



ISLAMIC FINANCIAL
SERVICES BOARD

STRATEGIC PERFORMANCE PLAN 2019–2021

Advancing the
IFSB Operations to Meet
Industry and Stakeholder
Expectations



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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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ABBREVIATIONS

AoA	› Articles of Agreement
CPIFR	› Core Principles for Islamic Finance Regulation
D-SIB	› Domestic Systemically Important Bank
ESG	› Environmental, Social and Governance
FI	› Financial Institution
FinTech	› Financial Technology
FOP	› Financial Operating Procedure
G-SIB	› Global Systemically Important Bank
GN	› Guidance Note (<i>of the IFSB</i>)
IADI	› International Association of Deposit Insurance
ICM	› Islamic Capital Market
IFSB	› Islamic Financial Services Board
IFSI	› Islamic Financial Services Industry
IO	› International Organisation
MDB	› Multilateral Development Bank
NBFI	› Non-Bank Financial Institution
PSIFI	› Prudential and Structural Islamic Financial Indicator
RSA	› Regulatory and Supervisory Authority
SKRA	› Strategic Key Result Area
SOP	› Standard Operating Procedure
SPP	› Strategic Performance Plan
SRI	› Socially Responsible Investment
SSB	› Standard Setting Body
TA	› Technical Assistance
TN	› Technical Note (<i>of the IFSB</i>)



EXECUTIVE SUMMARY

The expanded work plan approved in the SPP of 2016-2018 was in response to the increasing expectations of members, and in trying to meet the demands in supporting the growth of the Islamic financial services industry. However, the key challenge of the past three years under the SPP 2016-2018 has mainly been in the funding of the Islamic Financial Services Board's (IFSB) operations and resources available to continue delivering its mandated outputs. The funding challenge saw the Secretariat, in 2017, having to review some targets and re-prioritise its efforts and resources on key high-impact deliverables – mainly the standards development agenda, capacity building to support implementation of standards, and international collaboration.

The period also saw an increased focus by the Secretariat on the planning and monitoring of the IFSB's performance, which resulted in extensive reviews of the IFSB's operational procedures. Thus, aside from the focus on delivering expected outputs to support the global IFSI, the Secretariat dedicated significant time and resources on efforts to strengthen its internal procedures and systems.

Despite the external expectations, and internal change management challenges, under the strong leadership and guidance of the Council, and support of its members, the IFSB has succeeded in meeting most of the targets in the SPP 2016-2018. An assessment of the performance of the SPP 2016-2018 is available in this publication.

In 2018, with the Council under the chairmanship of H.E. Dr. Mohammad Y Al-Hashel, the Governor of the Central Bank of Kuwait, and the Secretariat led by Dr. Bello Lawal Danbatta (appointed in January 2018) as the third Secretary-General of the international organisation, has witnessed several enhancements in the IFSB's strategic direction and governance.

Following the 32nd Meeting of the Council in May 2018, in which the Council members had stated its expectations on the future direction of the IFSB, the Secretariat consequently submitted a '*Focus Strategy Paper 2018*' which charted the general strategies of the IFSB in the coming years. This Focus Strategy Paper was approved by the Council in September 2018.

The Strategy Paper revisited the key mandate of the IFSB, and looked at the dynamics of the IFSB relationship with the IFSI in general, and with the IFSB's stakeholders in particular. The Strategy Paper put a focus on the role to be played by the IFSB Secretariat, as well as specific and very important roles by stakeholders to ensure the IFSB achieves the objectives and impact it was established to deliver. It also placed strong emphasis on the pertinent role to be played by the members of the IFSB, particularly, the regulatory and supervisory authorities (RSAs) and international

organisations, as defined in the IFSB Articles of Agreement.

The Strategy Paper took a detailed look at four identified focus areas which are critical to the IFSB's operations and mandate.

For enhancing the IFSB Standards development process, the proposed strategies focused on increasing efficiency to deliver timely and relevant standards of quality, as well as addressing the expertise gap on a long-term basis.

For the IFSB Standards implementation and adoption, the paper looked at the IFSB's initiatives in comparison with other standard-setters, and proposes strategies to align the work of the IFSB with its comparators. Most importantly, with implementation being very high on the IFSB Council and member's expectations, the Strategy Paper proposes a bigger role for the stakeholders in what is presented as the Standards Implementation Cycle.

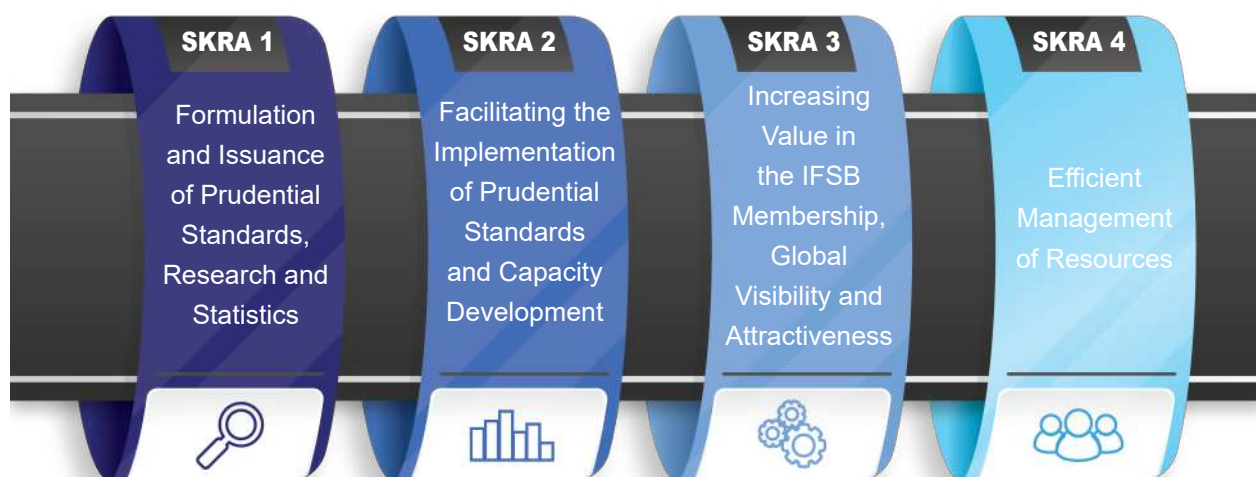
For membership satisfaction and the IFSB attractiveness, collaboration and strategic partnerships is seen as a means to increase visibility of the IFSB globally, with focus on pursuing endorsement and recognition of IFSB's work among international organisations and member RSAs. Communications is also an important strategy, with a need to look at both its form (use of technology and expanding means of communication) as well as the substance (content and key messages to be communicated). Membership satisfaction, on the other hand requires more detailed interventions and internal actions to ensure, where possible, membership expectations are met.

For enhancing financial sustainability, it is expected in the coming years that while revenue sources will remain somewhat similar, expenditures are expected to increase by 25-35% to meet the increasing expectations of the Council and stakeholders. Taking into consideration the IFSB's position as an international standard setting organisation, and to avoid perceptions of conflicts of interest, the paper proposed an internal strategy for cost rationalisation and possible cost-saving measures in carrying out the IFSB activities. Pursuing a bigger percentage of project funding is proposed to bridge the financial gap and meet member expectations. Continued support and cooperation from Member RSAs, especially the IFSB Council and Full Members, are expected in this regard.

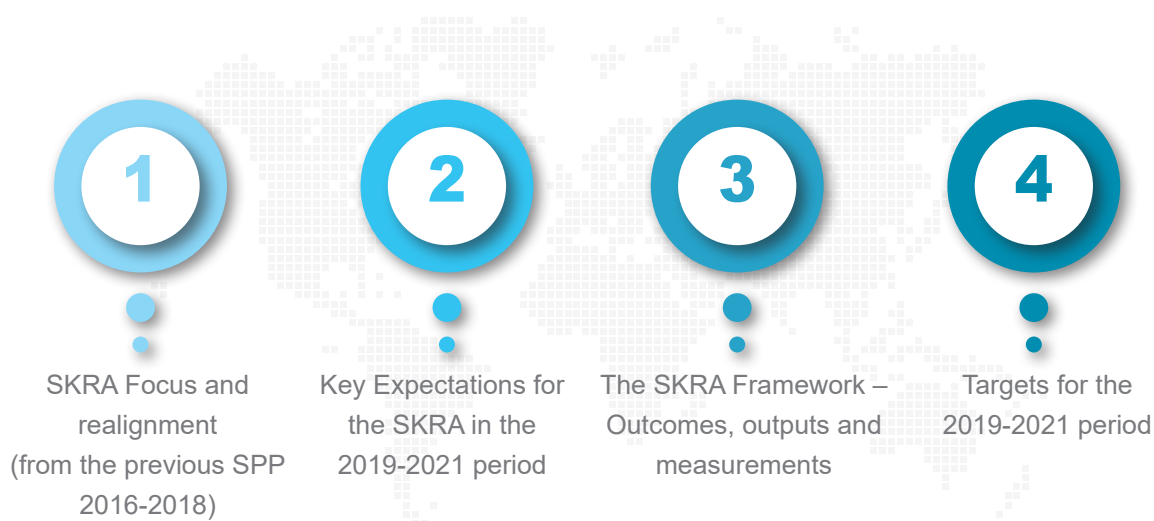
This Strategic Performance Plan (SPP) 2019-2021 is developed based on the approved proposals in the Strategy Paper, as well as taking forward the lessons learned from the previous SPP periods.



Building on the four Focus Areas of the Strategy Paper, the SPP 2019-2021 proposes four Strategic Key Result Areas (SKRAs), which are reflected in 12 Outcomes and 27 Outputs, as follows:



These four SKRAs are elaborated in Section 6.0 of this document, and are presented in the following format, for ease of understanding:



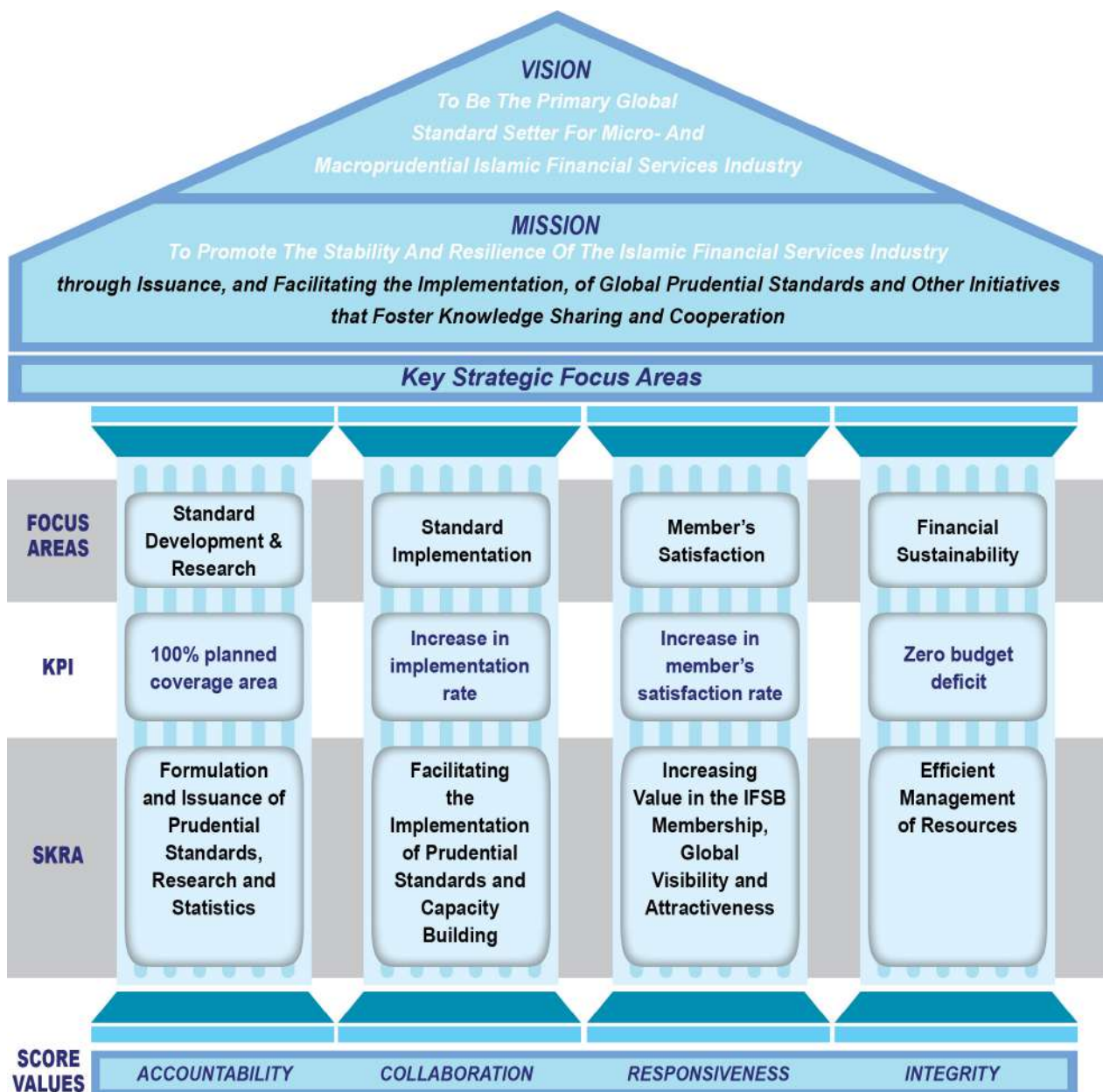
The SPP 2019-2021 was approved by the Council of the IFSB in its 33rd Meeting on 6 December 2018, with implementation starting from January 2019 onwards.

1.0 BACKGROUND

1.1 IFSB Mission and Core Values

The 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 Mission, Core Values and 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 Sharī’ah 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 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)

1.4 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 are considered the “stakeholders” of the IFSB and they are directly or indirectly involved in, or contribute to, the work of the IFSB.

It is worthy to note that, 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.

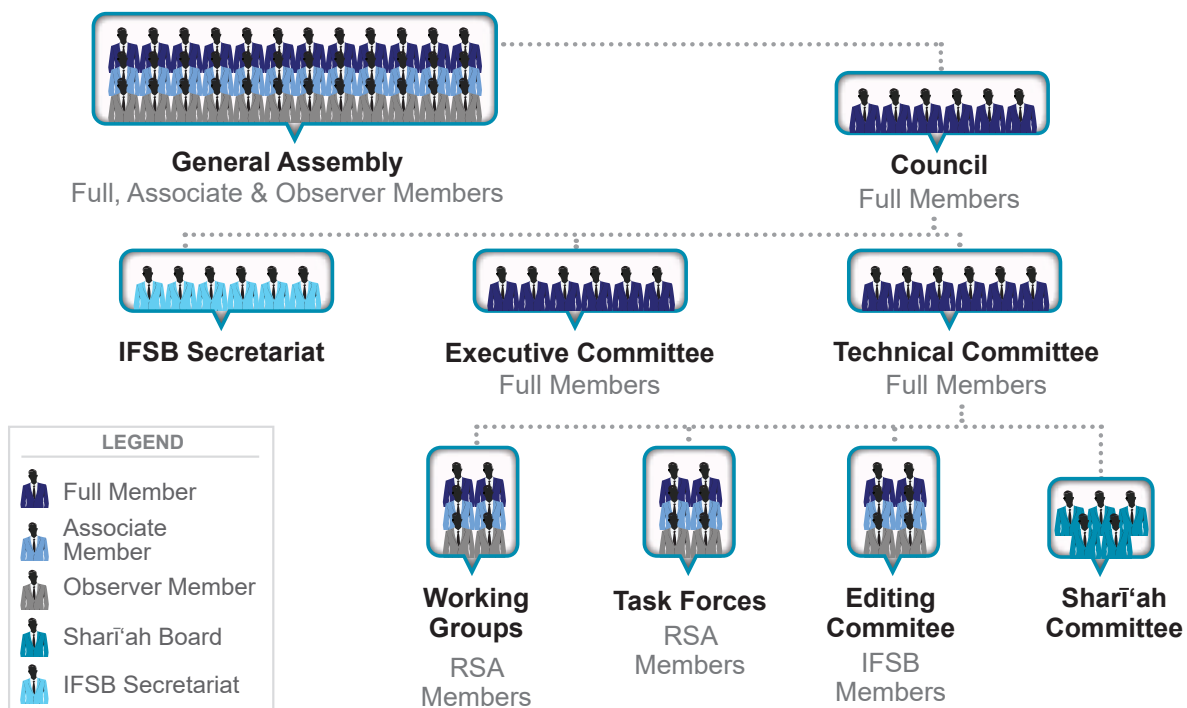
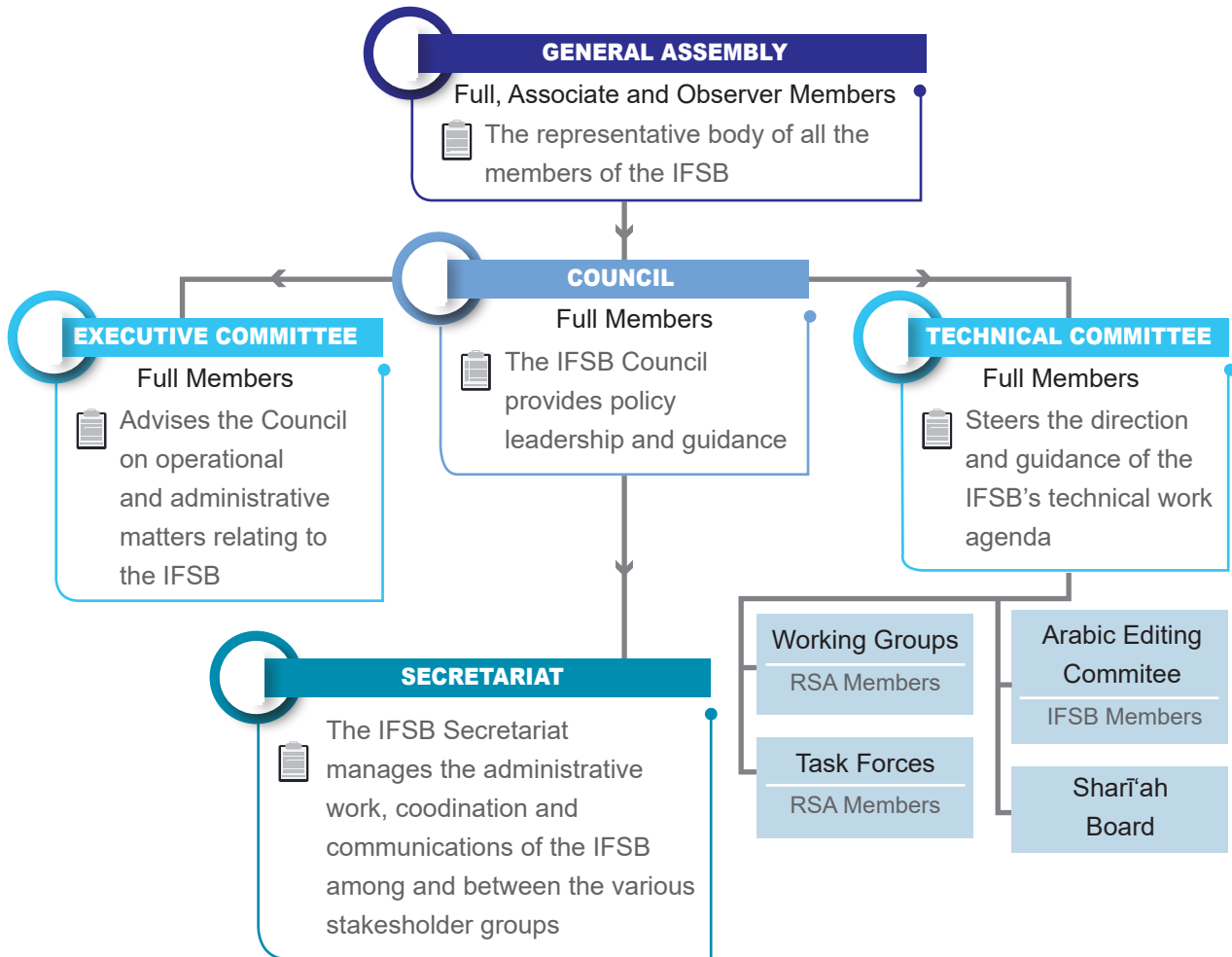


Illustration 2: The IFSB Governance Structure



1.5 Role of the IFSB Secretariat

Article 37 of the IFSB's AoA states the duties and responsibilities of the Secretariat as;

- a > To manage all administrative work of the IFSB.
- b > To coordinate the work of the Council and the Technical Committee and related sub-committees or working groups.

- c > To prepare the documentation needed for meetings of the IFSB.
- d > To disseminate the standards and directions issued by the Council.
- e > To prepare draft by-laws of the IFSB.
- f > To liaise with central banks, monetary authorities, international organisations

and other supervisory and regulatory organisations.

- g > To act as a central information depository holding all records, standards and guidance issued by the IFSB and other relevant organisations.
- h > To organise and act as secretary of meetings of the General Assembly, the Council and the Technical Committee.
- i > To act as spokesperson and as representative of the IFSB at international and regional meetings and fora (and to appoint another person to act in his place).
- j > To deal with administrative issues arising from membership or potential membership of the IFSB.
- k > To prepare a draft budget for the IFSB in accordance with Articles 39 and 40 (of the AoA).
- l > In accordance with guidelines established by the Council, to manage and maintain such funds as may be established in pursuance of the objectives of the IFSB.
- m > To undertake such other activities as shall be assigned to it by the Council or the Technical Committee.

1.6 The IFSB Strategic Performance Plans

Article 21 of the AoA states the role of the IFSB Council is to formulate and approve the policies and strategies for the IFSB. The Council is also responsible to approve the annual budget of the IFSB (Article 41). Based on this requirement and practice, from 2003 when IFSB started operations to end of 2012, the IFSB work was guided by annual work plans approved by the Council in their year-end meetings.

In December of 2012, the Council approved the IFSB's first Strategic Performance Plan (SPP) for the term 2012-2015. This first SPP, was developed based on an Integrated Results-Based Management (IRBM) approach and defined 4 Strategic Key Result Areas (SKRAs) for the IFSB. The SPP thus, provided a more structured framework and strategic focus to the work of the IFSB and its activities.

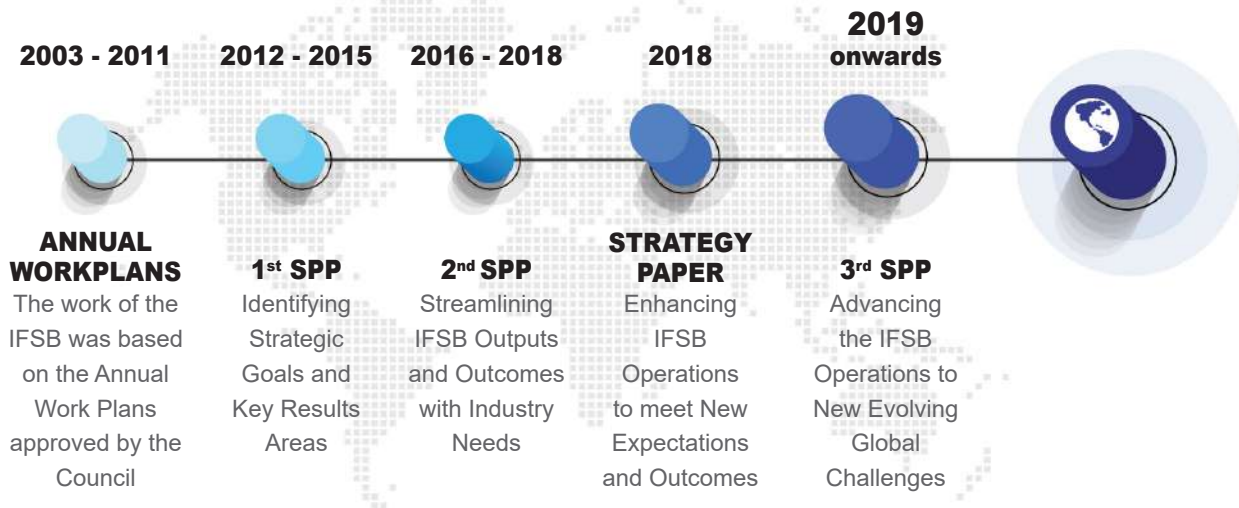
A second SPP was developed and approved in December 2015 for the period of 2016-2018.

It is to be noted that while the SPPs were approved for a three-year period, the IFSB's annual work plans and budget continued to be submitted to the Council annually for approval.

In its 32nd meeting held on 5 May, 2018 in Kuwait, the Council resolved and directed the Secretariat to develop a focused strategy paper that will provide a roadmap to enhance the IFSB operations to not only address the current challenges facing the IFSB but also assist to meet future industry and stakeholder's expectations. The Focus Strategy Paper, which was submitted in August 2018 and approved by the Council in September 2018, forms the key elements guiding the development of the IFSB's 3rd SPP for the period of 2019-2021.



Illustration 3: The IFSB Strategic Performance Plans



Following the approval of the Strategy Paper, the Secretariat undertook an exercise to develop the SPP 2019-2021. The SPP 2019-2021 realigned the current SKRAs to reflect the strategic focus areas over short to mid-term, and proposes the corresponding outcomes and outputs to meet these SKRAs.

Taking into consideration the available resources, both financial and personnel, as well as achievements and lessons learned from the SPP 2016-2018, this new SPP provides a realigned framework and strategic focus for the IFSB Secretariat, and its stakeholders for the coming three years.

2.0

OBJECTIVES OF THE SPP

The objective of the SPP is to clearly identify the strategic goals for the IFSB over the next three years, and to develop a way to achieve these goals within the available resources. The SPP outlines specific objectives (SKRAs and outcomes), the ways to achieve them (outputs), as well as the ways in which their success or failure will be measured, and the respective timelines.

It also identifies those involved in the delivery of these outputs, both inside and outside of the Secretariat, as well as those who will be affected by the completion of these Outputs. The SPP also includes the plan of how to efficiently utilise the IFSB's resources to achieve these goals.

3.0 EXTERNAL FACTORS

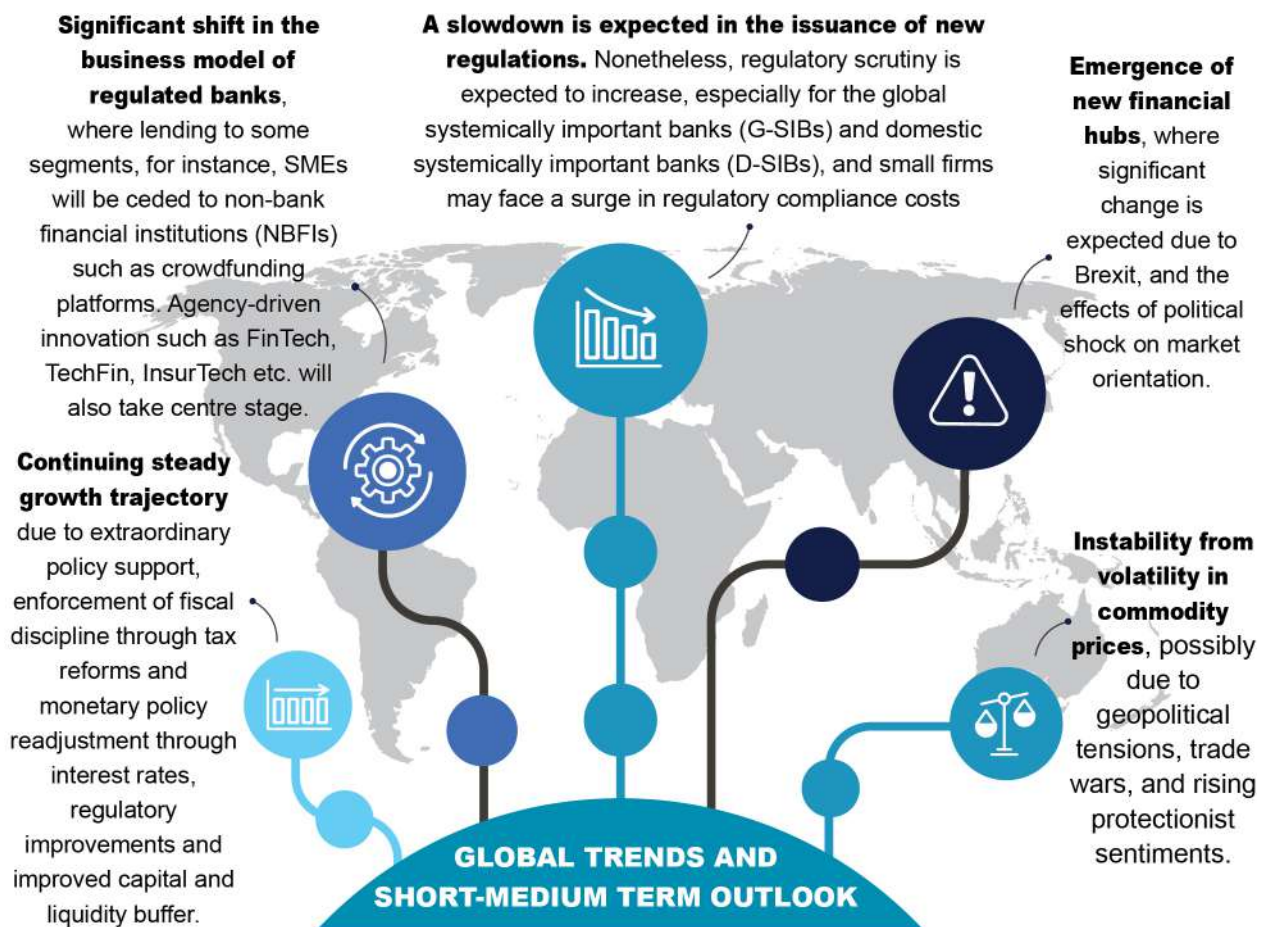
3.1 The Global Financial Services Industry Medium-Term Outlook

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 a global economic upswing. However, heightened vulnerabilities are also expected in the medium term due to effects of Brexit, international trade wars, geopolitical tension and volatility in oil prices etc.

3.1.1 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.

3.1.2 Short To Medium Term Outlook



3.1.3 Long-Term Outlook



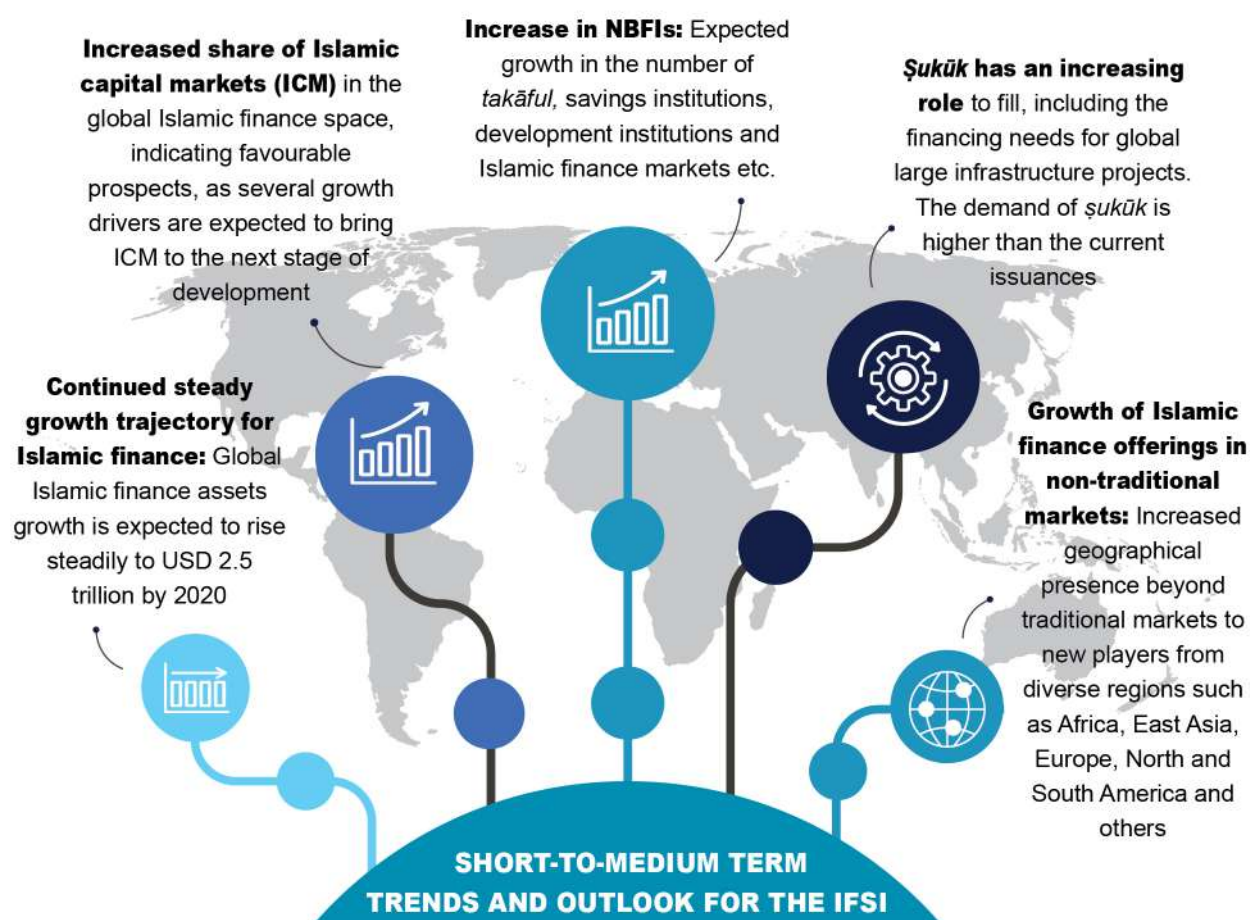
3.2 Islamic Finance Outlook

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.

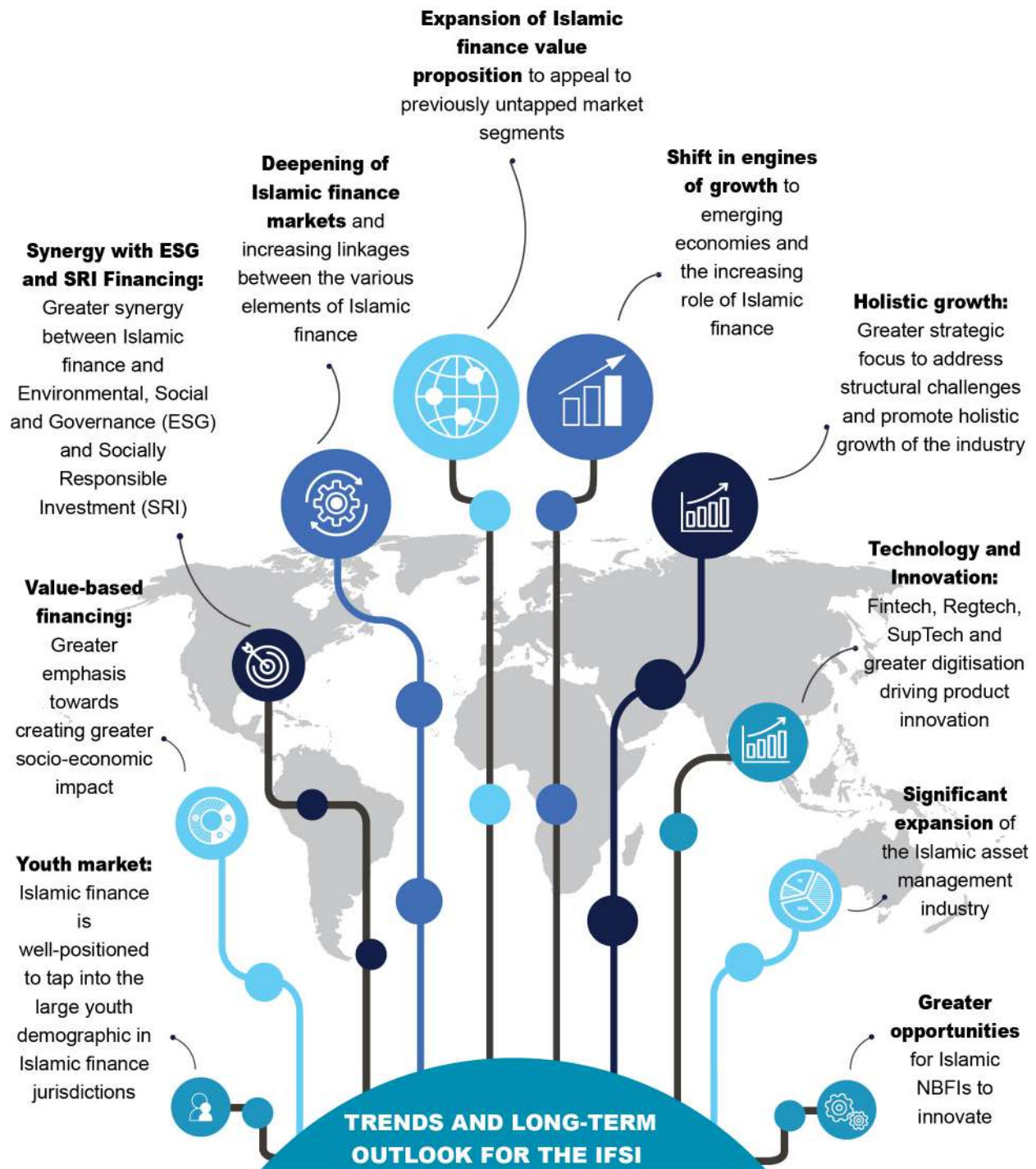
- Robust growth has been actively observed across all three sectors of the IFSI, with Islamic Capital Market (ICM) witnessing the highest growth.

- 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.

3.2.2 IFSI: Short To Medium Term Outlook



3.2.3 IFSI: Long-Term Outlook



3.3 Council Resolutions

In the discussions of the 32nd meeting of the IFSB Council on 3 May 2018, the Council appreciated the strong performance achieved by the Secretariat, and acknowledged the challenges faced by the Secretariat in delivering its mandate. They also provided guidance on the priority areas that should be considered in the upcoming years, in the IFSB's workplans and forward-looking strategy. Among the key guidance are:

Member RSAs-Secretariat Synergy and Cooperation	Focus on Standards Implementation	Member's Satisfaction is Key	Achieving Impact
<p>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.</p>	<p>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.</p>	<p>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.</p>	<p>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 the current Activity-based reporting.</p>
			



4.0 TAKEAWAYS FROM THE SPP 2016-2018

4.1 Overall Summary of SPP 2016-2018 Performance

The overall performance across all the SKRAs of the SPP 2016-2018, and most of the targeted outputs and KPIs were achieved. At the same time, several new outputs were also introduced in response to feedback from members on their needs and expectations from the IFSB.

In summary:

SKRA 1

Formulation and Issuance of Prudential Standards/Studies for the Regulation of the IFSI

The work programme for the SPP 2016-2018 for the standard development agenda concentrated on three main areas of focus, which were;

- completing the work on global regulatory reforms, which is now nearing completion with only a few outstanding items including the revision of IFSB-15 based on the finalised Basel III guidance and the development of the *Takāful* Capital Standard that will complement the Insurance Capital Standard once finalised by the IAIS;
- the development of Core Principles for Islamic Finance Regulation (CPIFR), which followed up the issuance of

CPIFR for the Islamic Banking sector in 2015, with the commencement of development of CPIFR for the Islamic Capital Market (ICM) Sector in 2016, and;

- increased focus on ICM and *Takāful* sectors in the standard development agenda to achieve greater focus on these two sectors, which saw the development of key Standards for these two sectors, including the issuance of Disclosure Requirements for Islamic Capital Market Products in 2017 and commencement of the Standard on Key Elements in the Supervisory Review Process of *Takāful* / *ReTakāful* Undertakings in 2016.

In 2018, as per targeted performance, three new standards were completed which were: IFSB-20: Key Elements in the Supervisory Review Process of *Takāful* / *ReTakāful* Undertakings [Islamic Insurance Segment], IFSB-21: Core Principles for Islamic Finance Regulation [Islamic Capital Market Segment], and IFSB-22: Revised Standard on Disclosures to Promote Transparency and Market Discipline for IIFS [Banking Segment]. In parallel with this, IFSB also continued work on one technical note on Financial Inclusion, and commenced three new standards.

The standards development work was complemented by the work on five ongoing and new research projects, as well as the Islamic Financial Services Industry Stability Report 2018.

SKRA 2**Facilitating the Implementation of Prudential Standards and Capacity Development**

Facilitating the Implementation of the IFSB Standards is an important aspect of the IFSB's work programme. These initiatives were ramped up in the SPP 2016 – 2018, via the establishment of a separate division, namely the Implementation Unit, to specifically undertake the implementation activities laid out in outcomes 3 and 4 of the SPP. These expanded implementation efforts went beyond the traditional workshops, to include technical assistance and policy advice, as well as other implementation activities, namely, the development of E-learning modules and translation of standards into other languages, making the standards now available in English, Arabic and French.

However, as part of an organisation-wide cost-cutting exercise to achieve a balanced budget, the Secretariat had to reduce the planned SKRA 2 Outputs, specifically the number of FIS workshops, to the levels undertaken in 2015 (6 FIS workshops) as well as deferment of the development of new E-learning modules. All these revised targets have been achieved.

In 2018, the new leadership had also introduced three new outputs under the implementation agenda, which are, Capacity Building for Market Players

(FIS Workshop) to enhance membership value to, and increase engagement with, the IFSB observer / market player members; Country Analysis for standards implementation was undertaken by the Secretariat under the direction of the Council, on selected member RSAs to better understand their implementation status and challenges; and Frequently Asked Questions on selected IFSB Standards.

SKRA 3**Increasing Awareness and Knowledge Sharing**

The outcomes under SKRA 3 focuses on two areas; the work programme related to the IFSB's PSIFIs Database and the various activities undertaken by the IFSB towards the objectives of enhancing cooperation, knowledge sharing and the dissemination of information.

The targets of the PSIFIs Database Project were achieved. The PSIFIs Database, as at 31 October 2018, covers quarterly data from Q4 of 2013 to Q4 of 2017. The countries currently participating in the database project include: Afghanistan, Bahrain, Bangladesh, Brunei, Egypt, Indonesia, Iran, Jordan, Kuwait, Lebanon, Malaysia, Nigeria, Oman, Pakistan, Palestine, Qatar, Saudi Arabia, Sudan, Turkey, the United Arab Emirates and the United Kingdom. The disseminations in 2018 brings the PSIFIs database coverage to over 95% of global Islamic banking data.



Following the approval of the Council in April 2017 to expand the project to include the *Takāful* and ICM sectors, the Secretariat embarked on the development of indicators and compilation methodologies for these two sectors, and in Q4 2018, letters of invitation were sent to RSAs from the *Takāful* and ICM sectors to participate as data contributors. The Secretariat has also finalised a review and enhancement of the PSIFIs Compilation Guide which provides detailed guidance on the compilation methodologies and metadata collection of the finalised set of indicators for these new sectors for review by the Technical Committee.

On the information dissemination side, the IFSB published the **IFSI Stability Report 2018**, the **IFSB Summit 2017** Proceedings and concluded the Public Consultation period for three Exposure Drafts (EDs 20, 21 and 22), as well as **WP-08: IFSB Working Paper Issues Arising from Changes in Takāful Capital Requirements** and completed WP-09, which was issued in early January 2019. The IFSB bulletin was also published in May and October. The third edition is planned for Q1 of 2019 to provide coverage of the IFSB's year-end activities. All of these documents are available on the IFSB website.

In summary, all targets across SKRA 3 were achieved with the exception of one less (than the planned level for) publication in 2017, where proceedings of the IFSB Summit were issued to 2018. There were however, three new outputs delivered in

relation to publications, which are the IFSB Glossary of Arabic terms and definitions, published in 2016, Summaries of Public Consultation Comments for IFSB Exposure Drafts TN-2 and IFSB-19, published in 2017, and a User Guide for Technical Note 2, published in 2017.

Some outputs related to enhancements to the IFSB website and communications were deferred in 2016 due to budget constraints. However, these developments commenced in 2018 and were completed.

SKRA 4 Enhancing Cooperation with other Islamic Finance Stakeholders

SKRA 4 focused on supporting both the knowledge-creation aspect of SKRA 1 and the knowledge-sharing aspect of SKRA 3 by means of enhancing the IFSB's level of cooperation with the IFSI stakeholders. The stakeholders of the IFSB range from the IFSB member organisations (key stakeholders), as well as non-member organisations, including regulatory and supervisory bodies and market players / financial institutions, as well as international and multilateral organisations with similar mandates and focus areas. SKRA 4 gave the Secretariat the needed focus and determined the priorities in identifying the areas and scope of cooperation with the different stakeholders.

In summary, the targeted Outputs for SKRA 4 were met throughout the SPP

period. There were, however, some reductions / revisions of the targets in the number of events and participation in other's events as a result of the cost-cutting exercise undertaken during this period. This mainly affected the delivery of the SKRA 4 Outputs.

However, for items which did not require additional resources, such as high-level meetings with members and potential members, the Secretariat over-achieved the targets. This was made possible by effectively pursuing meetings during the scheduled activities and engagements.

SKRA 5 Effective Corporate and Resource Management

An additional SKRA was introduced to the SPP 2016-2018 in 2017, which focuses on facilitating and supporting the outcomes and outputs of SKRAs 1 to 4, covering corporate and resource management functions such as corporate management, administration and operations management, technical projects coordination, finance and human resource management, branding and communications, stakeholder and membership engagement, and which aims to fulfil the need for the IFSB to operate effectively and efficiently. The performance indicators for SKRA 5 were not comprehensively identified and developed in 2017, and are were not subsequently included in the SPP reporting. The indicators are planned to be developed and implemented in the next SPP period

of 2019-2021. It is to be noted that several initiatives were made throughout the SPP period to enhance the effectiveness and efficiency of the Secretariat. Among them included:

- a > Addition of new staff members within the Secretariat, to support the administrative, finance and human resource functions, in light of the ramping up of targeted outputs in the SPP 2016-2018
- b > Enhancements in the reporting formats based on the SPP framework and inclusion of outcome indicators in the Strategic Work Plan from 2018
- c > The use of webinar platforms for participation in selected IFSB working group and technical committee meetings in 2018 have also been introduced.
- d > The new leadership undertook an internal restructuring exercise of the IFSB Secretariat in May 2018, which saw the setting up of a new function for Strategic Planning, Monitoring and Reporting, specialisation of technical experts, as well as realignments in the Secretariat to allow for centralisation of functions including the segregation of the Human Resources and Finance functions. This restructuring aimed to promote greater efficiency and effective allocation of resources.



4.2 Global Outreach and Impact

The SPP period was one in which there were ongoing Technical Assistance and Memoranda of Associations (MoU). As such, despite the funding constraints, many of the targeted Outputs managed to be achieved through active collaboration with the strategic / MoU partners, as well as TA contributions from the Asian Development Bank (ADB) and the Islamic Development Bank (IsDB).

International collaboration was a key focus area during this SPP period. The engagements and interactions with the global membership, participations in annual meetings and consultative groups of standard setting bodies, multilaterals and development banks, had increased the visibility in the global financial space, and had a positive impact on the IFSB membership. While it is acknowledged that this period saw a reduction in membership among market player members, it also saw the admission of 13 regulatory and supervisory authorities (RSAs) and international organisations (IOs) into the IFSB membership.

The membership of RSAs and IOs increased by 13 organisations between 2016 to 2018, which represents 37% of the total increase of the last 10 years (35 organisations from end 2008 to end 2018). At the end of 2018, the coverage of the IFSB's membership is 57 jurisdictions globally.

The Secretariat anticipates continued positive results on the ongoing interactions with these stakeholders being reflected in the IFSB membership in the new SPP period.

Another impactful development during the SPP period was the recognition of the IFSB's Core Principles for Islamic Finance Regulation (CPIFR) for Banking by the IMF Executive Board in its Surveillance Programme in May 2018. This positive international development is expected to encourage and drive the implementation of the IFSB standards in member jurisdictions in the coming years, and is one of the external considerations in the new SPP period.

4.3 Improvements and Lessons Learned

Among the key lessons from the SPP 2016-2018, which was the second SPP cycle for the IFSB, are as follows:

- The framework for Standards Development and Research agenda, as well as Facilitating the Implementation of the IFSB Standards initiatives forms the key focus areas. Improvements were made in ascertaining the outcomes and outputs for the functions of creating awareness, international cooperation and stakeholder management.
- A significant amount of time and resources throughout the SPP period was allocated to develop a monitoring and reporting framework for the SPP. This resulted in changes in the IFSB Secretariat's reporting formats to the Council and to the Technical Committee.
- The new monitoring and reporting exercise also resulted in increasing the capacity of the Secretariat's strategic work and budget planning. A major result of this was

activity-based budgeting, which enables the Secretariat to report financial performance by SKRA/output.

- The exercise also resulted in a new SKRA being introduced as SKRA 5 of the SPP 2016-2018, which was approved by the Council in 2017. SKRA 5 covered the administrative and resource management, as well as corporate functions of the Secretariat.

The takeaways from these lessons have been taken into consideration and factored in the development of the IFSB's new SPP 2019-2021.

4.4 The SPP 2019-2021

The 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 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.

4.5 Monitoring and Reporting of the SPP

The SPP also includes the annual targets for output completion and identifies impact measurements for outcomes and indicators for output performance. The monitoring and reporting of the SPP to the Council and General Assembly will be based on these identified indicators. It is to be noted that to measure and monitor these indicators, the Secretariat will be introducing new measurement tools i.e. online surveys, post-cooperation surveys.

4.6 Annual Planning

In adhering to Articles 21, 37 and 39 of the IFSB AoA, the Secretariat presents an Annual Budget to the Council for approval, along with the corresponding Strategic Work Plan for the upcoming year. In this regard, while the SPP 2019-2021 provides the bigger picture three-year plan for the Secretariat, the Annual Strategic Work Plans, provides the Council a review and evaluation of the previous year's performance, and take into consideration the changes / revisions that may need to be made for a particular year, based on external factors and effective use of resources.



5.0

FOCUS AREAS FOR THE NEW SPP 2019-2021

The work of the IFSB is predominantly focused on the issuance of prudential standards for the IFSI, as well as promoting their implementation. It also conducts research and organises awareness programmes and executive forums to promote awareness on issues related to the global Islamic finance industry. The Secretariat is also entrusted with, as guided by the Council, the responsibility of administrative and communications with the membership base of the IFSB, as well as the management of its finances. All these activities are undertaken by the Secretariat, headed by the Secretary-General.

5.1 Strategic Focus Areas for the SPP 2019-2021

Based on the assessment of the external factors highlighted in section 4.0 above, the SPP 2019-2021 will focus on four Strategic Focus Areas, which have been identified as high priority areas and are seen as determinants in both a) meeting the expectations and increasing the satisfaction of the IFSB's members and b) making an impact on the global Islamic finance industry. The Strategic Focus Areas are:

Focus Area 1 Enhancing Standards Development and Research Process

Focus Area 2 Increasing Standards Implementation in Member Jurisdictions

Focus Area 3 Increasing the value in IFSB Membership and its Attractiveness

Focus Area 4 Enhancing Financial Sustainability and Operational Efficiency

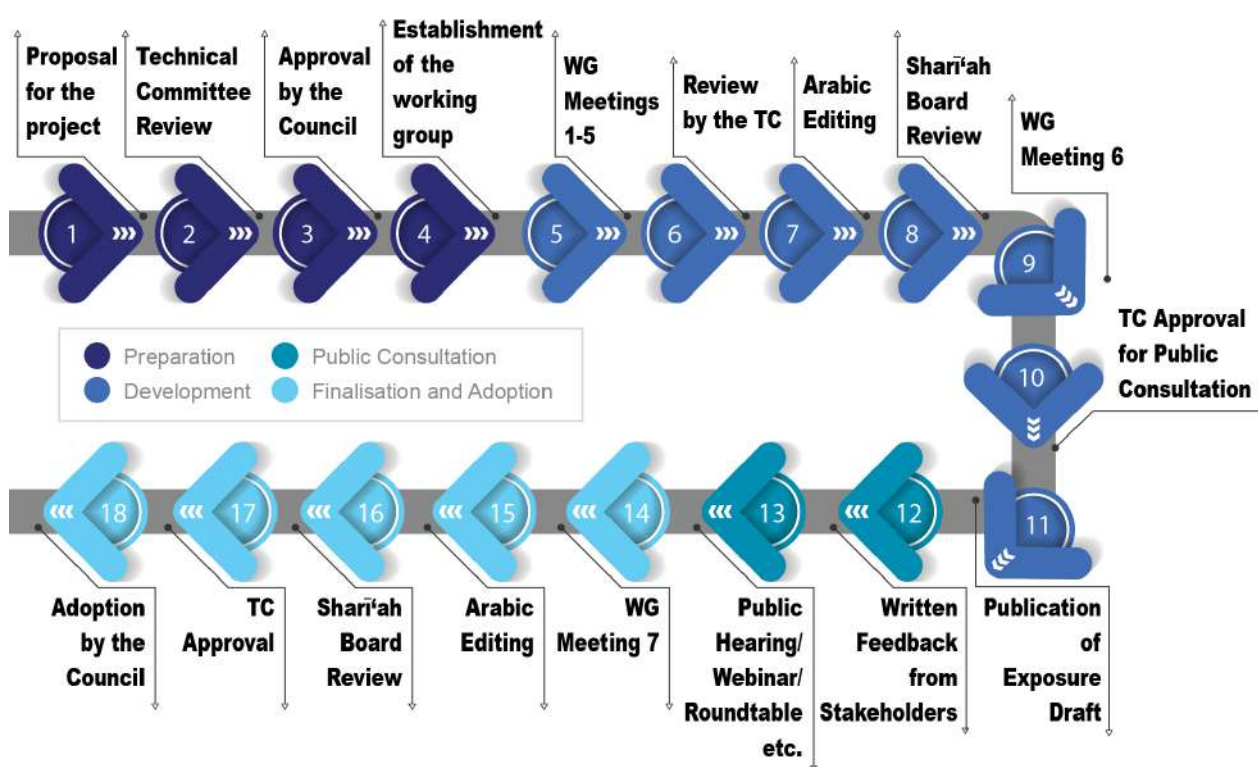
5.1.1 Enhancing the Standard Development and Research Process

Standards, Guidance/Technical Notes and research papers have been the key outputs of the IFSB. The first Standards IFSB-1 and IFSB-2 were issued in 2005, and since then, the IFSB has issued a total of 30 standards (IFSB-1 to IFSB-22), guidance (GN-1 to GN-6), technical notes (TN-1 and TN-2) and several research and working papers.

The standards provide guidance to regulatory and supervisory authorities on the minimum benchmark which are recommended to be adopted by jurisdictions with Islamic finance activities to allow for a level playing field for the industry's stable growth and development. Prudential standards assist RSAs in maintaining a robust, effective and efficient regulatory framework, which needs to be responsive to the changing economic conditions, maintain the resilience of financial institutions, at the same time provide an environment conducive for financial innovation and growth.

The IFSB standards emphasise high level principles of sound practices, and guidance on prescriptive rules and requirements in specific areas necessary to maintain stability in the financial system, including those related to capital adequacy, risk management, governance, supervisory reviews, and more recently work on Core Principles to guide the different sectors of the IFSI. Illustration 4 shows the current standards development process for IFSB Standards.

Illustration 4: The IFSB's Standard Development Process



The IFSB's Focus Strategy Paper 2018 had proposed a revision in the current due process to allow the IFSB to meet the fast evolving industry need, to be more responsive to the IFSI's changing landscape and be more at par with its peer standard setting organisations such as the Basel Committee for Banking Supervision (BCBS), the International Association of Insurance Supervisors (IAIS), as well as the International Organisation of Securities Commissions (IOSCO). The revised process was approved by the IFSB Council in its 33rd meeting in December 2018, in parallel with the SPP 2019-2021.



5.1.2 Increasing Standard Implementation and Adoption in Member Jurisdictions

Facilitating the implementation and adoption of the IFSB Standards is a very important aspect of the IFSB's work programme. This is a consistent feedback received from member organisations, and in responding to this need and feedback, the implementation initiatives form a key component of the new SPP 2019-2021.

The first Standards (IFSB-1 and IFSB-2) were introduced in 2005, and the IFSB started to conduct Facilitating the Implementation of IFSB Standards (FIS) Workshops in member countries in 2007. The Implementation initiatives extended to regional and RSA workshops, providing policy advice, and offering technical assistance, and in 2011, the first Standards Implementation Survey was conducted to provide an indication on the level of implementation of IFSB Standards in member countries. Implementation efforts were further enhanced by the launching of an E-Learning Portal in 2015, and the introduction of the Standards in French in 2016.

While the implementation agenda for the SPP 2016-2018 focused on greater and consistent implementation of the IFSB's Standards, the enhancements to SKRA 2 activities in this new SPP will emphasise the following:

- a > Increasing the implementation rate of the IFSB's prudential standards among the IFSB member countries;

- b > Reaching a greater number of IFSB members to enable them to benefit from these activities, including revising the IFSB's E-Learning portal and introducing capacity building for market players and e-workshops; and
- c > To undertake consistency and impact assessment of the implementation of IFSB Standards, which include country, consistency and impact assessments.

The implementation of the IFSB Standards by jurisdictions with Islamic finance activities is the desired impact of the IFSB Standards and Guiding Principles. The current average implementation rate is comparatively low given the number of standards that have been issued. The demand for implementation activities from among member countries is also increasing. These two factors put huge pressure on the IFSB to expand and enhance its standards implementation initiatives in the coming years.

These initiatives by the IFSB Secretariat form part of the Standards Implementation Cycle as seen in the Illustration 5. The Standards Implementation Cycle demonstrates the actions which lead to an IFSB standard being implemented in a member country. It also demonstrates the role of the different parties, including the IFSB Secretariat and IFSB member RSAs, in contributing to the implementation and adoption of the IFSB Standards.

Illustration 5: The IFSB's Standard Implementation Cycle



5.1.3 Increasing Value in IFSB Membership and the IFSB Attractiveness

As at October 2018, the IFSB membership covers 57 countries from four continents, including regulatory and supervisory authorities from 54 countries. The IFSB membership base is a key resource for the IFSB. The membership fees contribute major part of the IFSB's annual income. The membership base also has provided, and continues to provide, the IFSB with an invaluable pool of Islamic finance expertise who strongly support and contribute to the work of the IFSB. The IFSB members are represented in the Council, the Executive Committee, the Technical Committee, the Editing Committee, the Working Groups and Task Forces, and they also host IFSB events and meetings across the globe. The cooperation and commitment of the IFSB members have allowed the organisation to grow and position itself as a recognised standard setting organisation in the global financial services industry.

The IFSB AoA and the Membership Agreement states certain rights and privileges of organisations that join the IFSB membership, and these are the benchmarks to measuring the satisfaction of its members. It is the role of the Secretariat to ensure that these rights and privileges are met to the best extent possible. Meeting these expectations will lead to high satisfaction among member organisations. Not being able to meet member's expectations has results in lower satisfaction rates, and ultimately downgrades or withdrawals of members.

The intangible value placed in the IFSB membership as a result of the IFSB's positioning and visibility as the sole prudential standard setting organisation for the IFSI is a key consideration in this focus area, as it impacts the attractiveness of the IFSB to members and potential members.

This focus area thus aims to enhance the strategies that will increase the value in IFSB Membership and IFSB attractiveness, to increase satisfaction of members, resulting in the retention of existing members and attracting the admissions of new members.

5.1.4 Enhancing Financial Sustainability and Operational Efficiency

The IFSB sources of revenue are membership fees, grants and contributions, income from investment as well as other contributions and income from paid activities. The revenue bracket for the IFSB has ranged between USD 3.3-3.6 million annually. Membership fees contribute 92-94% of the organisation's total revenues.

The major components of income from investments are the Waqf Fund and Special Reserve Account. The Waqf contributors are currently 18 out of the total 75 RSAs in the IFSB membership, with the biggest contributors being Bank Negara Malaysia and the Islamic Development Bank. It contributes about 2-3% to the IFSB's revenues.

The contribution of grants to the IFSB financial resources constituted only 3-4% of the income, with the major grant contributors being two multilateral banks – the Asian Development Bank and the Islamic Development Bank.

The IFSB also collects revenues from paying events such as the IFSB Summit and Executive Forums. However, the contribution from this is relatively smaller, 1-2% of the total revenues. Illustration 6 show the revenue sources and their contributions to the IFSB total revenues.

Illustration 6: Revenue Sources and % Contribution in 2018



In terms of expenditures, despite the expanded work plan over the last five years, the IFSB expenditures have remained at a similar level i.e. ranging from USD 3.3 to 3.5 million. However, with movements in the IFSB membership resulting in smaller revenues, combined with the higher expectations of members for the IFSB to expand its work plan in the last few years, the financial sustainability of the organisation is an ongoing and growing concern shared by both the Secretariat and Council.

The Focus Strategy Paper 2018 proposed new strategies to address the IFSB funding issues. These strategies and interventions will be undertaken by the Secretariat in the new SPP period. More efficient financial and resource management is also a feature in the new SPP 2019-2021.

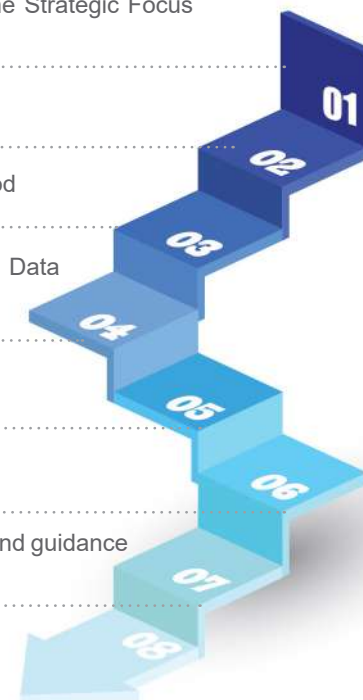
5.2 Process in Developing the SPP for 2019-2021

Development of the SPP 2019-2021



Building on the proposals in the Focus Strategy Paper 2018, as well as the feedback and approvals given by the Council in September 2018, various activities towards developing the new SPP were undertaken by the Secretariat in October and November 2018. Among them were:

- 01** Review and realignment of the IFSB current SKRAs to the Strategic Focus Areas for the next three years
- 02** Identify the Outcomes and Outputs for the new SKRAs
- 03** Identify the targets for the Outputs over the next SPP period
- 04** Identifying the Measurements, Key Performance Indicators and Data Sources for the identified Outcomes and Outputs
- 05** Activity planning for each identified Output
- 06** Budget planning for 2019, and overall SPP
- 07** Engagement with the Technical Committee for their views and guidance on the proposed technical-related agenda
- 08** Drafting of the SPP 2019-2021 for submission to the Council for approval





6.0 THE NEW SPP 2019-2021

Taking on board the four identified Strategic Focus Areas as discussed in Section 5.0, the SPP 2019-2021 proposes four Strategic Key Result Areas (SKRAs) for the IFSB, as follows:

FOCUS AREA 1	Development of Prudential Standards to Support the Industry	↔	SKRA 1	FORMULATION AND ISSUANCE OF PRUDENTIAL STANDARDS, RESEARCH AND STATISTICS
FOCUS AREA 2	Increasing the Standards Implementation in Member Jurisdictions	↔	SKRA 2	FACILITATING THE IMPLEMENTATION OF PRUDENTIAL STANDARDS AND CAPACITY DEVELOPMENT
FOCUS AREA 3	The IFSB Membership Value and Attractiveness	↔	SKRA 3	INCREASING VALUE IN THE IFSB MEMBERSHIP, GLOBAL VISIBILITY AND ATTRACTIVENESS
FOCUS AREA 4	Financial Sustainability and Operational Efficiency	↔	SKRA 4	EFFICIENT MANAGEMENT OF RESOURCES

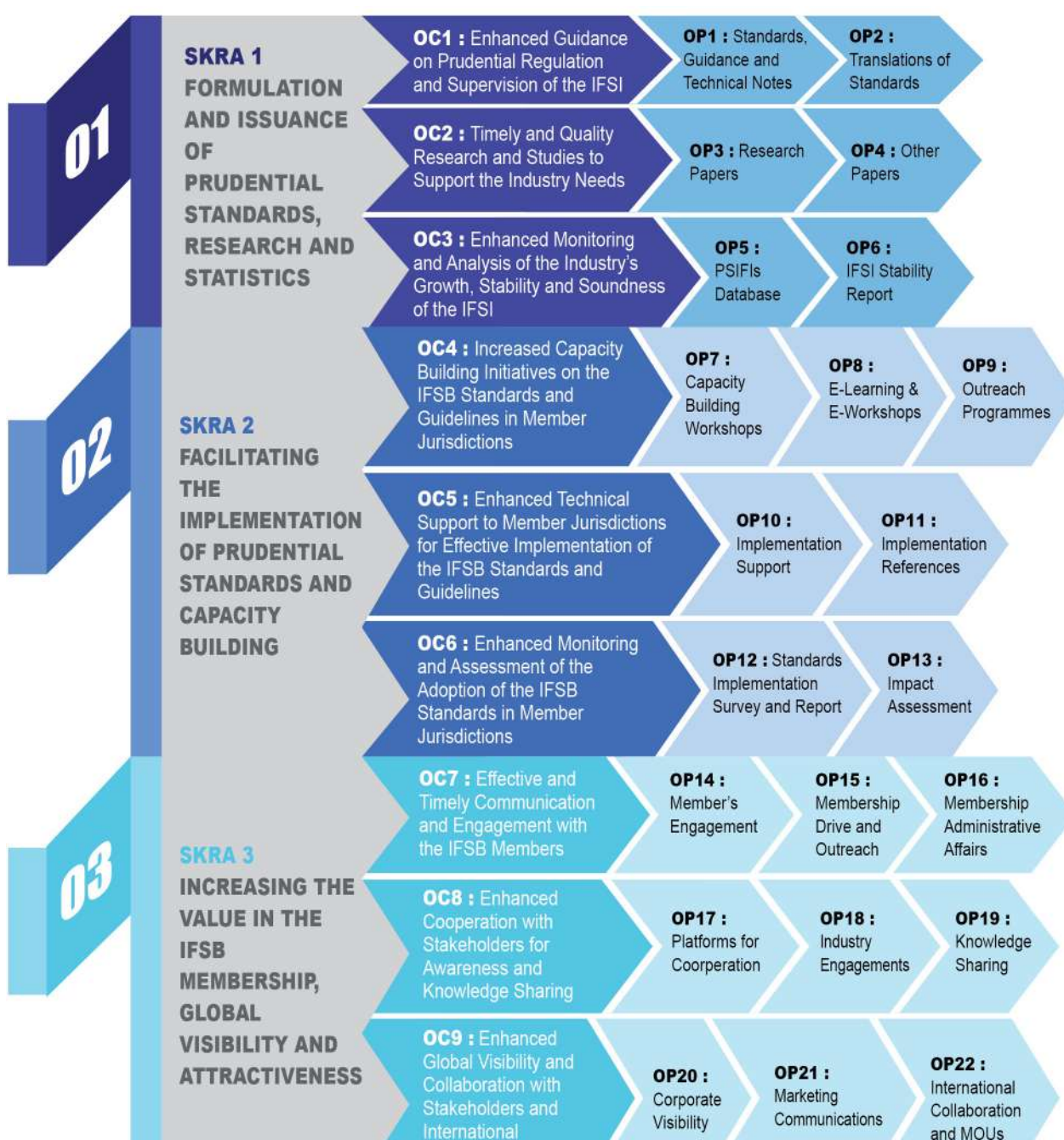
In order to facilitate the achievement of the expectations for the 2019-2021 period, the four SKRAs are further elaborated into Outcomes and Outputs.

As such, the SPP 2019-2021 is a result of a realignment of the SKRAs from the 2016-2018 framework of five SKRAs and ten Outcomes, to a framework which comprises four SKRAs and 12 Outcomes. Other than realigning the SKRAs, SPP 2019-2021 also proposes the introduction of new Outcomes and Outputs.



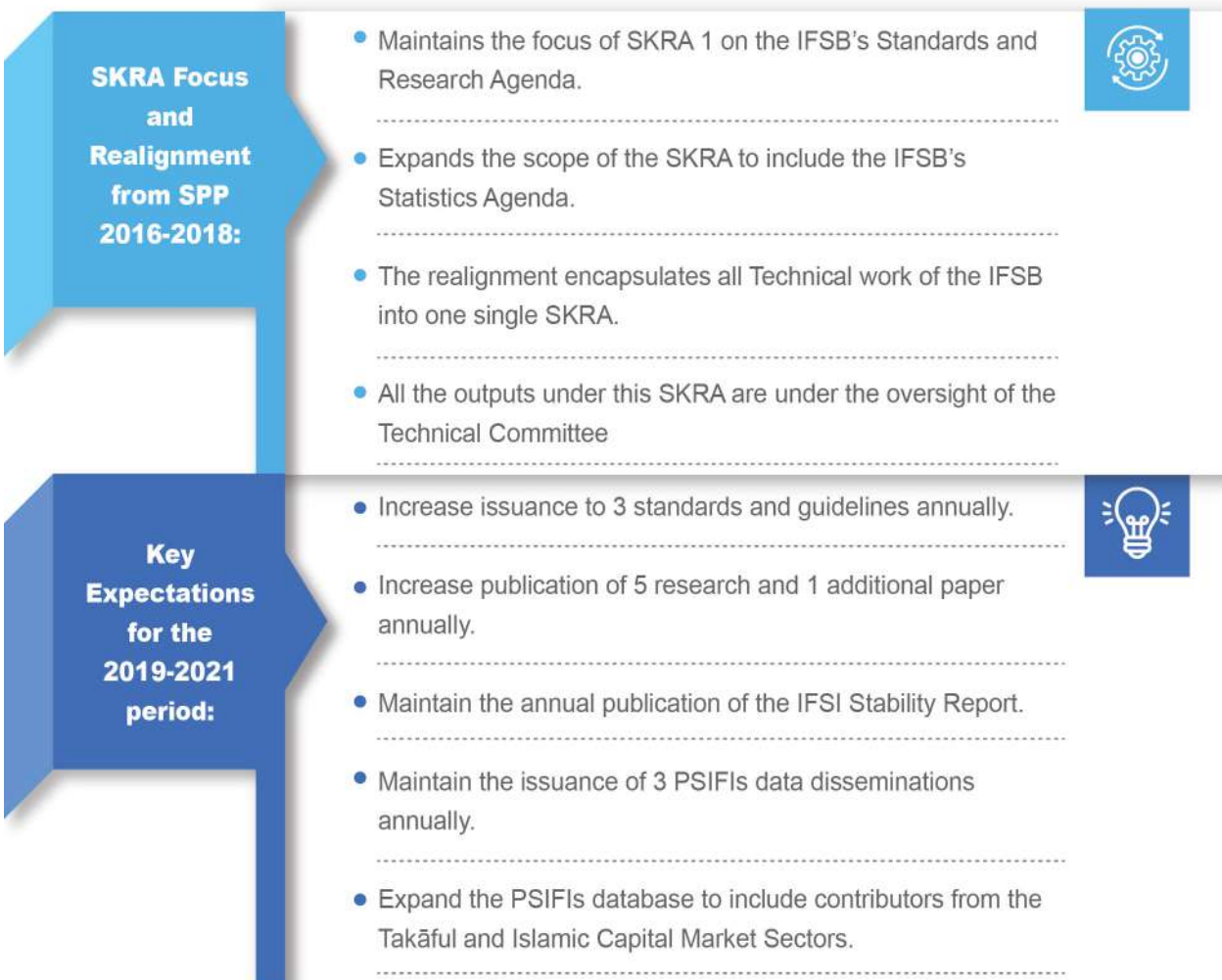
Illustration 7 provides an overall view of the SPP 2019-2021 with details of the four SKRAs, 12 Outcomes and 27 Outputs.

Illustration 7: SPP 2019-2021 comprises 4 SKRAs, 12 Outcomes and 27 Outputs





6.1 SKRA 1: Formulation and Issuance of Prudential Standards, Research and Statistics

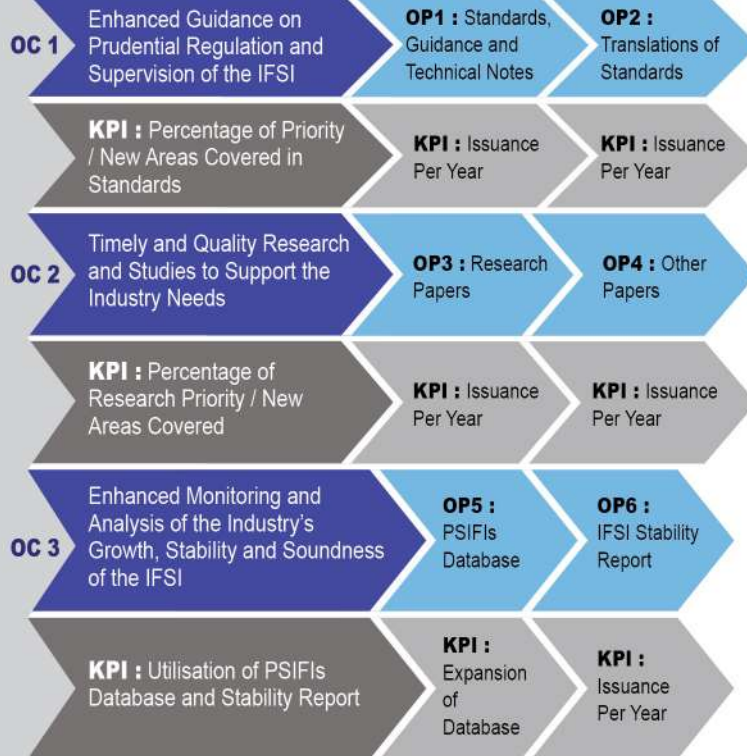


The SKRA 1 Framework:



01

SKRA 1 FORMULATION AND ISSUANCE OF PRUDENTIAL STANDARDS, RESEARCH AND STATISTICS



SKRA 1 Targets for the 2019-2021 period:



SKRA 1 Formulation and Issuance of Prudential Standards, Research and Statistics			
OUTCOMES	Outputs	Key Performance Indicator (KPI)	Contribution to SKRA
OUTCOME 1: Enhanced Guidance on the Prudential Regulation and Supervision of the IFSI	1. Standards, Guidance Notes and Technical Notes	Percentage of Standards Priority / New Areas covered	50%

OUTCOME 2: Timely and Quality Research and Studies to Support the Industry Needs	2. Translations of Standards	Percentage of Research Priority / New Areas covered	30%
	3. Research Papers		
	4. Other Papers (staff paper)		
OUTCOME 3: Enhanced Monitoring and Analysis of the Industry's Growth, Stability and Soundness of the IFSI	5. PSIFIs Database	Utilisation of PSIFIs Database and Stability Report	20%
	6. Stability Report		

OUTPUTS		KPIs			
		2019	2020	2021	Total
OUTCOME 1 (OC1): Enhanced Guidance on the Prudential Regulation and Supervision of the IFSI					
OP1	Issuance of New Prudential Standards				
	Standards and Guidelines	3	3	3	9
OP2	Standards to be Translated				
	Arabic	3	3	3	9
	French	3	3	3	9
OUTCOME 2 (OC2): Timely and Quality Research and Studies to Support the Industry Needs					
OP3	Publication of Papers / Reports				
	Research Papers	5	5	5	15
OP4	Other Papers (Staff paper)	1	1	1	1
OUTCOME 3 (OC3): Enhanced Monitoring and Analysis of the Industry's Growth, Stability and Soundness of the IFSI					
OP5	PSIFIs Database				
	Number of Disseminations	3	3	3	9
	Total Number of Reporting RSAs				
	Islamic Banking Sector	22	23	24	24
	Islamic Capital Markets	2	3	4	4
	Takāful Sector	3	4	5	5

OP6	Capacity Building Workshops / Task Force Meetings	2	2	2	6
	Updated Compilation Guidelines	1	0	0	1
	Development of the PSIFIs web-based system	0	0	1	1
	Publication of the IFSI Stability Reports				
	Number of Reports Issued	1	1	1	3

6.1.1 Standard Development Agenda 2019-2021

As per the mandate of the IFSB, formulating and implementing standards is the main mandate of the organisation. The IFSB Standards and Guidelines aim to facilitate the soundness and stability, and create a level playing field for the development of the IFSI. The importance of the standard setting agenda is demonstrated in the upward trend in the number of new Standards, Technical Notes and Guidance Notes issued. In line with the key expectations for the new SPP period, the Secretariat plans to issue 3 Standards and Guidelines annually, which translates into having a portfolio of a minimum of 9 ongoing projects in any particular year.

In setting out the timelines and the number of standards to be developed and issued during this period, there are proposed changes to the Standard Development Agenda, thereby assuming that there is a reduction in the standard setting process and cost of standard development.

The IFSB's objectives for the SPP period include the completion of these remaining items as well as further expansion of its standard setting work to cover critical areas for the IFSI, including taking

forward, the earlier work done on Sharī'ah-compliant financial safety nets, by issuing Guidance and Technical Notes in this area, as well as revising IFSB's existing standards on corporate governance and Sharī'ah governance to reflect new developments in these areas, in addition to commencing new work on financial market infrastructures. Various other key emerging issues and critical areas that require further study have been included in the IFSB's research agenda, to further deepen the understanding in these areas prior to undertaking any standard setting work.

In formulating the third SPP, the Secretariat reviewed the current global and regulatory landscape, noting the key areas on the global agenda in addition to an assessment of the Islamic finance environment. The Standard Development Agenda was also developed based on the feedback of a Standards Development and Research Survey conducted in Q2 2018 among RSA members on their standard development needs and priorities. The survey was distributed to a total of 78 RSAs, consisting of 58 banking sector regulators, 25 Islamic Capital Market (ICM) regulators and 30 *Takāful* sector regulator, and overall response

rate to the two surveys was 67% (52 RSAs). The Survey results gave the Secretariat a glimpse of the priority areas for standards development in

and across the different sectors in Islamic finance, as per Illustration 8 below.

Illustration 8: Summary of Priority Areas from the Survey on the Proposed Standards Development and Research



Based on the above considerations, the Standard development agenda for the period 2016-2021 is as presented in Table 1 below.

Table 1: Standards Development Agenda 2019 – 2021

STANDARDS, GUIDING PRINCIPLES, GUIDANCE AND TECHNICAL NOTES						
Type	Project	Sector	2019	2020	2021	
1 Technical Note	Technical Note on Financial Inclusion and Islamic Finance	B	C			
2 Standard	IADI-IFSB Core Principles for Islamic Finance Regulation – EIDIS	B	C			
3 Guidance Note	Guidance Note on Sharī'ah-Compliant LOLR	B	C			

4	Standard	Revised IFSB-15 Capital Adequacy Standard	B	O	C	
5	Standard	Disclosure to Promote Transparency and Market Discipline for <i>Takāful/ReTakāful</i> Undertakings	T	O	C	
6	Standard	Investor Protection in Islamic Capital Markets	ICM	O	C	
7	Standard	Revised Sharī'ah Governance Standard	Cross	L	O	C
8	Standard	Core Principles for Islamic Finance Regulation (<i>Takāful</i>)	T	L	O	C
9	Guidance Note	Resolution and Recovery of IIFS	B	L	O	C
10	Standard	Revised Standard on Solvency of <i>Takāful</i> Undertakings	T		L	O
11	Technical Note	Sharī'ah-compliant Liquidity Management Tools	B		L	O
12	Standard	Core Principles for Islamic Financial Market Infrastructures	ICM		L	O
13	Standard	Revision of the Corporate Governance Standard	B			L
14	Technical Note	Resolution and Recovery of <i>Takāful</i> Undertakings	T			L
15	Standard	Revised Guiding Principles on Conduct of Business of IIFS	Cross			L
Number of Projects in the Year				9	9	9

LEGEND

Sector: B: Banking, Cross: Cross-sectoral, ICM: Islamic Capital Market, T: *Takāful*
Status: C: Completed, L: launched, O: Ongoing



Looking at the IFSB membership base spanning across 57 countries (as at end 2018), it is essential for the standards to be made available in different languages. For translations of standards, the Secretariat will continue the current practice of issuing new standards in both English and Arabic

languages. Meanwhile the first standard issued in French was in 2016, selected standards will also be issued in French. As such, the target is to publish 3 standards in French annually. Table 2 shows the targets for the translation of standards.

Table 2: Standards Translation Agenda for 2019 – 2021

TRANSLATION OF STANDARDS AND GUIDELINES					
Type	Standards to be Translated into Arabic	Sector	2019	2020	2021
1 Technical Note	TN on Financial Inclusion and Islamic Finance	B	C		
2 Standard	IADI-IFSB Core Principles for Islamic Finance Regulation – IDIS	B	C		
3 Guidance Note	Guidance Note on Sharī'ah-Compliant Lender of Last Resort	B	C		
4 Standard	Revised IFSB-15 Capital Adequacy Standard	B		C	
5 Standard	Disclosure to Promote Transparency and Market Discipline for <i>Takāful</i> / <i>ReTakāful</i> Undertakings	T		C	
6 Standard	Investor Protection in Islamic Capital Markets	ICM	C		
7 Standard	Revised Sharī'ah Governance Standard	Cross		C	
8 Standard	Core Principles for Islamic Finance Regulation (<i>Takāful</i>)	T		C	
9 Guidance Note	Resolution and Recovery of IIFS	Cross		C	
Number of Projects in the Year			3	3	3

Type	Standards to be Translated into French	Sector	2019	2020	2021
1 IFSB-19	Guiding Principles on Disclosure Requirements for Islamic Capital Market Products (<i>Şukûk</i> and Islamic Collective Investment Schemes)	ICM	C		
2 IFSB-17	Core Principles for Islamic Finance Regulation (Banking Segment)	B	C		
3 IFSB-18	Guiding Principles for <i>ReTakāful</i> (Islamic Reinsurance)	T	C		
4 IFSB-21	Core Principles for Islamic Finance Regulation (Islamic Capital Market Segment)	ICM		C	
5 IFSB-13	Guiding Principles on Stress Testing for Institutions offering Islamic Financial Services	B		C	
6 IFSB-14	Standard On Risk Management for <i>Takāful</i> (Islamic Insurance) Undertakings	T		C	
7 NEW	Standard on Investor Protection in Islamic Capital Market	ICM			C
8 NEW	Revised Capital Adequacy Standard	B			C
9 IFSB-20	Key Elements in the Supervisory Review Process of <i>Takāful</i> / <i>ReTakāful</i> Undertakings	T			C
Number of Projects in the Year			3	3	3

LEGEND

B: Banking, C: Completed, Cross: Cross-sectoral, ICM: Islamic Capital Market, T: *Takāful*



6.1.2 Research Agenda 2019-2021

Based on the new set of key expectations, and the Survey feedback, the Secretariat had also identified the need for an expanded research agenda, which serves to provide the groundwork for the development of new prudential Standards as well as providing a means for the Islamic finance industry stakeholders to keep abreast of potential issues that may arise in the future. The Outcome for the Research Agenda in the proposed SPP 2019-2021 has been modified from the 'expansion of coverage of other issues areas' to 'timely and relevant research and studies to support industry needs', in order to better reflect the objective of this Outcome in the forthcoming SPP.

While some of the issues / topics addressed in the research agenda may not be significant enough to require a Standard, the findings will serve to identify and address regulatory and stability issues that are unique to Islamic finance, encompassing not only the Islamic finance specificities arising in comparative conventional Standards but also the issues that have not been addressed in conventional standards. With this in mind, the research agenda for the IFSB includes 5 new projects which are ongoing in 2018 and planned to be completed in 2019, and the launch of at least 5 new projects annually throughout the 2016-2018 period. The proposed scope of coverage for the research agenda is shown in Table 3 below.

Table 3: Research Agenda for 2019 – 2021

SCOPE OF COVERAGE FOR RESEARCH PROJECTS		
Potential issues to be addressed under the Research Agenda		Sector
1	Profit Sharing Investment Accounts: Cross Country Analysis	B
2	Macro-prudential Linkages and Financial Stability	Cross
3	Macro-prudential Tools for Islamic Finance	Cross
4	Issues Arising from <i>Takāful</i> Window Operations	T
5	FinTech, RegTech, SupTech and Islamic Finance	Cross
6	Supervisory Issues for <i>Takāful</i> Intermediaries	T
7	Operational Risks and Islamic Finance	Cross
8	Supervising Islamic Financial Institutions with Systemic Significance	Cross
9	Comparative Study on Implementation of IFSB Standards	Cross
10	Ratings of Financial Institutions and <i>Shukūk</i>	ICM
11	Practice and Regulation of Islamic Capital Market	ICM
12	Issues in Supervision and Regulation of Islamic Windows of Conventional Banks	B & T
13	Issues in Group Consolidation of <i>Takāful</i> Undertakings	T

14	Environmental, Social and Governance (ESG), Socially Responsible Investing (SRI) and Green Investments	ICM
15	Digital Currencies and Islamic Finance: Regulatory and Supervisory Issues	Cross

LEGEND

B: Banking, C: Completed, Cross: Cross-sectoral, ICM: Islamic Capital Market, T: *Takāful*

6.1.3 PSIFIs and Stability Report Agendas for 2019-2021

The Prudential and Structural Islamic Financial Indicators (PSIFIs) Database was launched by the IFSB in 2015. It is currently in Phase IV of the PSIFIs Medium-Term Plan, which was approved by the IFSB Council in 2017. As at December 2018, comprises 22 data contributors from the banking regulatory and supervisory authorities, the dissemination of which makes available country level quarterly data from Q4 of 2013 to Q1 of 2018. The countries currently participating in the IFSB's PSIFIs database project are: Afghanistan, Bahrain, Bangladesh, Brunei, Egypt, Indonesia, Iran, Jordan, Kuwait, Lebanon, Malaysia, Nigeria, Oman, Pakistan, Palestine, Qatar, Saudi Arabia, Sudan, Turkey, United Arab Emirates and United Kingdom.

The new SPP period targets increasing contributors to the banking database by one additional contributor per year, and the expansion of the database coverage to the ICM and *Takāful* sectors. The SPP aims to include four and five regulators respectively, from the ICM and *Takāful* sectors at the end of the three-year period.

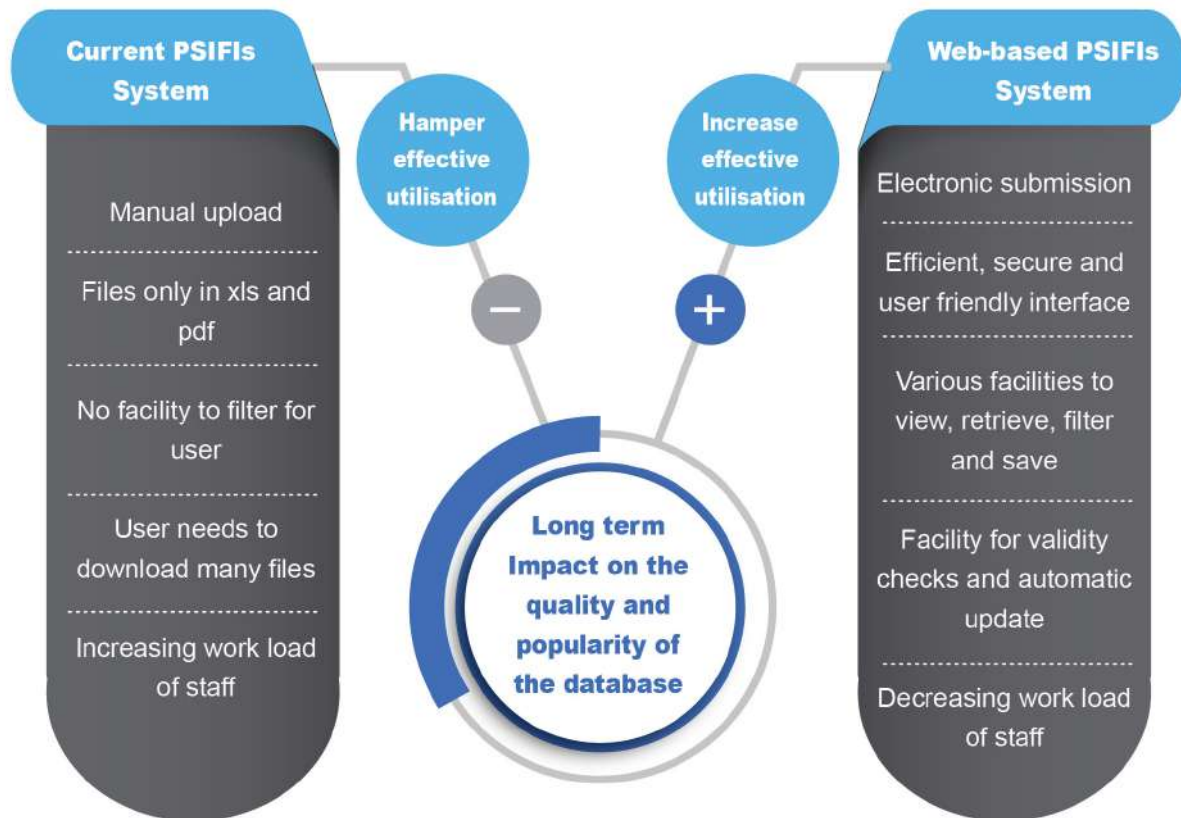
The PSIFIs data will continue to be disseminated three times annually. The Secretariat will also

continue organising capacity building workshops with the existing Task Force members for the Islamic banking sector and new Task Force members from the ICM and *Takāful* sectors. The capacity building workshops play an important role in enhancing the capacity of the data contributors.

In 2018, progress was made in the revision of the current Compilation Guide for the banking sector. The Secretariat has also completed the drafting of the guides for the *Takāful* and ICM sectors. The revised and updated Guide is planned to be published in 2019, with no immediate need for further revision in 2020. A revision may be necessary in 2021, taking into account any regulatory developments at that time, and whether they necessitate any further adjustments in the Compilation Guides.

An important milestone which has yet to be realised in the PSIFIs project is the development of a web-based Dissemination Portal, which aims to allow the submission of data by the data contributors electronically, by means of a single web-enabled interface, and thus resulting in an efficient, secure and user-friendly interface for disseminating data to the industry stakeholders.

Illustration 9: Importance of the Web-based PSIFIs System



With the increase in participating RSAs and the addition of two new sectors (ICM and *Takāful*) to the database in the coming years, it is expected that the volume of data handling will significantly increase, and the existing limitations in the format of dissemination will hamper the effective utilisation of the database as a key reference for the industry. The development of a more sophisticated platform can help resolve these issues, as shown in Illustration 9 above.

The Islamic Financial Services Industry Stability Report is the IFSB's flagship annual report on the global IFSI landscape. While the PSIFIs database provides data on the stability and soundness of the industry, the Report goes one step further to

provide an analysis of this data, along with global development, to provide important trends and developments in the IFSI including an assessment of the industry's stability and resilience. The Report also covers important global developments and emerging issues during the year.

The target is to continue the publication of this Report annually. The Report is also seen as a means for cooperation for member RSAs and international organisations to contribute and share their views and experiences on selected issues by way of contributing box articles. The SPP 2019-2021 also proposes to enhance the format of the Report to increase its attractiveness visually as a key industry reference.

6.1.4 SKRA 1 Resource Requirements

SKRA 1 outputs are under the responsibility of the Technical and Research Department (T&R) at the IFSB, which is headed by the Assistant Secretary-General, Technical and Research, and with logistical and administrative support provided by two meetings management staff.

T&R is the largest department within the Secretariat and currently comprises of 12 existing approved positions, of which 9 are filled, as at end 2018. The Secretariat is in discussions with several RSA members for secondment of staff to fill the vacancies. With the expanded work plan for the 2016-2021 period, there is a need to increase the staffing by one person. With this addition, the proposed staff composition for this

department will be 13 staff with the following divisions – Banking (4), ICM (3), *Takāful* (2), Research and Publications (2), PSIFIs Database (1) and Sharī'ah (1).

It is to be noted that the members of the Secretariat (or subject matter experts) from the Banking, ICM and *Takāful* divisions will be the key resource persons contributing to the standards development agenda (SKRA 1), the standards implementation agenda (SKRA 2), as well as technical content development for the platforms of cooperation with members and stakeholders i.e. awareness programmes, executive forums, joint publications etc. (SKRA 3).

6.2 SKRA 2: Facilitating the Implementation of Prudential Standards and Capacity Building

SKRA Focus and Realignment from SPP 2016-2018:

- Maintains the focus of SKRA 2 on facilitating the Implementation of the IFSB's Standards and Guidelines in member jurisdictions
- Enhance the focus on the monitoring and assessment of implementation in member jurisdictions
- Increase and expand cooperation with member RSAs, predominantly Council members, on implementation efforts and initiatives
- Promote implementation agenda to be on the work agenda of member international organisations with common mandates
- The outputs under this SKRA are under the oversight of the Technical Committee



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
- Enhance the Monitoring and Assessment functions of the Secretariat by introducing country / self-assessments and Impact and Consistency Assessment Programme (ICAP)

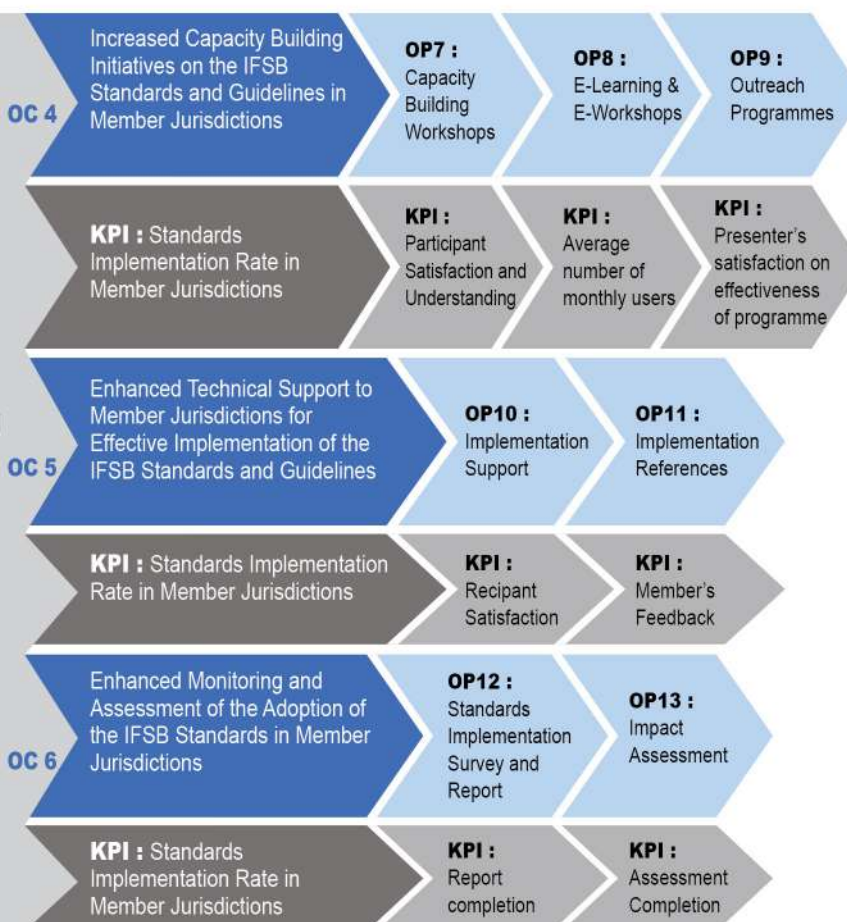


The SKRA 2 Framework:



02

SKRA 2 FACILITATING THE IMPLEMENTATION OF PRUDENTIAL STANDARDS AND CAPACITY BUILDING



**SKRA 2 Targets
for the
2019-2021
period:**



SKRA 2 Facilitating the Implementation of Prudential Standards and Capacity Development			
OUTCOMES	Outputs	Key Performance Indicator (KPI)	Contribution to SKRA
OUTCOME 4: Increased Capacity Building Initiatives on the IFSB Standards and Guidelines in Member Jurisdictions	1. FIS Workshops	IFSB Standards Implementation Rate Among Member Jurisdictions (%)	100%
	2. RSA Workshops		
	3. Capacity Building for Market Players		
	4. E-Learning		
	5. Outreach Programmes		
OUTCOME 5: Enhanced Technical Support to Member Jurisdictions for Effective Implementation of the IFSB Standards and Guidelines	1. Technical Assistance		
	2. Policy Advice		
	3. FAQs		
	4. Framework and Guidance		
OUTCOME 6: Enhanced Monitoring and Assessment of the Adoption of the IFSB Standards in Member Jurisdictions	1. Implementation Survey and Report		
	2. Country / Self-Assessment		

3. Impact and
Consistency
Assessment
Programme
(ICAP)

OUTPUTS		KPIs			
		2019	2020	2021	Total
OUTCOME 4 (OC4): Increased Capacity Building Initiatives on the IFSB Standards and Guidelines in Member Jurisdictions					
OP7	FIS Workshops				
	RSA Workshops	3	3	3	9
	Country/ Regional Workshops	7	10	13	30
	Capacity Building for Market Players	2	2	2	6
OP8	E-Learning				
	IFSB E-Learning Portal (new modules)	1	1	1	3
	E-Workshops	1	2	2	5
OP9	Outreach Programmes				
	Capacity building in Non-IFSB events	1	1	1	3
OUTCOME 5 (OC5): Enhanced Technical Support to Member Jurisdictions for Effective Implementation of the IFSB Standards and Guidelines					
OP10	Implementation Support				
	Technical Assistance	3	3	3	9
	Policy Advice	3	3	3	9
OP11	Implementation References				
	Frequently Asked Questions (FAQs)	4	4	4	12
	Implementation Framework and Guidelines	0	1	1	2
OUTCOME 6 (OC6): Enhanced Monitoring and Assessment of the Adoption of the IFSB Standards in Member Jurisdictions					
OP12	Implementation Report				
	Implementation Survey and Report	1	1	1	1

OP12	Impact Assessment			
	Country / Self-Assessment	1	2	2
	Impact and Consistency Assessment	0	1	1
	Programme (ICAP)			
				5
				2

6.2.1 Increasing the Implementation Rate of the IFSB Standards

SKRA 2 initiatives are aimed at increasing the implementation of the IFSB Standards in member jurisdictions through increased capacity building (physical and online training) as well as the offering of technical and policy advice. In 2019, the results of the implementation survey, which continues to be an annual exercise to gauge the implementation status and challenges in the different countries, will be complemented by a country analysis exercise.

The SPP 2019-2021 includes new initiatives such as e-workshop and capacity building for market players, as well as enhancements in the current FIS workshop and E-Learning modules. Work will also commence for the preparation of conducting country and impact assessments, which are planned to be introduced in the coming years.

SKRA 2 aims to achieve objectives 4(b) and 4(f) of the IFSB AoA with the ultimate goal of increasing the implementation rate of the IFSB's standards and guidelines in member countries. The successful adoption and consistent implementation of IFSB Standards across member jurisdictions is viewed as a prerequisite for the establishment of a consistent and unified regulatory and supervisory framework for the IFSI.

While the implementation agenda for the SPP 2016-2018 focused on greater and consistent implementation of the IFSB's Standards, the enhancements to SKRA 2 activities in this new SPP will emphasise the following:

- a > Increasing the implementation rate of the IFSB's prudential standards among the IFSB member countries;
- b > Reaching a greater number of IFSB members to enable them to benefit from these activities; and
- c > To undertake consistency and impact assessment of the implementation of IFSB Standards.

The Implementation Agenda for this SPP period considers the Key Expectations for the Secretariat to increase their implementation activities and support with the hope of driving and increasing the implementation and adoption rates among the IFSB members.



6.2.2 Description of Key Outputs

The key outputs under SKRA 2 remain as per the previous SPP, with enhancements to increase the quality of delivery and effectiveness of the Facilitating the Implementation of the IFSB Standards (FIS) Workshops, Technical Assistance (TA) and Policy Advice (PA), Outreach Programmes, E-learning initiatives and Annual Implementation Survey.

SPP 2019-2021 proposes the introduction of several new outputs including a dedicated FIS workshop for market player members, called Capacity Building for Market Players, and outputs to promote the monitoring and assessment of IFSB standards in member countries, such as Country Assessments and the Impact and Consistency Assessment Programme (ICAP). Brief descriptions of the key outputs are provided below.

The first aspect under the Implementation Initiatives focuses on Capacity Building, which mainly refers to the “Facilitating the Implementation of the IFSB Standards” (FIS) Workshops, a core activity introduced by the IFSB (in 2007) to support the member RSAs in implementing the IFSB Standards. The IFSB currently offers tailor-made FIS workshops to members to address their specific needs, as well as workshops/regional workshops for Regulatory and Supervisory Authorities (RSA). In view of the great demand from the RSA members for the FIS Workshops, reflected in 93% of respondents in the 2017 implementation survey, thus, the KPIs for the Workshops have been increased gradually from those established in the previous SPP. As a new initiative, the IFSB has started, in 2018, offering Capacity Building for Market Players (CBM) workshops, as a means to increase engagement with the observer

members. There are also initiatives to translate presentation materials to Arabic to allow better understanding of the workshop subjects in the future. The Secretariat also undertakes Outreach programmes in which a member of the Secretariat will participate and deliver a module on an IFSB Standard in other people’s workshops or trainings. Outreach programmes have always been conducted on request basis by other organisations and its discussion is limited to the IFSB Standards.

Capacity building also includes the IFSB’s E-Learning Portal, which has received lukewarm response over the last two years. In addressing this, the SPP 2019-2021 proposes a review of the existing modules, with the aim to relaunch an enhanced and more attractive platform, and the promotion of E-Learning as an effective capacity building tool, including the introduction of e-Workshops.

The second aspect of the Implementation Initiatives is providing technical support to the members in furthering their understanding of the Standards to be implemented. This is done through the offering of Technical Assistance (TA) and Policy Advice (PA). A TA amplifies the scope of the FIS Workshops and may take the form of an extensive two-way discussion and/or sharing of documents by the RSAs to the IFSB for a review, to ensure consistency with IFSB standards. A PA, on the other hand, provides technical explanations to IFSB members and is carried out mostly through remote means such as email and conference calls. This output is being deemed necessary as support required by the RSAs as shown in the implementation survey result of 2017. As such, the IFSB will continue to strengthen this in

order to address the members' needs. The SPP 2019-2021 proposes two new outputs to enhance this support. One is the development of FAQs on the IFSB Standards, which will serve as a quick reference on the respective standard or guideline, and will be published on the IFSB website. The second is the development of an Implementation Framework or Guideline, which will document best practices and experience sharing from different countries to the benefit of others member RSAs and stakeholders.

The third aspect is the Monitoring and Assessment of the Standards Implementation among member RSAs. A gap assessment comparison with other standard setting organisations showed that the IFSB efforts in monitoring and assessment is less developed compared to its peers. As such, this area will be enhanced in the new SPP period. The enhancements proposed include complementing the annual Standards Implementation Survey with a Country Analysis exercise, as well as introducing Country Assessments, and an ICAP, which is benchmarked against the Basel's Regulatory Consistency Assessment Programme (RCAP). Heavy investment in time and resources is required in developing the mechanism and conducting ICAP and it is expected to be introduced in 2020, with a target of one-member country per year or upon request by the Council.

The proposed enhancements in the Implementation Initiatives will have the following impact on the Secretariat and member RSAs:

1

Increased workload and investment from the Secretariat and allocation of funds in the preparation to launch the outputs, such as developing the methodology, formulating the assessment framework and assessment team etc. There will be ongoing consultations with the member RSAs in this regard.

2

Increased commitment from RSA members to participate and contribute in the assessments. Member RSAs are expected to contribute by way of being the country assessed or being part of the ICAP assessment team, both of which would require financial commitment and personnel allocation to support the work of the IFSB.

6.2.3 Challenges in Implementation and Support Required

According to the 2017 IFSB Implementation Survey Report, staff lacking knowledge in Islamic finance seems to be the most significant challenge faced by member RSAs, with 74% of respondents find it either extremely significant, very significant or significant. When asked about the form of support required from the Secretariat to help RSAs

implement the standards, respondents identified “Facilitating the Implementation of IFSB Standards (FIS)” Workshops as the most significant form of support, with majority (92% of respondents) find it either extremely significant, very significant or significant.”

Illustration 10: Challenges in Implementation of the IFSB Standards

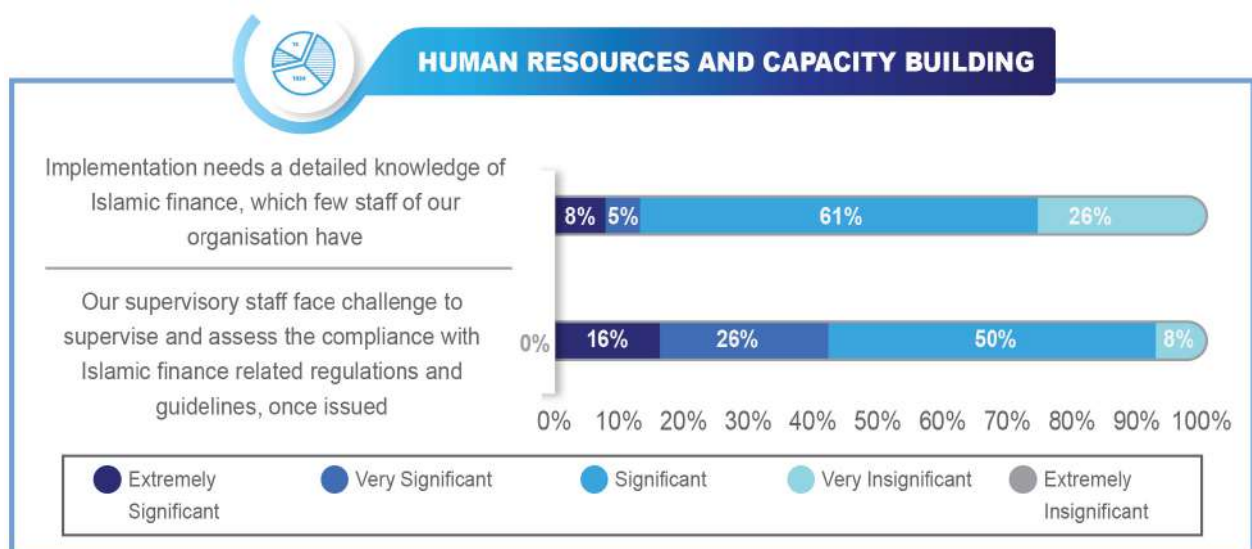


Illustration 11: Challenges in Implementation of the IFSB Standards

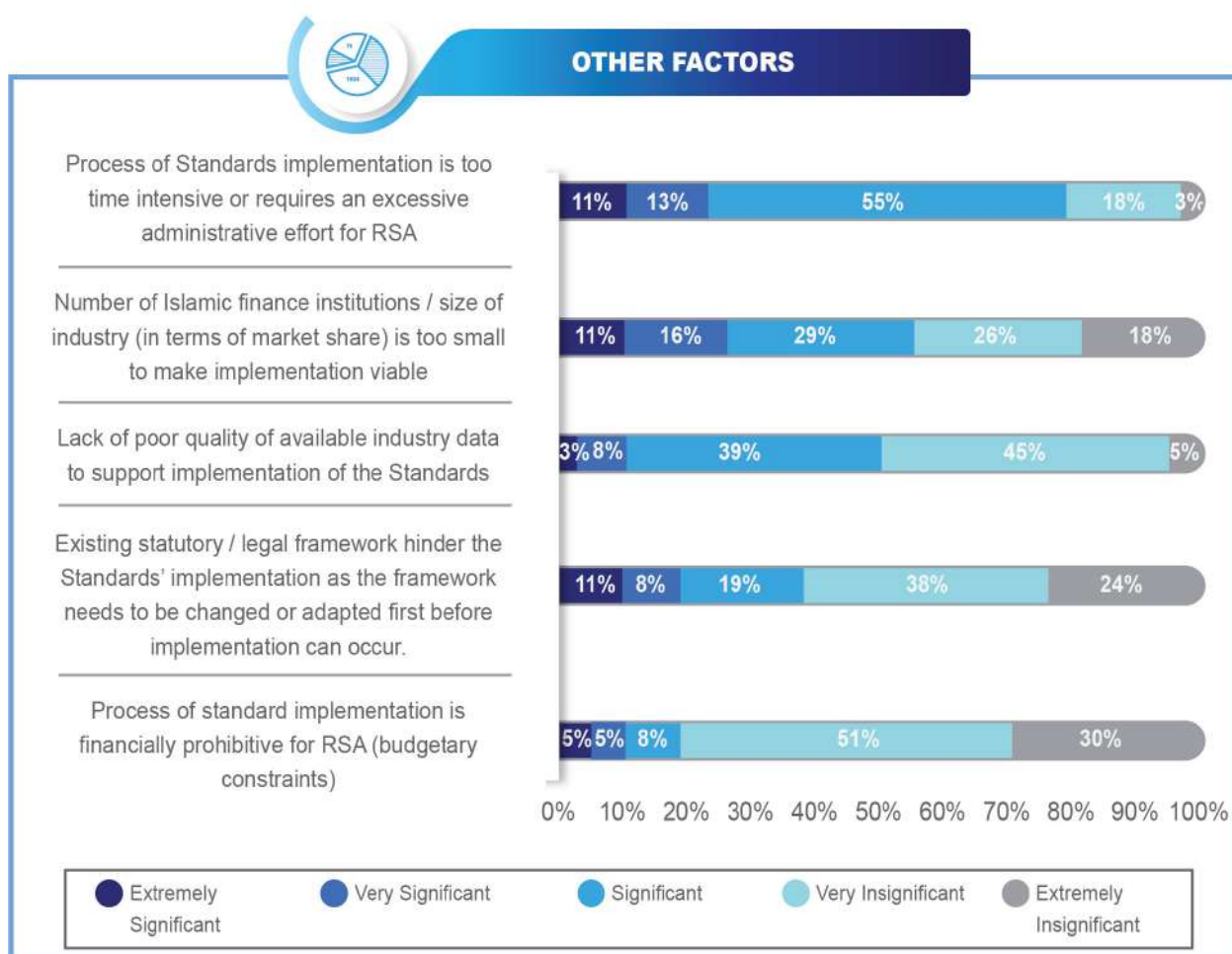


Illustration 12: Strategies Proposed to Facilitate Implementation of the IFSB Standards

Strategies	Total
Secretariat to organise more "Facilitating the Implementation of IFSB Standards (FIS)" Workshops, allowing stakeholders to attend and enhance their knowledge.	62%
Providing direct Technical Assistance (TA) i.e. staff missions of limited duration sent from IFSB to RSAs to review existing legal & regulatory framework and advice on the steps required to implement IFSB Standards.	45%
Providing Policy Advice via email communications or conference calls to respond to the RSA queries about standards' implementation or sending draft laws and regulations to Secretariat for its review.	36%



Secretariat to prepare more technical notes/explanatory notes on various standard to facilitate and clarify the implementation process.	46%
To prepare comparative studies or case studies to assess level of standard implementation and assist RSA countries in pinpointing implementation gaps.	44%
To introduce Regulatory Consistency Assessment/Evaluation against Core Principles for Islamic Finance Regulation across RSAs to benchmark and guide RSAs on their current performance vis-à-vis other jurisdictions and to highlight gaps in supervisory framework.	31%
To offer a self-study e-learning platform for RSA training and implementation skill enhancement as an alternative to the FIS Workshops.	36%

6.2.4 SKRA 2 Resource Requirements

SKRA 2 outputs are under the responsibility of the Implementation Division at the IFSB. The Division is under the purview of the Assistant Secretary-General, Implementation and Resources. Enhancing the IFSB's focus on monitoring and assessment

of the implementation of standards in member jurisdictions is a resource intensive exercise, and thus expenditure for implementation is expected to increase.

6.3 SKRA 3: Increasing Value in the IFSB Membership, Global Visibility and Attractiveness

SKRA Focus and Realignment:

- SKRA3 realigns and the outcomes and outputs of the previous SKRAs 3, 4 and 5 on member's engagement, stakeholder communications and international collaboration.
- Outcome 7 is dedicated to the engagement and managing expectations of the IFSB members, while outcomes 8 and 9 reflect a broader perspective.
- This newly defined SKRA aims to increase the visibility of the IFSB thus bringing forth the value of the IFSB membership.



Key Expectations for the 2019-2021 period:

- A key impact of this SKRA will be seen in the intangible and long-term benefits to the IFSB, in terms of increased credibility in the international sphere.
- A key focus for international collaboration is to further the implementation agenda among RSA members and international organisations with common mandates.
- 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



The SKRA 3 Framework:



03

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

OC 7

Effective and Timely Communication and Engagement with the IFSB Members

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

OP14 : Member's Engagement

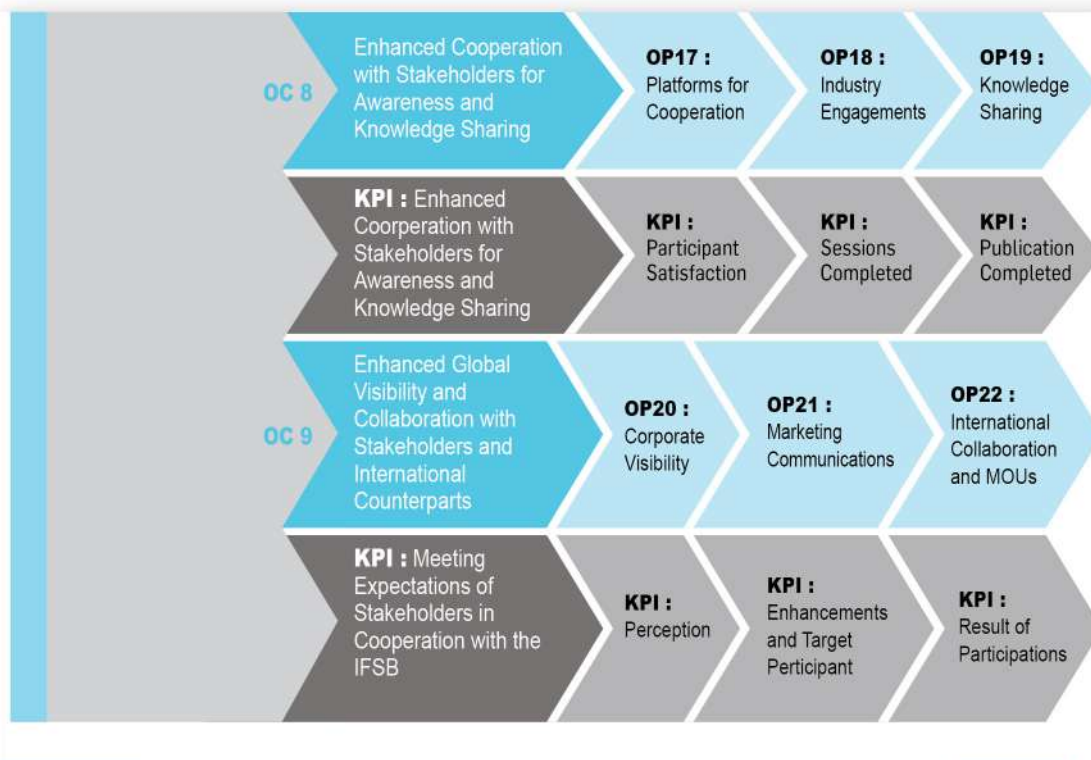
KPI : Member's Satisfaction

OP15 : Membership Drive and Outreach

KPI : Coverage of High-level Meetings

OP16 : Membership Administrative Affairs

KPI : Responsiveness



SKRA 3 Targets for the 2019-2021 period:



SKRA 3			
Increasing Value in the IFSB Membership, Global Visibility and Attractiveness			
OUTCOMES	Outputs	Key Performance Indicator (KPI)	Contribution to SKRA
OUTCOME 7: Effective and Timely Communication and Engagement with the IFSB Members	1. Member's Engagement (Council, GA, EC, TC, WG, TF etc) 2. Membership Drive and Outreach Affairs	Increased satisfaction of members on the engagement and communication with the IFSB (%)	60%

OUTCOME 8: Enhanced Cooperation with Stakeholders for Awareness and Knowledge Sharing	3. Membership Administrative Affairs		
	1. Awareness Programmes		
	2. Industry Engagements		
OUTCOME 9: Enhanced Global Visibility and Collaboration with Stakeholders and International Counterparts	3. Joint Publications	Meeting expectations of stakeholders in cooperation with the IFSB (%)	40%
	1. Corporate Visibility		
	2. Marketing Communications		
	3. International Collaboration and MoUs		

OUTPUTS		KPIs			
		2019	2020	2021	Total
OUTCOME 7 (OC7): Effective and Timely Communication and Engagement with IFSB Members					
OP14	Members Engagement				
	Governance Meetings	9	9	9	27
	SKRA-1 related Meetings	39	47	31	117
OP15	Membership Drive and Outreach				
	Invitation letters to potential members	20-30	20-30	20-30	60-90
	High level meetings (members)	15 countries	15 countries	15 countries	45 countries
	High level meetings (potential members)	15 organisations	15 organisations	15 organisations	45 organisations
OP16	Membership Administrative Affairs				
	Improved responsiveness to members	timeliness	timeliness	timeliness	timeliness
	Membership Surveys	2	2	2	6

OUTCOME 8 (OC8):

Enhanced Cooperation with Stakeholders for Awareness and Knowledge Sharing

OP17	Platforms for Cooperation			
	Awareness Programmes	7	6	7
	Executive Programmes	4	4	4
	Innovation Forum	1	1	1
OP18	Industry Engagements			
	Industry Engagement Sessions	2	2	2
	Visits	On request		
	Exhibitions	2	1	2
	Industry Consultation Session	1	1	1
OP19	Knowledge Sharing			
	Joint Publications	6	6	6
	Compilation of all IFSB standards	1	0	0

OUTCOME 9 (OC9):

Enhanced Global Visibility and Collaboration with Stakeholders and International Counterparts

OP20	Corporate Visibility			
	Participations/speaking in others events	6*	6*	6*
OP21	Marketing Communications			
	IFSB Bulletin (timeliness)	3	3	3
	Effectiveness of Communication channels	Increased effectiveness		
	IFSB LinkedIn page followers	10% increase	10% increase	10% increase
	Website	Satisfaction	Satisfaction	Satisfaction
OP22	International Collaboration and MOUs			
	Participation in Consultative Group meetings and Annual meetings of International Organisations	7	7	7

* The targeted participation is based on invitations received, and availability of funding from either the IFSB allocation, or expenses funded by the Organisers.

6.3.1 Increasing the IFSB's Attractiveness and Value

SKRA 3 initiatives are aimed at increasing the visibility of the IFSB as the leading international standard setting organisation for the IFSI. It aims to enhance the IFSB's corporate image, build upon and strengthen the organisations positive reputation and credibility in the global financial space.

Outcome 7 on Effective and Timely Communication and Engagement with the IFSB Members brings focus to the commitment, support and contributions of the IFSB's global pool of expertise and resources to the work of the IFSB. The IFSB membership base – which includes, at Dec 2018, 78 regulatory and supervisory authorities in the majority of jurisdictions in which Islamic finance operates – contribute immensely to the work of the IFSB by nomination of members in the various technical groups in support of the IFSB's technical agenda, as well as participation in the IFSB events as resource persons and participants. The members, especially RSA members, also contribute by hosting and sponsoring the expenses of the meetings held in their jurisdictions, and providing the logistical and administrative support towards the successful organisation of these meetings and events. It is estimated that in the next three years, there will be between 30 to 40 governance and SKRA 1-related meetings held across the world, to be hosted by the member RSAs. This outcome will look these engagements, and at increasing the efficiency of the Secretariat in managing these interactions which are critical to the operations of the IFSB.

Outcomes 8 and 9 focuses on engagement and collaboration with the broader stakeholders of

the IFSI, benefits of which are mainly intangible and can be seen in global visibility for both the IFSB and the host organisation. Collaboration on awareness programmes, seminars, IFSB Summits, conferences, roundtables, executive programmes serves to create awareness and global profiling on Islamic finance, and brings together global financial industry experts and thought leaders to benefit the host country / region, providing invaluable networking and cooperation opportunities for the IFSB members and industry stakeholders. In this regard, SKRA 3 aims to achieve the objectives of Articles 4(b, c, d, e, and f) and Articles 37(h, i and j) of the IFSB AoA.

6.3.2 Key Outputs under SKRA 3

The key outputs under SKRA 3 are enhanced from the previous SPP, to increase the quality of delivery and effectiveness of the events and meetings. SPP 2019-2021 also proposes the introduction of several new outputs as follows:

- a** > Annual Innovation Forum, which aims to achieve objective of Article 4(d) that is "To enhance and coordinate initiatives to develop instruments and procedures for efficient operations and risk management."
- b** > Enhancements in industry engagement platforms to include roadshows, and an annual Industry Consultation Session.
- c** > Increased emphasis on new channels of communication, including social media presence.



- d > Increased emphasis on high level meetings with potential members.

These outputs together represent the IFSB's initiatives aimed at enhancing the value and services provided to IFSB's members and stakeholders. It is to be noted that the emphasis on membership satisfaction is very important as it is related to the financial sustainability of the IFSB, in terms of the collection of membership fees. The increasing expectations of members from the IFSB is expected to result in an expansion of the IFSB's work plan over the next few years, and the ongoing challenge for the Secretariat is to continue providing quality services to meet member's expectations, within the available resource envelope. Some strategies to address

the financial sustainability concerns are proposed in SKRA 4.

6.3.3 SKRA 3 Resource Requirements

SKRA 3 outputs are under the responsibility of the Assistant Secretary-General, Implementation and Resources, supported by the Communication and Awareness Programmes, Implementation and Human Resource Departments. SKRA 3 outputs also harnesses content development support from the subject matter experts in the T&R division for the development of agendas for awareness and executive programmes, joint publications, engagement sessions, as well as presentations and speeches in international events and meetings.

6.4 SKRA 4: Efficient Management of Resources

SKRA Focus and Realignment:

- SKRA 4 realigns the SKRA 5 that was approved in the SPP 2016-2018. It retains the Administrative, Finance and Human Resource outputs, and enhances it by looking at the management of these resources into separate outcomes
- It introduces a new outcome for enhanced internal control systems (Outcome 12), which brings focus to two new outputs – organisational planning and performance, and compliance
- SKRA 4 aims to strengthen the IFSB's internal governance and operational procedures, which will in turn result in increased efficiency, effectiveness and productivity.



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

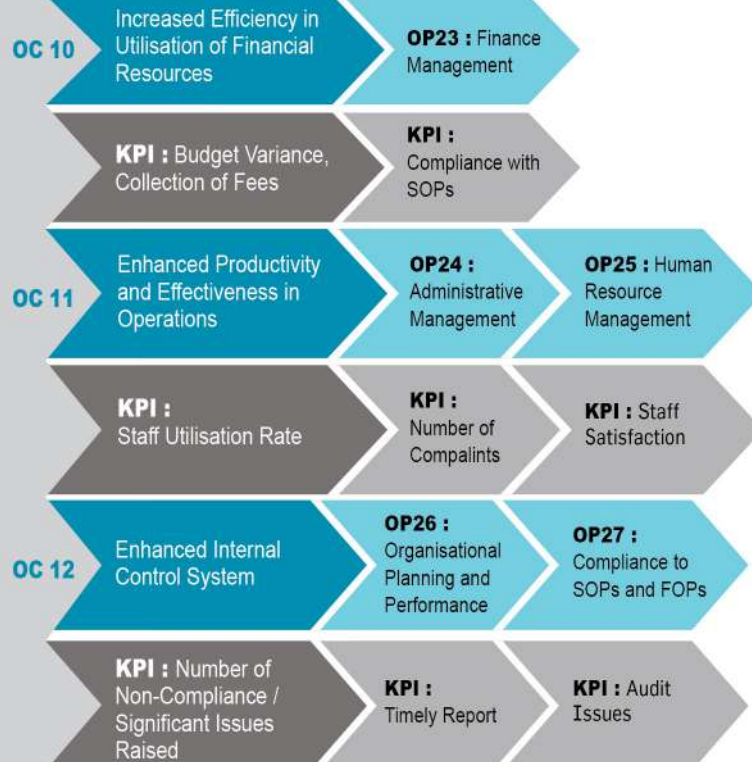


The SKRA 4 Framework:



04

SKRA 4 EFFICIENT MANAGEMENT OF RESOURCES



**SKRA 4 Targets
for the
2019-2021
period:**



SKRA 4 Efficient Management of Resources			
OUTCOMES	Outputs	Key Performance Indicator (KPI)	Contribution to SKRA
OUTCOME 10: Increased Efficiency in the Utilisation of Financial Resources	1. Finance Management	Budget Variance Collection of Fees (%)	35%
OUTCOME 11: Enhanced Productivity and Effectiveness in Operations	1. Administrative Affairs 2. Human Resource Management	Staff Utilisation Rate (%)	35%
OUTCOME 12: Enhanced Internal Control Systems	1. Strategic Planning, Monitoring and Reporting 2. Compliance	Number of non-compliance / significant issues raised	30%

OUTPUTS		KPIs			
		2019	2020	2021	Total
OUTCOME 10 (OC10): Increased Efficiency in the Utilisation of Financial Resources					
OP23	Management and Financial Reporting	<ul style="list-style-type: none"> Quality of reporting Timeliness of reporting 			
	Finance Management				
	Treasury Management	Weekly treasury and variance reports			52 per year

	Investment Management	Timely rollover and reconciliation reports	12 per year
	Accounts Payable	Timely settlement of financial obligations	Ave. 30 days
	Accounts Receivable	Monthly follow-up with statement of membership account	12 per year
OUTCOME 11 (OC11): Enhanced Productivity and Effectiveness in Operations			
OP24	Administrative Affairs		
	Office Management	<ul style="list-style-type: none">Cost efficiency monitored via monthly billsNumber of staff complaints,official of use of assets and data security	Zero Budget Variance
	Asset Management		
	IT Management		
	Travel Management	Compliance with SOP	Limited Audit issues
	Procurement	Compliance with SOP	
OP25	Human Resource Management		
	Staffing	Timeliness of annual work planning	10% productivity increase p.a.
	Training and Development	Timeliness of annual work planning and only experienced/skilled are hired	
	Group / departmental training	333	
	Team building	111	3
	Individual training	On request	
	Performance Management		
	Annual work planning	111	3
	Annual and Mid-year appraisals	222	6
	Compensation and Benefits	2 review1 review1 review	4
	Staff Engagement		
	Annual Retreat	111	3
	Eid Gathering	111	3

	Quarterly General Staff Meetings	4	4	4	12
	Staff Engagements / Events	2	2	2	6
OUTCOME 12 (OC12): Enhanced Internal Control Systems					
OP26	Strategic Planning, Monitoring and Reporting				
	Strategic Planning Exercise (Annual and Mid-year)	2	2	3	7
	Monitoring and Reporting				
	Management	12	12	12	36
	Technical Committee	3	3	3	9
	Executive Committee	3	3	3	9
	Council	3	3	3	9
OP27	Compliance with Governance Documents Governance Documents (GDs) include <i>Articles of Agreement, By-Laws, Staff Rules and Regulations, HR Policies, SOPs, FOPs</i>				
	Annual exercise / review to ensure updated versions	1	1	1	3
	Internal Audit	1	1	1	3
	External Audit	1	1	1	3

6.4.1 Increasing the IFSB's Efficiency and Productivity

SKRA 4 looks at the 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.

Outcome 10 is a new Outcome dedicated to Resource Management. Outcome 11 looks at a conducive physical work environment supported by the necessary technology and infrastructure

needed to deliver desired results, and Outcome 12 looks at the procedures governing the IFSB's operations in delivering the outputs of the SPP.

Funding has been a major constraint to the IFSB meeting the targets in the last SPP of 2016-2018, which resulted in some revisions / deferments in the SPP targets. The funding gap can be addressed by employing two strategies aimed at a) increasing revenue, and b) reducing expenditures.

Some sub-strategies for increasing revenues

include exploring cooperation for project funding, exploring contributions by way of a proposed IFSB Solidarity Investment Fund, Waqf Investment Contributions, IFSB Investment Trust Fund. In terms of revenues from outputs, this would include recruitment of more international organisations and RSAs into the IFSB membership as Associate and Full Members (SKRA 3), increasing the number of paying executive programmes (SKRA 3), and enhancements and promotion in of the E-learning platform to generate income (SKRA 2).

In terms of reducing costs, SKRA 4 proposes the rationalisation of expenditures by a) reviewing and pursuing staff secondment programme from Full members as a staffing strategy; b) collaboration for project financing and joint projects development (SKRA 3); c) focus on regional FIS workshops to increase outreach and geographical coverage (SKRA 2), and; d) reduce dependency on Consultants in the IFSB's technical work (SKRA 1).

6.4.2 Key Outputs under SKRA 4

The key outputs under SKRA 4 will be measured against the targeted indicators in this new SPP period. These outputs are predominantly routine outputs, as such measurements will be on the quality and responsiveness of the delivery. Among the indicators proposed are for example, complaints from staff on administrative affairs, non-compliance to SOPs in procurement and travel management processes, etc.

There is also an enhanced work plan for staff training and engagement in this new SPP period. These include quarterly group / departmental training sessions, learning lunch session, quarterly staff engagement activities, and world "occasion" day celebrations. The establishment of a separate

human resource division and the addition of one new human resource staff in 2018 is expected to support the delivery of these outputs.

There is also increased emphasis on the strategic planning, monitoring and reporting functions with the establishment of a separate Strategic Planning, Monitoring and Reporting division. This includes the expected enhancements in the IFSB's reporting, in terms of reporting format and content, to the Management, Technical Committee, Executive Committee as well as the Council.

6.4.3 SKRA 4 Resource Requirements

SKRA 4 outputs are under the responsibility of the Assistant Secretary-General, Implementation and Resources, supported by the Finance and Administration, Human Resources, Strategic Planning, Monitoring and Reporting divisions, as well as the Secretary-General's Office.



7.0

SPP 2019-2021: OVERALL RESOURCE REQUIREMENTS

7.1 Funding Requirements for the Period of 2019-2021

The IFSB's sources of revenue are membership fees, grants and contributions, income from investment and other contributions, as well as income from paid activities. Over 90% of this revenue is contributed by membership fees.

The major components of income from investments are the Waqf Fund and Special Reserve Account. As at end 2018, the Waqf comprises contributions from 18 out of the total 75 RSAs in the IFSB membership, with the biggest contributors being Bank Negara Malaysia and the Islamic Development Bank. Income from investments contributes between 2% to 3.5% to the IFSB's revenues.

The contribution of grants to the IFSB financial resources previously constituted about 3%-4% of the total revenue, with the major grant contributors being two multilateral banks – the Asian Development Bank and the Islamic Development Bank (IsDB). The IFSB also collects revenues from paying events such as the IFSB Summit and executive forums. However, the contribution from this is a relatively smaller at 1%-2% of the total revenues.

In the SPP 2019-2021 period, the IFSB will continue to benefit from the Technical Assistance (TA) Grant from the IsDB, implementation of which is for a period of three years, starting May 2018. The TA grant supports selected IFSB work programmes

and activities which have been endorsed by the IFSB Council as a part of the SPP, and include the facilitating the implementation of IFSB Standards in the IsDB and IFSB common member countries and the development the IFSB's Technical Note on Financial Inclusion and Islamic Finance.

In terms of expenditures, the IFSB expenditures have remained at a similar level i.e. ranging from USD 3.3 to 3.5 million. However, with withdrawals in IFSB membership in recent years resulting in smaller revenues, combined with the higher expectations of members for the IFSB to expand its work plan in this coming SPP 2019-2021, the financial sustainability of the organisation is an ongoing concern shared by both the Secretariat and Council.



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