

Welcome Message from the SECRETARY-GENERAL

We concluded 2016 with the 29th Meeting of the IFSB Council and 14th Islamic Financial Stability Forum on 14 December 2016. I would like to take this opportunity to thank His Excellency Tarek Amer, Governor, Central Bank of Egypt for helming the Chairmanship of the IFSB for the year 2016. We really appreciate Your Excellency's and Central Bank of Egypt's support and assistance towards the IFSB work and activities. Allow me to also welcome His Excellency Dr. Valiollah Seif as the new Chairman of the IFSB. We look forward to working with our colleagues at the Central Bank of the Islamic Republic of Iran in the coming year. (see page 3)

The following are several updates pertaining to the 29th IFSB Council: The Council admitted seven new members into the IFSB membership, bringing the members to 188 organisations covering 57 jurisdictions. The Council has also approved the adoption of a new Technical Note on Stress Testing for Institutions Offering Islamic Financial Services (IIFS) – TN-2 which aims to provide regulatory and supervisory authorities (RSAs) and market players of the Islamic banking industry with the appropriate technical guidance to develop, conduct and assess stress tests. Detailed updates on the resolutions of the IFSB Council are covered on page 3.

We began 2017 with four Working Group meetings which were held from 23-27 January in Kuala Lumpur. These will be followed by a series of Facilitating the Implementation of the IFSB Standards (FIS) Workshops in Morocco (February), Tajikistan (March) and Zambia (April). For events and awareness programmes, we will be jointly organising the Conference on Soundness and Islamic Financial Indicators in Abu Dhabi, United Arab Emirates with the International Monetary Fund (IMF) and the Arab Monetary Fund (AMF) on 1-2 March 2017. The Secretariat is currently preparing for the upcoming IFSB Annual Meetings and Side Events 2017 which will be held on 4 - 6 April 2017 in Kuala Lumpur, Malaysia and hosted by Bank Negara Malaysia. Alongside the Council meeting and General Assembly, the Side Events would include the 15th Islamic Financial Stability Forum, IFSB Seminar, 9th Public Lecture and the Members and Industry Engagement Session.

There are more upcoming programmes awaiting confirmation. For further details on IFSB's future programmes and activities, please visit the IFSB website and mark them in your calendar.

Thank you for your continuous support to the IFSB through all these years and looking forward for more engagement with IFSB members in the future.

Jaseem Ahmed

29th Meeting of the IFSB Council

14 December 2016, Cairo



Front L to R: Jaseem Ahmed, Gamal Mohamed Negm, Dr. Akbar Komijani, Dr. Maher Sheikh Hasan, H.E. Fazle Kabir, H.E. Tarek Amer, H.E. Dr. Mohammad Y Al-Hashel, H.E. Mubarak Rashed Al Mansoori, Shaik Abdul Rasheed Abdul Ghaffour, Abdulaziz AlFuraih, Hussein Yahya Jangoul Elbasha

Back L to R: Zainal Izlan Zainal Abidin, Dr. Saeid Fallahpour, Dr. Yati Kurniati, Prof. Dr. Mohamed Azmi Omar, Leong Sing Chiong, Rashidah Sabtu, Ahmed Al Bassam, Hanadi Khaled Ahmed, Bryan Dale Stirewalt, Ahmad Soekro Tratmono

CONTENTS

Welcome Message from the Secretary-General	1
Event Highlights	2
Meeting Updates	3
Technical Updates	4 - 5
Membership Updates	5

IFSB in the International Arena	6
IFSB Publication	7
Events Calendar	7
About the IFSB	8

Facilitating the Implementation of the IFSB Standards (FIS) Workshops in the Philippines, Malaysia and Palestine

Five "Facilitating the Implementation of the IFSB Standards (FIS)" Workshops have been held in October and November 2016.

The IFSB conducted 3-day Workshop for Banking Sector from 10 – 12 October 2016, hosted by Bangko Sentral ng Pilipinas in Manila, Philippines. The Workshop focused on three IFSB standards; IFSB-1: Guiding Principles of Risk Management for IIFS, IFSB-10: Guiding Principles on *Shari'ah* Governance Systems for IIFS and IFSB-16: Revised Guidance on Key Elements In The Supervisory Review Process of IIFS. The Workshop was attended by 73 participants which included not only participants from Bangko Sentral ng Pilipinas, but also from numerous banking institutions, and government agencies in the Philippines.



FIS Workshop in Manila, Philippines

Three other Workshops hosted by the IFSB for the Regulatory and Supervisory Authorities (RSAs) were held from 24 – 28 October 2016 and 29 November – 1 December 2016 respectively in Kuala Lumpur, Malaysia. The Workshop for the Banking sector was conducted from 24 – 28 October 2016. The major focus of the Workshop was on the recent Standard on Core Principles for Islamic Finance Regulation and the Exposure Draft of TN-2 on stress testing. Besides, it also discussed IFSB-15 and GN-6. The Workshop was attended by 28 participants from 13 different countries.

The Workshop for the *Takaful* sector was held concurrently with the Workshop for Islamic capital market from 29 November - 1 December 2016, with 19 participants from 10 different countries.

The Workshop on Islamic capital market was attended by 10 participants from various background and countries, namely Kazakhstan, Nigeria, South Korea, Saudi Arabia, Bangladesh, Morocco and Pakistan. The major focus was on IFSB-6: Guidance Note on Quantitative Measures for Liquidity Risk Management in IIFS, IFSB-15: Revised Capital Adequacy Standard (*Sukuk* and Securitisation) and IFSB-10: Guiding Principles on *Shari'ah* Governance Systems for IIFS.



FIS Workshop for Banking Sector in Kuala Lumpur, Malaysia



FIS Workshop in Amman, Jordan

The final Workshop for 2016 was held in Amman, Jordan and hosted by Palestine Monetary Authority from 5 – 8 December 2016. This 4-day Workshop was tailored for the Palestine's central bank; the Palestine Monetary Authority as well as the market players in the banking sector in the country. Due to visa issue, The Workshop was conducted in Amman, Jordan and several IFSB members in Jordan had also participated in the Workshop as participants.

The Workshop focused on four IFSB standards; IFSB-1: Guiding Principles of Risk Management for IIFS, IFSB-2: Capital Adequacy Standard for IIFS, GN-4: Guidance Note in Connection with the IFSB Capital Adequacy Standard: The Determination of Alpha in the Capital Adequacy Ratio (CAR) for IIFS and IFSB-16: Revised Guidance on Key Elements in the Supervisory Review Process of IIFS. The total attended participants was 35.



Mr. Jaseem Ahmed and Prof. Dr. Mohamad Akram during the launching of the publication

Launching of the IFSB-ISRA publication on Financial Safety Nets

The IFSB and the International *Shari'ah* Research Academy for Islamic Finance (ISRA) launched their book entitled: "Financial Safety Nets: Striking a Balance between *Shari'ah* Requirements and the Soundness of the Islamic Financial System". The launching was held in conjunction with the 11th International *Shari'ah* Scholars Forum 2016 (ISSF 2016) on 2 November 2016.

The book features papers by Sheikh Prof Dr Mohamed Ali Elgari, Sheikh Dr Abdul Sattar Abdul Kareem Abu Ghuddah, Assoc. Prof Dr. Said Bouheraoua, Sheikh Dr Oni Sahroni and Sheikh Prof Dr Ali Muhayiddin al-Qaradaghi.

The publication was launched by Mr. Jaseem Ahmed, Secretary-General of IFSB and Prof. Dr Mohamad Akram Laldin, Executive Director, ISRA and was also witnessed by the authors.

The book is published in both English and Arabic languages, and is available on the IFSB website.

تدشين الكتاب المشترك بين كل من مجلس الخدمات المالية الإسلامية والأكاديمية العالمية للبحوث الشرعية في المالية الإسلامية

دشن كل من مجلس الخدمات المالية الإسلامية والأكاديمية العالمية للبحوث الشرعية كتابهما الذي يحمل عنوان: «تحقيق التوازن بين متطلبات الشريعة وسلامة النظام المالي الإسلامي»، وذلك بالتزامن مع المؤتمر العالمي الحادي عشر لعلماء الشريعة بتاريخ 2 نوفمبر 2016.

وقد دشن الكتاب كل من السيد جاسم أحمد الأمين العام لمجلس الخدمات المالية الإسلامية، والأستاذ الدكتور محمد أكرم لال الدين المدير التنفيذي للأكاديمية العالمية للبحوث الشرعية في المالية الإسلامية. وكذلك شهد هذا التدشين عددًا من المؤلفين للكتاب.

يشار إلى أن الكتاب صدر باللغتين العربية والإنجليزية، ومتاح للتحميل من خلال الموقع الإلكتروني للمجلس.

UPDATES FROM THE 29th MEETING OF THE IFSB COUNCIL

14 December 2016, Cairo

Central Bank of the Islamic Republic of Iran to Assume IFSB Chairmanship for 2017

The Council of the IFSB resolved to appoint H.E. Dr. Valiollah Seif, Governor of Central Bank of the Islamic Republic of Iran, as the Chairman of the Council of the IFSB and H.E. Fazle Kabir, Governor, Bangladesh Bank as Deputy Chairman. H.E. Dr. Valiollah Seif assumes the chairmanship of the international standard-setting organisation from H.E. Tarek Amer, Governor, Central Bank of Egypt. The new appointments take effect on 1 January 2017.

The IFSB Admits Seven Organisations into its Membership

The Council of the IFSB resolved to approve the admission of seven organisations into the IFSB membership. These include five supervisory authorities as Full and Associate Members, one financial institution and one industry association as Observer Members.

The 29th meeting of the IFSB Council, hosted by the Central Bank of Egypt, was held on 14 December 2016 in Cairo, Egypt. It was attended by ten Governors and Deputy Governors of regulatory and supervisory authorities, and ten senior representatives from among the Council and Full members of the IFSB, representing 14 countries, and the Islamic Development Bank. The meeting was chaired by the Governor of the Central Bank of Egypt, H.E. Tarek Amer.

The newly admitted members are:

Full Members:

1. Central Bank of Iraq
2. Central Bank of Mauritania

Associate Members:

3. Capital Markets Authority, Kenya
4. Undersecretariat of Treasury, The Republic of Turkey
5. Regional Council for Public Savings and Financial Markets (CREPMF), West African Monetary Union

Observer Members:

6. Dahabshil Bank International, Somalia
7. Turkish Capital Markets Association, The Republic of Turkey

The membership of the IFSB is divided into three categories, namely Full Member, Associate Member and Observer Member. The Full Membership, which is the sole membership with voting rights, is available to the financial sector supervisory authorities of each sovereign country.

To date, the 188 members of the IFSB consist of 70 supervisory and regulatory authorities from the banking, capital markets and Islamic insurance (*takaful*) sectors from 57 jurisdictions, as well as eight international inter-governmental organisations, and 110 market players (financial institutions, professional firms and industry associations).

The full list of the IFSB members is available on the IFSB website www.ifsb.org. The roles and responsibilities of the members (by category) are detailed in the IFSB Articles of Agreement that can be downloaded from the IFSB website.

The IFSB Council Approves the Adoption of a new Technical Note on Stress Testing for Institutions Offering Islamic Financial Services (IIFS) – TN-2.

The Council of the IFSB resolved to approve the adoption of TN-2 which aims to provide regulatory and supervisory authorities (RSAs) and market players of the Islamic banking industry with the appropriate technical guidance to develop, conduct and assess stress tests. The document addresses multiple types of risks and their interrelated effects on the overall financial position and performance of the portfolio, institution, group or system. These risks include, but are not limited to, credit risk within financing portfolios, market risk on assets held, foreign exchange risk, liquidity risk, rate of return risk, as well as discussions on aspects of *Shari'ah* non-compliance risk.

A key feature of TN-2 is that it incorporates risk specificities of *Shari'ah*-compliant contracts when conducting stress tests on an Islamic bank. This approach involves evaluating the various risk exposures experienced by an IIFS, which are segregated by the contractual relationships of the balance sheet components.

In this regard, TN-2 offers by five basic stress test templates: one each for conducting credit, market and liquidity risk assessments, as well as for rate of return risk, and a scenario analysis template that combines credit and market risk stress tests. The proposed basic stress test templates provide the flexibility of having stress test results analysed and assessed across three levels: at a portfolio level, at an institution-level and also at the aggregate industry-wide level.

The objectives of TN-2 are to:

- facilitate the design and simulation of solvency and liquidity stress tests for IIFS, including providing guidance on establishing macrofinancial links, running scenarios of various assumptions and stress parameters;
- highlight the specificities of risk exposures in IIFS and how they need to be captured in stress-testing exercises; and
- provide stylised numerical examples of IIFS stress tests under different shock scenarios.

The scope of TN-2 is limited to the banking sector and covers both institutional-level (i.e. tests used by institutions to assess their risk tolerance and capital level) and industry-wide stress tests (i.e. those used by regulatory and supervisory authorities (RSAs) as a supervisory tool for financial stability analysis stress testing). RSAs may extend the application of TN-2 to Islamic "window" operations that are self-contained, or modify it for application to other types of IIFS that fall within their jurisdictions. The application and implementation of TN-2 is subject to the adoption of other applicable IFSB Standards and Guiding Principles – in particular, IFSB-12: Guiding Principles on Liquidity Risk Management for IIFS; IFSB-13: Guiding Principles on Stress Testing for IIFS; and IFSB-16: Revised Guidance on Key Elements in the Supervisory Review Process of IIFS. TN-2 also complements IFSB-17: Core Principles for Islamic Finance Regulation (Banking Segment), which aims to assist the surveillance and assessment of Islamic banking sector.

The softcopies of TN-2 are available on the IFSB website, www.ifsb.org in both English and Arabic languages.

IFSB PERSONALITIES



CHAIRMAN OF THE COUNCIL OF THE IFSB 2017

H.E. Dr. Valiollah Seif

Governor,
Central Bank of the Islamic Republic
of Iran

H.E. Dr. Valiollah Seif is a veteran of banking and finance, and is one of the most distinguished figures in the Iranian banking system.

His Excellency has a PhD in the field of accounting and was appointed as the Governor of the Central Bank of the Islamic Republic of Iran and Chairman of the Money and Credit Council in August 2013. H.E. Dr. Seif has served as the managing director of major Iranian state-owned banks including Mellat, Saderat, Sepah and Melli and also has steered Karafarin, a major private Iranian bank.

H.E. Dr. Seif has written many articles in the areas of monetary policy, Islamic banking and has lectured on different subjects of accounting, Islamic banking and finance in Iran.



DEPUTY CHAIRMAN OF THE COUNCIL OF THE IFSB 2017

H.E. Fazle Kabir

Governor,
Bangladesh Bank

H.E. Fazle Kabir is the former Senior Secretary to the Government of Bangladesh, and joined as the 11th Governor of Bangladesh Bank on 20 March 2016.

During his 34 years in the Bangladesh Civil Service, he held key positions in different ministries. He served as the Deputy Commissioner and District Magistrate of Kishoreganj district, Joint Secretary in the Ministry of Education, Director General of the National Academy for Planning and Development, Director General of the BCS Administration Academy, Secretary Ministry of Railways and Secretary Finance Division of the Ministry of Finance.

His Excellency also served as a Director in the Board of Directors of Janata Bank Limited between 2008 and 2010, and Bangladesh Bank from 2012 to 2014. Prior to joining Bangladesh Bank, he was the Chairman of the Board of Directors of Sonali Bank Limited. His Excellency has a B.A. (Honours) and M.A. from the Department of Economics of the University of Chittagong.

The Islamic Banking Industry of IFSB Member Countries Witnesses Sustained Assets Growth, Expanded Financing and Progress in Penetration

On 28 November 2016, the IFSB announced the release of the 5th dissemination of country-level data on financial soundness and growth of the Islamic banking systems from 17 IFSB member jurisdictions. This dissemination covers quarterly data from December 2013 to Q1 of 2016, contributing to a total data release for 10 quarters and is part of the IFSB's Prudential and Structural Islamic Financial Indicators (PSIFIs) project. The project compiles data from 17 member countries (Afghanistan, Bahrain, Bangladesh, Brunei, Egypt, Indonesia, Iran, Jordan, Kuwait, Malaysia, Nigeria, Oman, Pakistan, Saudi Arabia, Sudan, Turkey, and United Arab Emirates.). A summary of key PSIFI indicators is given below.

Capital Adequacy: Capital adequacy provides an important indication of the health and financial soundness of the banking industry in a jurisdiction. As of the 1st quarter of 2016, the average capital adequacy ratio and average Tier 1 capital ratio from 16 jurisdictions were 17.8% and 16.1 % respectively, significantly higher than the regulatory requirements, though lower than the same period of the previous year (2015Q1) when these ratios were 19.8% and 18.1% respectively.

Asset Quality: On asset quality indicators, gross non-performing financing ratio (gross non-performing financing to total financing) showed a deterioration with an increase from 4.8% in 2015Q1 to 5.3% in 2016Q1 on an average. However, an improvement is apparent in the net non-performing financing to capital ratio which decreased slightly from 16.8% in 2015Q1 to 15.8% in 2016Q1.

Earnings: Islamic banks and Islamic windows in the PSIFIs member countries generally maintained comparable rates of return on assets (ROA) and return on equity (ROE) during the periods under report. Overall, the ROA and ROE were 1.3% and 13.5% in 2016Q1 as compared to 1.0% and 10.6% in 2015Q1 respectively.

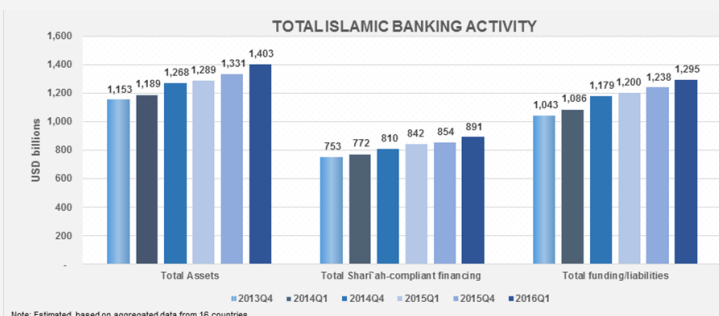
Liquidity: On the liquidity indicators, the liquid assets ratio (liquid assets to total assets) and liquid assets to short-term liabilities ratio decreased marginally over the period from 36.4% and 16.3% in 2015Q1 to 35.7% and 13.9% in 2016Q1 respectively. Five PSIFIs member countries reported the newly introduced Liquidity Coverage Ratio (LCR) which exceeded the 100 percent benchmark.

The size of Islamic Banking: The number of full-fledged Islamic banks and Islamic windows of conventional banks in 17 countries stood at 170 and 85 in 2016Q1 as compared to 165 and 86 in 2015Q1 respectively. At the end of 2016Q1, a total of 389,040 staff members were working in 29,891 branches of full-fledged Islamic banks, an increase from 748 branches and 6,000 staff over the year from 2015Q1.

The PSIFIs Database (full set of data with metadata) is available on the PSIFIs portal at the IFSB website <http://psifi.ifsb.org>

The Way Forward

Currently, a new set of data up to third quarter of 2016 is being collected and reviewed by the IFSB. In addition, the Secretariat is revising the compilation guide for the current PSIFIs indicators to incorporate feedback received from the PSIFIs Task Force members. The Secretariat also prepared a new medium term plan for 2017-2019 (Phase IV) for the PSIFIs project which was approved in the 29th Council Meeting held on 14 December 2016.



Revised Standard on Disclosures to Promote Transparency and Market Discipline for Institutions Offering Islamic Financial Services (Banking Sector)

In its 27th meeting held on 8 December 2015 in Jeddah, Kingdom of Saudi Arabia, the Council of the IFSB approved the development of a revised standard on Disclosures to Promote Transparency and Market Discipline for Institutions offering Islamic Financial Services (IIFS) in the banking sector, with a focus on consumer protection.

In light of global regulatory developments, the standard aims to revise the IFSB's current standard on disclosures [IFSB-4: Disclosures to Promote Transparency and Market Discipline for IIFS (Excluding Islamic Insurance (Takāful) Institutions and Islamic Mutual Funds)] and set forth key disclosure principles and practices for IIFS to help achieve transparency and promote market discipline. The revised standard also intends to enhance financial consumer protection in the Islamic banking sector to the extent practicable within the remit of disclosure regulations.

In early 2016, the IFSB established a Working Group (WG) for the preparation of this standard. The TC appointed Mr. Tarek El-Sayed Fayed, Central Bank of Egypt, and Mr. Khalid Omar Al Kharji, Central Bank of the United Arab Emirates, as Chairman and Deputy Chairman of the WG.

The WG held its 1st meeting on 27 September 2016 in Kuala Lumpur, Malaysia, where the scope of the standard, regulatory developments and various issues in disclosure and consumer protection were discussed. In its 2nd meeting on 27 January 2017 in Kuala Lumpur, Malaysia, the Initial Study Report and the draft survey questionnaires (for both RSAs and IIFS) were discussed.

The Secretariat will incorporate the WG's feedback into the surveys prior to distribution, and will present the Survey Report for deliberation by the WG members at the 3rd meeting, scheduled for April/May 2017.

Supervisory Review Process of *Takāful* and *Retakāful* Undertakings

In its 27th meeting in Jeddah, Kingdom of Saudi Arabia on 8 December 2015 approved the development of a standard named Guidance on Key Elements in the Supervisory Review Process of *Takāful* / *Retakāful* Undertakings. In early 2016, the IFSB established a Working Group (WG) for the preparation of this standard comprising members from Regulatory and Supervisory Authorities, international and multilateral organisations.

In its 1st meeting on 18 July 2016, the WG discussed the Issues Paper. The Secretariat of the IFSB agreed to prepare draft Initial Study Report and Survey Questionnaire for deliberation by the WG members in the 2nd meeting, scheduled for 26 September 2016.

In its 2nd meeting on 26 September 2016, the WG discussed the Initial Study Report and finalised the Survey Questionnaire. The WG agreed to distribute the questionnaire to the relevant regulatory and supervisory authorities for their input on supervisory review process of respective jurisdictions.

The Survey Questionnaire was sent to the industry on 30 September 2016 for a period of one month and extended till 9 December 2016. The Secretariat received feedback from a total of 18 institutions comprising *Takāful* / insurance regulatory authorities only. In its 3rd meeting on 23 January 2017, the WG deliberated the Survey Report and Outline of the Standard.

Core Principles for Islamic Finance Regulation (Islamic Capital Market Segment)

The Council of the IFSB, in its 27th meeting in Jeddah, Kingdom of Saudi Arabia on 8 December 2015 approved the development of a standard named Core Principles for Islamic Finance Regulation (CPIFR) [Islamic Capital Market Segment]. Accordingly, in 2016, the IFSB established a Working Group (WG) for the preparation of this standard comprising members from various Regulatory and Supervisory Authorities including two international organisations (IDB and IMF).

The first meeting for CPIFR [ICM] was held on 29 September 2016 in Kuala Lumpur, Malaysia where the WG discussed the Issues Paper and provided valuable inputs towards developing the Initial Study Report and draft survey.

Building upon discussions and resolutions of the 1st WG meeting, the project team prepared the Initial Study Report and Survey Questionnaire which was deliberated and discussed in length in the 2nd WG meeting, held on 25 January 2017, also in Kuala Lumpur, Malaysia. The WG resolved to approve the dissemination of the Survey, after incorporation of some comments, to the target audience comprising RSAs and Self-Regulatory Organisations (SROs), particularly within the capital markets sector (from both IFSB Members and non-Members).

The IFSB has disseminated the Survey in the first week of February and is expecting to receive responses over the following weeks until the deadline of 6 March 2017. The responses will be collated and then presented to the WG in the form of a Survey Report in its 3rd meeting scheduled to take place in the last week of April 2017.

Updates on the Standards Implementation Survey

The IFSB has launched its annual Survey on the Implementation of IFSB Standards on 24 October 2016. The Survey is directed to the IFSB's RSAs to assess the progress made in the implementation of the IFSB's published standards over the past one-year period.

The implementation survey questionnaire was sent to 53 RSAs within the IFSB membership. Currently, the team has received responses from 30 RSAs and is actively following up with other members.

The results of the Implementation Survey 2016 are planned to be presented to the IFSB Technical Committee and Council in early 2017. A summary of the Survey findings will also feature in Chapter 2 of the IFSB's annual flagship publication – the Islamic Financial Services Industry Stability Report.

Guiding Principles on Disclosure Requirements for Islamic Capital Market Products

The first Working Group (WG) meeting was held on 23 April 2015 in Muscat, Oman where WG members deliberated on the Issues Paper prepared by the Secretariat.

In its 2nd meeting held on 3 August 2015 in Istanbul, Turkey, the WG members deliberated on the Initial Study Report. Also presented were the draft survey questionnaires for capital market regulators, exchanges and capital market participants for the WG's deliberation and comments.

A Survey was conducted among capital market regulators, exchanges and capital market participants and the results were presented in the 3rd meeting on 27 November 2015 in Kuala Lumpur. A total of 162 completed surveys were received from the survey respondents. In the meeting, the WG Members shared their views on the survey findings as well as the scope of the Preliminary Exposure Draft (PED).

In its 4th meeting on 2 March 2016, the WG members discussed and deliberated on the PED. The Secretariat took note of the recommendations made by the WG members and incorporated them in the Revised PED (RPED) which was presented in the 5th WG meeting on 9 May 2016 in Kuala Lumpur.

The Secretariat further amended the Revised PED following the inputs received in the 5th WG Meeting and the revised document was presented to the TC in its 39th meeting on 1 June 2016. The TC approved the Secretariat request to submit the document for the review of the Shari'ah Board of the IDB in August 2016.

The RPED was presented to the Editing Committee during a meeting held on 8 – 12 August 2016 and the Arabic version was presented at the Shari'ah Board Meeting on 29 August – 2 September 2016.

The WG members met in its 6th meeting on 28 September 2016 where they deliberated on the changes proposed by the Editing Committee and the Shari'ah Board. The Secretariat incorporated the recommendations of the WG in the revised document which was presented in the 40th TC meeting for its approval to issue the Exposure Draft for public consultation.

During the 2 month public consultation period that ended on 31 December 2016, the Secretariat held one Roundtable Discussion in Kuala Lumpur on 30 November 2016 as well as one Public Hearing session in Cairo, Egypt on 13 December 2016. The feedback received from the public consultation and the revised exposure draft were then presented in the 7th WG meeting on 26 January 2017. Taking into account the comments from the WG members, the Secretariat further revised the exposure draft and the updated Arabic version will be presented to the Shari'ah Board and the Arabic Editing Committee at the meetings to be held on 13-15 February 2017 and 20-23 February 2017, respectively. The standard is planned to be submitted to the Council for adoption in April 2017, after the TC review and approval.

MEMBERSHIP UPDATES

IFSB Membership Satisfaction Survey 2016

The results of the Membership Satisfaction Survey 2016 which was launched in September 2016, will be presented to the IFSB Council in the 30th Council Meeting of the IFSB in April 2017.

The IFSB Secretariat would like to thank all members that participated in the survey and truly values the inputs provided. The responses are vital in the Secretariat's efforts to improve services to all our members.

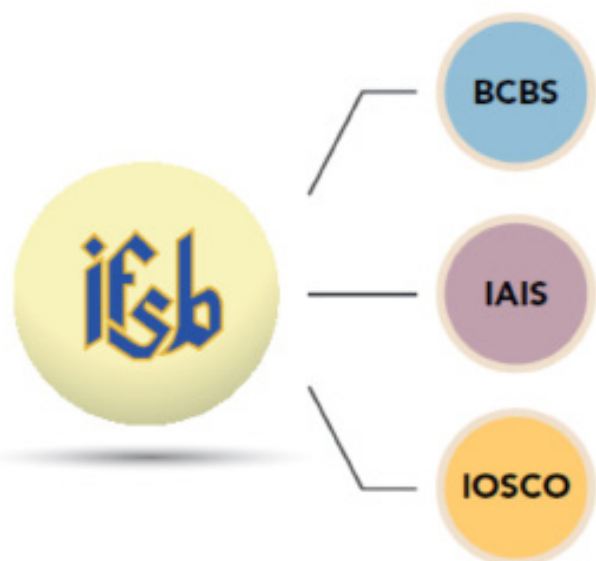
Access to Presentation Materials for Past Events

The IFSB had been involved in many events the past year, in various jurisdictions. For events where you or your colleagues were not able to attend, you may download the event presentation materials from the IFSB Members Zone at www.ifsb.org.

Database Update Exercise

The IFSB members' database is pertinent to ensure members receive timely communication of the IFSB works and activities. For this purpose, please login to the IFSB Members Zone to update your organisation's contact details accordingly.

Mr. Ifran Tarmizi (tel: +603 9195 1428, email: ifran@ifsb.org) is the person in charge of the membership affairs and he will be pleased to respond to any inquiries relating to the above matters.



Collaboration with International Standard-Setting Bodies and Multilateral Organisations

As a part of global policy dialogue, the IFSB has been engaging with other international standard-setting bodies for conventional finance such as the Basel Committee on Banking Supervision (BCBS), the International Organisation of Securities Commissions (IOSCO) and the International Association of Insurance Supervisors (IAIS).

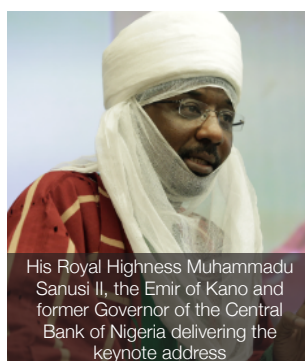
These interactions have resulted in better understanding and recognition of the issues faced by the Islamic financial services industry at the global level.

The IFSB participates formally in the Consultative Group of the BCBS as well as in the Consultative Advisory Groups of International Auditing and Assurance Standards Board (IAASB) and International Ethics Standards Board for Accountants (IESBA).

WB – IFSB High-Level Seminar on Sustainable Development Goals and The Role of Islamic Finance, 6 October 2016, Washington DC



Among the panellists participating in the Seminar



His Royal Highness Muhammadu Sanusi II, the Emir of Kano and former Governor of the Central Bank of Nigeria delivering the keynote address



Ms. Arunma Oteh, the Vice President and Treasurer of the World Bank delivering Opening Remarks

The IFSB and the World Bank had successfully organised a High-Level Seminar on Islamic Finance and the Sustainable Development Goals (SDGs) at the head office of World Bank Treasury on 6 October 2016. The Seminar was opened by Ms. Arunma Oteh, the Vice President and Treasurer of the World Bank and the Keynote Address was delivered by His Royal Highness Muhammadu Sanusi II, the Emir of Kano and former Governor of the Central Bank of Nigeria. More than 100 participants, including government officials, bankers, asset managers and academics from all over the world, participated in this Seminar. Representatives from Islamic Development Bank, International Finance Facility for Immunization, Financial Services Authority of Indonesia, Khazanah Nasional Berhad of Malaysia, Undersecretary of Finance of Turkey and University of Pennsylvania were among discussants contributing inputs on the roles of Islamic finance in supporting developmental goals.

See the post-event press release dated 12 October 2016 at the IFSB website, www.ifsb.org.

See the IFSB-Secretary-General's speech at the IFSB website, www.ifsb.org.

Basel Consultative Group Meeting in Dubai, UAE

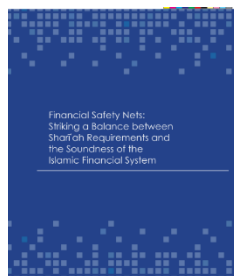
The Assistant Secretary-General of the IFSB, Mr. Zahid ur Rehman Khokher participated in the Basel Consultative Group (BCG) meeting on 16-17 January 2017 in Dubai, UAE. The meeting discussed a number of the Basel Committee of Banking Supervision's initiatives which include the completion of post-financial crisis regulatory reforms and financial inclusion. Other deliberations in the meeting were on the Single Supervisory Mechanism in EU, revision of loan-loss provisioning, cyber-security and treatment of sovereign exposures.

14th Islamic Financial Stability Forum: Bank Negara Malaysia and International Monetary Fund Address Anti-Money Laundering and Combating the Financing of Terrorism

The 14th Islamic Financial Stability Forum (IFSF) was organised by the IFSB on 14 December 2016 in conjunction with 29th Meeting of the Council of the IFSB, hosted by the Central Bank of Egypt.

The theme of Forum was Islamic Finance and Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) Regulation, and the main presentation was by Mr. Mohd Fuad Arshad, Deputy Director of Financial, Intelligence and Enforcement Department, Bank Negara Malaysia. Mr. Nadim Kyriakos-Saad, Deputy Head of the AML/CFT Group, Senior Counsel, Legal Department, International Monetary Fund (IMF) and Mr. Prasanna Seshachellam, Consultant to the IFSB, acted as discussants to the presentation.

FOCUS ON THE IFSB PUBLICATIONS

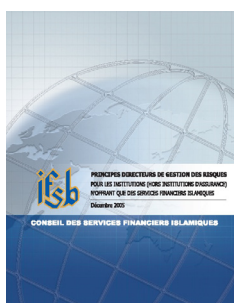


FINANCIAL SAFETY NETS: STRIKING A BALANCE BETWEEN SHARI'AH REQUIREMENTS AND THE SOUNDNESS OF THE ISLAMIC FINANCIAL SYSTEM (SOFTCOPY)

ISSUANCE DATE: JANUARY 2017

This publication is a compilation of the papers presented by distinguished Shari'ah scholars during the joint IFSB-ISRA Roundtable on "Financial Safety Nets: Striking a Balance between Shari'ah Requirements and the Soundness of the Islamic Financial System", which was held in Kuala Lumpur on 5 November 2015.

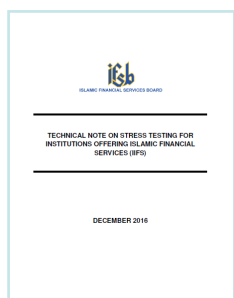
The book discusses two pertinent issues related to financial safety nets, i.e. i) Shari'ah-compliant lender-of-last resort facilities and ii) Shari'ah-compliant structures for a deposit insurance scheme. The book also includes summaries of two IFSB Working Papers issued on the subject of financial safety nets. It concludes with a summary of the discussions and recommendations and future directions for moving forward. (See page 2)



PRINCIPES DIRECTEURS DE GESTION DES RISQUES POUR LES INSTITUTIONS (HORS INSTITUTIONS D'ASSURANCE) N'OFFRANT QUE DES SERVICES FINANCIERS ISLAMIQUES (IFSB-1)

ISSUANCE DATE: DECEMBER 2016

The IFSB released its first translated publication in French, The Guiding Principles of Risk Management for Institutions (other than Insurance Institutions) offering Islamic Financial Services (IIFS) or IFSB-1 which was first published in 2005 in English and Arabic languages. The translation into French is part of the IFSB's Strategic Performance Plan 2016-2018 (SPP) pertaining to facilitating the implementation of prudential standards and capacity development in the IFSB member jurisdictions. This falls under SKRA2 of the SPP 2016 - 2018.



TECHNICAL NOTE ON STRESS TESTING FOR INSTITUTIONS OFFERING ISLAMIC FINANCIAL SERVICES (IIFS)

ISSUANCE DATE: DECEMBER 2016

The Technical Note on Stress Testing for IIFS (TN-2) aims to provide regulatory and supervisory authorities (RSAs) and market players of the Islamic banking industry with the appropriate technical guidance to develop, conduct and assess stress tests. The document addresses multiple types of risks and their interrelated effects on the overall financial position and performance of the portfolio, institution, group or system. These risks include, but are not limited to, credit risk within financing portfolios, market risk on assets held, foreign exchange risk, liquidity risk, rate of return risk, as well as discussions on aspects of Shari'ah non-compliance risk.

TN-2 offers by five basic stress test templates: one each for conducting credit, market and liquidity risk assessments, as well as for rate of return risk, and a scenario analysis template that combines credit and market risk stress tests. The proposed basic stress test templates provide the flexibility of having stress test results analysed and assessed across three levels: at a portfolio level, at an institution-level and also at the aggregate industry-wide level. (See page 3)

UPCOMING IFSB WORKSHOPS & AWARENESS PROGRAMMES (FEBRUARY - APRIL 2017)

28 February – 3 March 2017 | Morocco

IFSB-FIS WORKSHOP
· Banking Sector



1 – 2 March 2017 | United Arab Emirates

IMF-IFSB-AMF CONFERENCE ON SOUNDNESS INDICATORS FOR CONVENTIONAL AND ISLAMIC FINANCE



15 March 2017 | Malaysia

41st TECHNICAL COMMITTEE MEETING



28 – 31 March 2017 | Tajikistan

IFSB-FIS WORKSHOP
· Banking Sector



4 - 6 April 2017 | Malaysia

IFSB ANNUAL MEETINGS AND SIDE EVENTS 2017

- IFSB Seminar
- 9th Public Lecture on Financial Policy and Stability
- IFSB Members and Industry Engagement Session
- 30th Meeting of the Council of the IFSB
- 15th General Assembly
- 15th Islamic Financial Stability Forum



18 – 20 April 2017 | Zambia

IFSB-FIS WORKSHOP
· Banking Sector



نبذة عن المجلس

يعتبر مجلس الخدمات المالية الإسلامية هيئة دولية واضحة للمعايير التي تهدف إلى تطوير وتعزيز متانة واستقرار صناعة الخدمات المالية الإسلامية، وذلك بإصدار معايير احترازية ومبادئ إرشادية لهذه الصناعة التي تضم بصفة عامة قطاعات الصيرفة، وأسواق المال، والتكافل (التأمين الإسلامي). كما يقوم مجلس الخدمات المالية الإسلامية بأنشطة بحثية، وتنسيق المبادرات المتعلقة بهذه الصناعة، فضلاً عن تنظيم حلقات نقاشية، وندوات ومؤتمرات علمية، للسلطات الرقابية، والشركاء المهتمين بهذه الصناعة.

منذ إنشاء مجلس الخدمات المالية الإسلامية، تم إصدار ستة وعشرون معياراً، ومبدأً إرشادياً، وملاحظة فنية، خاصة بصناعة الخدمات المالية الإسلامية. وقد غطت هذه الإصدارات المجالات التالية:

(المعيار رقم 1): المبادئ الإرشادية لإدارة المخاطر.

(المعيار رقم 2): معيار كفاية رأس المال.

(المعيار رقم 3): المبادئ الإرشادية لضوابط إدارة المؤسسات.

(المعيار رقم 4): معيار الإفصاحات لتعزيز الشفافية وانضباط السوق للمؤسسات.

(المعيار رقم 5): الإرشادات المتعلقة بالعناصر الرئيسية في إجراءات الرقابة الإشرافية للمؤسسات.

(المعيار رقم 6): المبادئ الإرشادية لضوابط برامج الاستثمار الجماعي.

(المعيار رقم 7): متطلبات كفاية رأس المال للصكوك، والتصكيك، والاستثمارات العقارية.

(المعيار رقم 8): المبادئ الإرشادية لضوابط التأمين التكافلي.

(المعيار رقم 9): المبادئ الإرشادية لسلوكيات العمل للمؤسسات التي تقدم خدمات مالية إسلامية.

(المعيار رقم 10): المبادئ الإرشادية لنظم الضوابط الشرعية للمؤسسات التي تقدم خدمات مالية إسلامية.

(المعيار رقم 11): معيار متطلبات الملاءة للتأمين التكافلي.

(المعيار رقم 12): المبادئ الإرشادية لإدارة مخاطر السيولة للمؤسسات.

(المعيار رقم 13): المبادئ الإرشادية لاختبارات الضغط للمؤسسات.

(المعيار رقم 14): معيار إدارة المخاطر لشركات التكافل (التأمين الإسلامي).

(المعيار رقم 15): المعيار المعدل لكفاية رأس المال للمؤسسات

(المعيار رقم 16): الإرشادات المعدلة للعناصر الأساسية لإجراءات الرقابة الإشرافية على المؤسسات

(المعيار رقم 17): المبادئ الأساسية للرقابة على التمويل الإسلامي.

(المعيار رقم 18): المبادئ الإرشادية لإعادة التكافل (إعادة التأمين الإسلامي)

(المبادئ الإرشادية رقم 1): الإرشادات المتعلقة بمعيار كفاية رأس المال: الاعتراف بالتصنيفات للأدوات المالية المتفقة مع أحكام

الشرعية الإسلامية الصادرة من مؤسسات تصنيف ائتماني خارجية.

(المبادئ الإرشادية رقم 2): الإرشادات المتعلقة بإدارة المخاطر ومعيار كفاية رأس المال: معاملات المراقبة في السلع.

(المبادئ الإرشادية رقم 3): الإرشادات المتعلقة بممارسات دعم دفع الأرباح لأصحاب حسابات الاستثمار.

(المبادئ الإرشادية رقم 4): الإرشادات المتعلقة بمعيار كفاية رأس المال: تحديد عامل "ألفا" في نسبة كفاية رأس المال.

(المبادئ الإرشادية رقم 5): الإرشادات المتعلقة بالاعتراف بالتصنيفات الصادرة عن مؤسسات تصنيف ائتماني خارجية للتأمين

التكافلي وإعادة التكافل.

(المبادئ الإرشادية رقم 6): الإرشادات المتعلقة بالمعايير الكمية لإدارة مخاطر السيولة.

(ملاحظة فنية رقم 1): قضايا تعزيز إدارة السيولة للمؤسسات التي تقدم خدمات مالية إسلامية: تطوير أسواق المال الإسلامية.

(ملاحظة فنية رقم 2): اختبارات الضغط للمؤسسات التي تقدم خدمات مالية إسلامية.

الجدير بالذكر أن المجلس يضم في عضويته منظمات دولية، وإقليمية، ووطنية، والشركاء الذين تجمعهم به أهداف مشتركة. للمزيد من المعلومات حول مجلس الخدمات المالية الإسلامية وللحصول على المعايير والتقارير والأوراق البحثية أو أي إصدارات أخرى

About the IFSB

The IFSB is an international standard-setting organisation that promotes and enhances the soundness and stability of the Islamic financial services industry by issuing global prudential standards and guiding principles for the industry, broadly defined to include banking, capital markets and insurance sectors. The IFSB also conducts research and coordinates initiatives on industry-related issues, as well as organises roundtables, seminars and conferences for regulators and industry stakeholders. Towards this end, the IFSB works closely with relevant international, regional and national organisations, research/educational institutions and market players.

As of December 2016, the IFSB has published twenty-six Standards, Guiding Principles, Guidance and Technical Notes as follows:

IFSB-1 Guiding Principles of Risk Management for Institutions (other than Insurance Institutions) Offering Only Islamic Financial Services (IIFS)

IFSB-2 Capital Adequacy Standard for IIFS

IFSB-3 Guiding Principles on Corporate Governance for IIFS

IFSB-4 Disclosures to Promote Transparency and Market Discipline for IIFS

IFSB-5 Guidance on Key Elements in the Supervisory Review Process of IIFS

IFSB-6 Guiding Principles on Governance for Islamic Collective Investment Scheme

IFSB-7 Capital Adequacy Requirements: *Sukūk* Securitisations and Real Estate Investment

IFSB-8 Guiding Principles on Governance of Islamic Insurance (*Takāful*) Operations

IFSB-9 Guiding Principles on Conduct of Business for IIFS

IFSB-10 Guiding Principles on Sharī'ah Governance System

IFSB-11 Standard on Solvency Requirements for *Takāful* (Islamic Insurance) Undertakings

IFSB-12 Guiding Principles on Liquidity Risk Management for IIFS

IFSB-13 Guiding Principles on Stress Testing for IIFS

IFSB-14 Standard on Risk Management for *Takāful* (Islamic Insurance) Undertakings

IFSB-15 Revised Capital Adequacy Standard for IIFS

IFSB-16 Revised Guidance on Key Elements in the Supervisory Review Process of IIFS

IFSB-17 Core Principles for Islamic Finance Regulation (Banking Segment)

IFSB-18 Guiding Principles for *Retakāful* (Islamic Reinsurance)

GN-1 Guidance Note in Connection with the Capital Adequacy Standard: Recognition of Ratings by External Credit Assessment Institutions (ECAIs) on Sharī'ah-Compliant Financial Instruments

GN-2 Guidance Note in Connection with the Risk Management and Capital Adequacy Standards: Commodity *Murābahah* Transactions

GN-3 Guidance Note on the Practice of Smoothing the Profits Payout to Investment Account Holders

GN-4 Guidance Note in Connection with the IFSB Capital Adequacy Standard: The Determination of the Alpha in the Capital Adequacy Ratio

GN-5 Guidance Note on the Recognition of Ratings by ECAIs on *Takāful* and *Retakāful* Undertakings

GN-6 Guidance Note on Quantitative Measures for Liquidity Risk Management in IIFS

TN-1 Technical Note on Issues in Strengthening Liquidity Management of Institutions Offering Islamic Financial Services: The Development of Islamic Money Market

TN-2 Technical Note on Stress Testing for Institutions Offering Islamic Financial Services

The members of the IFSB comprise regulatory and supervisory authorities, international inter-governmental organisations and market players, professional firms and industry associations.

For more information about the IFSB and to download the Standards, Guiding Principles, Guidance and Technical Notes, please visit www.ifsb.org.