regulation of FMI such as legal basis, governance and Shari'ah governance, risk management, collateral, money settlements, physical deliveries, efficiency and effectiveness, disclosure, among others.

The 40th Council and 20th General Assembly Virtual Meetings

The 40th Meeting of the Council and the 20th General Assembly were hosted by State Bank of Pakistan (SBP), chaired by H.E. Dr. Murtaza Syed, Acting Governor of State Bank of Pakistan and Chairperson of the IFSB for 2022 on 9 June 2022.

The IFSB Council has resolved to approve the adoption of a new Technical Note, “TN-4: Technical Note on Recovery and Resolution (TNRR) for Institutions Offering Islamic Financial Services (IIFS)” and approved the admission of one market player, Albarq Group Limited into the IFSB membership.

6th Task Force Meeting of Technical Note on Shari'ah-compliant Liquidity Management Tools

The 6th Task Force Meeting of Technical Note on Shari'ah-compliant Liquidity Management Tools discussed the robust and efficient liquidity management framework which is integral to the development of a comprehensive and stable Islamic financial system. Such a framework is an important component for the operations of Islamic financial institutions in conducting funding and investment activities. Over the recent decade, liquidity management in Islamic finance has become increasingly important with the significant growth in Islamic banking deposits.

3rd Working Group Meeting of the Revised Guiding Principles on Corporate Governance for Institutions Offering Islamic Financial Services [Banking Segment]

The 3rd Working Group Meeting of the Revised Guiding Principles on Corporate Governance for Institutions offering Islamic Financial Services [Banking Segment] to discuss the enhancements to IFSB-15. It aims at making a more comprehensive, robust and in tune with global best practices in terms of the regulatory capital adequacy framework for institutions offering Islamic banking services. The Guiding Principles are designed to facilitate IIFS in identifying areas where appropriate governance structures and processes are required and to recommend best practices in addressing these issues.
4th Working Group Meeting on Conduct of Business Supervision in Takāfūl Undertakings

The 4th Working Group Meeting on Conduct of Business Supervision in takāfūl Undertakings happened on 28 July 2022. One of the objectives of the standard is to promote fairness, safety, and stability in the technical market by addressing specific shari’ah and conduct issues whilst considering emerging matters such as digital distribution, intermediaries and products.

Based on the policy responses adopted by IFSB member countries, the IFSB acknowledges that the regulatory supervisory authorities (RSAs) are in a delicate position on striking the right balance in competing priorities between providing assistance to takāfūl operators and offering relief to takāfūl participants. The IFSB recommends that RSAs remain vigilant in performing the act of balancing with a focus on ensuring the takāfūl business sector remains financially and operationally resilient.

7th Working Group Meeting on Core Principles for Islamic Finance Regulation (Takāfūl Segment)

7th Working Group Meeting on Core Principles for Islamic Finance Regulation (takāfūl segment) talks about a hierarchical structure of principles, standards and guidance material, consistent with that of the Insurance Core Principles (ICP), which is proposed for the Takāfūl Core Principles (TCP), this is to provide clarity and facilitate the reading of the TCPs together with the ICPs other relevant standards.

Public Hearing on IFSB-AAOIFI Revised Shari’ah Governance Framework for Institutions Offering Islamic Financial Services (ED-RSGF)

The aim of this joint IFSB-AAOIFI standard is to provide a revised set of Guiding Principles on the key components of a sound and effective Shari’ah governance framework for Institutions Offering Islamic Financial Services (IIFS). This standard applies to IIFS (including Islamic windows) in the Islamic banking, takāfūl (Islamic insurance) and Islamic capital market sectors. RSAs may choose to apply this standard to other IIFS in their jurisdictions. The standard adopts a principle-plus-rule approach that provides a comprehensive set of Shari’ah governance practices for implementing each principle. The Public Hearings for IFSB-AAOIFI Shari’ah Governance Framework (ED-RSGF) were conducted in both English and Arabic.

The Islamic Financial Services Board (IFSB) hosted an Eid gathering with all staff and their families. The Secretary-General of IFSB, Dr. Bello Lawal Danbatta in his welcoming speech, reiterated that the diversity among the staff makes the IFSB unique and united, to effectively continue promoting the global Islamic finance.
PUBLICATIONS & RESEARCH PAPERS

ISLAMIC FINANCIAL SERVICES INDUSTRY STABILITY REPORT 2022

IFSB has launched the Islamic Financial Services Industry Stability Report 2022. The report provides an indicative outlook for the IFSI, which makes it a prime reference for key information on the stability and resilience of Islamic finance. The data and analysis in the IFSI Stability Report are compiled by IFSB staff from various sources and are assumed to be correct at the time of publication.

The 4 chapters of the Islamic Financial Service Stability Report 2022 are:

Chapter 1: Development of the Islamic Financial Services Industry
  • Developments in the Global Financial System
  • Global Islamic Banking Sector
  • Islamic Capital Market: Sustained Resilience
  • Takaful: Sustained Growth and Contribution

Chapter 2: Assessment of the Resilience of the Islamic Financial System Emerging Issues in Islamic Finance
  • Islamic Banking: Recovery amid Uncertainty
  • Assessment of the Islamic Capital Market’s Resilience and Stability
  • Takaful: Assessment of Resilience

Chapter 3: Emerging Issues in Islamic Finance
  • Transitioning from LIBOR to Risk-free Rates in Selected Jurisdictions offering IIFS

Chapter 4: Global Developments: IFSB Initiatives and Activities
  • Global Developments and Impacts on the IFSI
  • IFSB Standards, Research and PSIFs Activities

The Islamic Financial Services Industry Stability Report 2022 is now available for download at our website.

STRATEGIC PERFORMANCE PLAN 2022 TO 2024 - ADVANCING THE IFSB OPERATIONS TO ADDRESS EVOLVING GLOBAL CHALLENGES

The new Strategic Performance Plan (SPP) 2022 – 2024 aims to expand and strengthen the IFSB’s work plan in response to the increasing aspirations and expectations of IFSB members, and to meet the demands in supporting the growth, resilience and stability of the Islamic financial services industry (IFSI) amidst the evolving global industry challenges. The SPP 2022-2024 was approved by the IFSB Council in its 59th meeting held on 9 December in Abu Dhabi, hosted and chaired by H.E. Khaled Mohamed Balama, Governor of the Central Bank of the United Arab Emirates and IFSB Council Chairman 2021.

The IFSB Strategic Performance Plan (SPP) 2022-2024 was developed based on the four existing Focus Areas of the SPP 2019-2021, along with directions and guidance from the IFSB stakeholders. The SPP aims to expand and strengthen the IFSB’s work plan in response to the increasing aspirations and expectations of IFSB members, and to meet the demands in supporting the growth, resilience and stability of the Islamic Financial Services Industry (IFSI) amidst the evolving global financial industry challenges.

TECHNICAL NOTE ON RECOVERY AND RESOLUTION FOR INSTITUTIONS OFFERING ISLAMIC FINANCIAL SERVICES

The primary objective of the Technical Note on Recovery and Resolution (RR) is to facilitate the relevant RSAs and other related authorities to establish an effective RR framework and appropriate tools for its effective implementation for IIFS in a manner that is fully compliant with Shariah principles.

The foregoing primary objective of the TNRR subsumes the following constituent objectives:
  • to set out the essential measures to carry out effective recovery and resolution planning (RRP) for all IIFS;
  • to support and enable effective resolvability assessments critical for the IIFS; and
  • to ensure Shariah governance in relation to the RR framework for IIFS.
THE NEW IFSB E-LEARNING PLATFORM

CAPACITY BUILDING
The modules are designed to facilitate capacity development in the regulation and supervision of the Islamic Financial Services Industry

KNOWLEDGE
Aimed at increasing the understanding and adoption of the Standards, Guidance Notes and Technical Notes issued by the IFSB

IMPLEMENTATION
Complements the implementation activities, including workshop and technical assistance

COMPREHENSIVE & EASE OF USE
A comprehensive online learning suite of e-modules based on key IFSB Standards with easy-to-learn, on-demand, and cost effective

Available & Upcoming Modules

- The IFSB Overview
- IFSB-1: Guiding Principles of Risk Management for IIFS
- IFSB-6: Guiding Principles on Governance for Islamic Collective Investment Schemes
- IFSB-8: Guiding Principles on Governance for Takaful (Islamic Insurance) Undertakings
- IFSB-10: Guiding Principles on Shari'ah Governance Systems for IIFS
- IFSB-16: Revised Guidance on Key Elements in the Supervisory Review Process of IIFS (Banking Segment)
- IFSB-17: Core Principles for Islamic Finance Regulation (Banking Segment)
- IFSB-23: Revised Capital Adequacy Standard for IIFS (Banking Segment)
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*activities listed are subject to changes*
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