

The IFSB bulletin

Issue 15 | October 2018



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Welcome Message by the Secretary-General

With two several months before reaching year end, we are preparing and gearing up for more activities.

On the events and awareness programmes, the IFSB will be organising a joint Seminar with International Islamic Liquidity Management Corporation (IILM) and International Islamic Financial Market (IIFM), hosted by Abu Dhabi Global Market (ADGM) on 13 November 2018 in Abu Dhabi and Seminar & Workshop on Financial Inclusion hosted by Bank Indonesia in Surabaya, Indonesia on 11 December 2018.

The Secretariat is also currently preparing for its 33rd IFSB Council Meeting which will be hosted by Islamic Development on 6 December in Jeddah, Saudi Arabia. Several Side Events will be held during the meeting; Roundtable on Technical Note on Financial Inclusion (TN-3), IFSB Members and Industry Engagement Session on 5 December and 17th Islamic Financial Stability Forum on 6 December.

As for the Facilitating the Implementation of the IFSB Standards (FIS) Workshops, the IFSB has conducted 8 Workshops from January till September 2018. The final FIS Workshop for this year will be held in Tunis, Tunisia from 26 - 29 November hosted by Union des Maghrébines.

On strategic collaborations, the IFSB has renewed a Memorandum of Understanding (MoU) for the third time with INCEIF on 9 July 2018. The IFSB has also signed a new MoU with Union Des Banques Maghrébines (UBM) and International Association Deposit Insurers (IADI) in August. For detailed information, please refer page 7 & 8.

Do visit the IFSB website for more information on the IFSB's upcoming programmes and activities. We thank you for your support and look forward to meet you in the IFSB programmes.

Dr. Bello Lawal Danbatta

32nd MEETING OF THE IFSB COUNCIL 3 May 2018, Kuwait



Front L to R: Dr. Bello Lawal Danbatta, Abu Hena Mohd. Razee Hassan, Dr. Sugeng, Shaik Abdul Rasheed Abdul Ghaffour, H.E. Rasheed Mohammed Al Maraj, H.E. Godwin Emefiele, H.E. Sheikh Abdulla Bin Saoud Al-Thani, H.E. Dr. Mohammad Y. Al-Hashel, H.E. Tariq Bajwa, H.E. Dr. Ahmed Abdulkarim Alkholifey, H.E. Abdelrahman Hassan, H.E. Mubarak Rashed Al Mansoori, Dr Renganaden Padayachy, Dr. Irfan Kurt, H.E. Dr. Mansur Muhtar

Back L to R: Shukri Ahmad, Abdolmahdi Arjmand Nejad, Dr. Jafar Jamali, Zainal Izlan Zainal Abidin, Dr. Wimboh Santoso, Mohammed Kari, Arafat Al-Fayoumi, Nurlan Kussainov, Waleed Saeed Al Alawadhi, Youssef Albilaid, Muhammed Islami Önal

About us

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.

IFSB Annual Meetings 2018 1 – 3 May | Kuwait

The 3 days Annual Meeting commenced with the 10th IFSB Public Lecture on Financial Policy and Stability which was held on 1 May 2018. Located at Four Seasons Hotel Kuwait, the session saw two prominent speakers sharing their views and discussions on the given topic. The first Lecture was “Financial Stability and Islamic Finance” delivered by **Professor Dr. Monzer Kahf**, Professor of Islamic Finance and Islamic Economics, Faculty of Islamic Studies, Hamad bin Khalifa University, Doha, Qatar.

The second Lecture was on “Islamic Finance Policies: Implications on Industry Stakeholders” delivered by **H.E. Emeritus Prof. Dr. Ishrat Husain**, Chairman of Centre for Excellence in Islamic Finance (IBA-CEIF) and former Governor, State Bank of Pakistan.

The Public Lecture was followed with the IFSB Members & Industry Engagement Session. The session started with the Welcoming Address by **Mr. Waleed M. Al-Awadhi**, Executive Director of the Central Bank of Kuwait, who shared the development of the Islamic finance industry in Kuwait.

Dr. Bello Lawal Danbatta, Secretary-General of the IFSB, in his presentation titled “Key Developments in the Global Islamic Finance Industry and the IFSB” shared an update of the industry and the ongoing work of the IFSB in supporting the industry’s stability and resilience. He also shared the IFSB’s commitment to further enhance services to the existing members, by prioritising expectations from a recently conducted IFSB Members Expectations Survey.

The session continued with a presentation by **Mr. Mamadou Ndiaye**, Chairman of Conseil Régional de l’Epargne Publique et des Marchés Financiers (CREPMF), West African Economic and Monetary Union (WAMU), on their experiences as the Capital Market Authority of the WAMU, and their initiative to promote Islamic capital market in the region and forward plan.

An interactive panel discussion moderated by **Dr. Bello Lawal Danbatta**, and featuring **Mr. Mamadou Ndiaye** and Assistant Secretaries-General of the IFSB, **Mr. Zahid ur Rehman Khokher** and **Dr. Nagwa Sheikh Eldin** followed. The panellists shared their perspectives in regard to standard setting agenda, capacity building, implementation levels of the IFSB standards, technical assistance, and the bigger role to be played by the industry in the work and activities of the IFSB. The session ended with valuable questions and feedback by the IFSB members on the implementation of the IFSB standards.

Over 100 participants including heads and senior representatives of regulatory and supervisory authorities (RSAs) and financial institutions from over 20 countries, among the IFSB members and the Kuwait local financial community attended the Public Lecture and the IFSB Members & Industry Engagement Session.



H.E. Dr. Nayef Al-Hajraf delivering the Opening Address



Dr. Bello Lawal Danbatta delivering the Welcoming Remarks



IFSB Members & Industry Engagement Session



H.E. Dr. Mohammad Y. Al-Hashel delivering the Keynote Address



Among the dignitaries attending the Conference



Panelist in Session 4: Islamic Finance: What Lies Ahead

On 2 May 2018, the CBK-IFSB High-Level Conference was held with aims to discuss the role that Islamic finance can play in government strategies to build a diversified and sustainable economy and to present a collective way forward for the Islamic finance industry to reach its potential.

Themed “A Universal Value Proposition” the Conference commenced with Plenary Session which saw the opening address delivered by the Representative of His Highness the Amir, **H.E. Dr. Nayef Al-Hajraf**, Minister of Finance, Kuwait followed by **Dr. Bello Lawal Danbatta** with his welcome address. The Keynote address was delivered by **H.E. Dr. Mohammad Y. Al-Hashel**, Governor, Central Bank of Kuwait.

The Plenary Session was preceded with four sessions in which twenty-three moderators and panelists from among regulators, market players as well as Shar’ah scholars discussed the following issues:-

- Leveraging Islamic Finance to Build a Diversified and Sustainable Economy
- Building a Dynamic and Robust Regulatory Regime
- Navigating the Disruptive Eco-Systems
- Islamic Finance: What Lies Ahead

More than 500 delegates from 32 jurisdictions among the IFSB member and non-member organisations – representatives from regulatory bodies, market players, international organisations, legal firms as well as academia and other interested parties from the public attended the Conference.

The 32nd IFSB Council Meeting and 16th General Assembly were held on 3 May 2018.

Facilitating the Implementation of the IFSB Standards (FIS) Workshops in Kazakhstan, Kenya and Ivory Coast

Three “Facilitating the Implementation of the IFSB Standards (FIS)” Workshops were held in April, May and July 2018.

A Workshop hosted by Astana International Financial Centre (AIFC) was held from 23 – 26 April 2018 in Astana, Kazakhstan. Located at Rixos President Astana Hotel, the 4-day Workshop was attended by 45 participants from AIFC as well as from other jurisdictions including Russia and Kyrgyzstan. The discussions revolved around IFSB-1: Guiding Principles of Risk Management for IIFS, IFSB-15: Revised Capital Adequacy Standard for IIFS, IFSB-16: Revised Guidance on Key Elements In The Supervisory Review Process of IIFS and GN-6: Guidance Note on Quantitative Measures for Liquidity Risk Management in IIFS.

Another Workshop was conducted in Kenya from 14 – 16 May 2018 hosted by Capital Market Authority, Kenya. This was a comprehensive workshop, covering three sectors in Islamic finance including; Islamic Banking, Islamic Capital Market and *Takāful*. The 3-day Workshop was attended by 80 participants from Capital Market Authority, Central Bank of Kenya, National Treasury and market players as well. Among the IFSB standards covered were the IFSB-8: Guiding Principles on Governance for *Takāful* Undertakings, IFSB-11: Standard on Solvency Requirements for *Takāful* Undertakings, IFSB-14: Standard on Risk Management for *Takāful* Undertakings and IFSB-18: Guiding Principles for *Retakāful*.

The third Workshop was conducted in Ivory Coast from 24 – 27 July 2018 hosted by Conseil Régional de l'Épargne Publique et des Marchés Financiers (CREPMF). The Workshop covered a number of the IFSB standards which include Introduction to Islamic Capital Market (ICM), IFSB-1: Guiding Principles of Risk Management for Institutions (other than Insurance Institutions) offering only Islamic Financial Services (IIFS), IFSB-6: Guiding Principles on Governance for Islamic Collective

Investment Schemes (ICIS), IFSB-9: Guiding Principles on Conduct of Business for IIFS, IFSB-15: Revised Capital Adequacy Standard for IIFS – *Sukūk* and Securitisation, IFSB-19: Guiding Principles on Disclosure Requirements for ICM Products (*Sukūk* and ICIS) and ED-21: Exposure Draft (ED) on Core Principles for Islamic Finance Regulation (ICM Segment).

For more information on the upcoming Workshops, kindly visit the IFSB website at www.ifsb.org



FIS Workshop in Kazakhstan



FIS Workshop in Kenya



FIS Workshop in Ivory Coast

Islamic Finance Executive Programmes in October and November 2018

The IFSB will be jointly organising two Islamic Finance Executive Programmes (IFEP) with its strategic partners in October and November this year.

The IFSB and Bahrain Institute of Banking & Finance (BIBF) will be jointly organising the Islamic Finance Executive Programme (IFEP) on 17 & 18 October 2018 at Manama, Bahrain. With the theme “**Fintech, Regtech and Islamic Finance**” this third edition of the IFSB-BIBF IFEP will focus on the role of Fintech in the Islamic finance industry, the threats and regulatory challenges that Fintech pose to the industry.

More specifically, among the topics which will be covered are:

- Digital Products and Islamic Finance
- Application of Blockchain in Islamic Finance
- Moderated Session: Regulatory and Legal Framework for Fintech
- Fintech and Risk Management
- Cybersecurity Threats and Protection of Financial Assets and Consumer Protection in Fintech
- Panel Discussion on Digitisation of the insurance industry and learnings for the *Takāful* industry

The IFSB will also be jointly organising IFEP with its new strategic partner, Islamic Banking and Finance Institute Malaysia (IBFIM) this November in Kuala Lumpur, Malaysia.

In addition, the IFSB will also be organising a High-Level Executive Forum (EF) on 29 & 30 October 2018 in Kuala Lumpur, Malaysia. Themed “**Effective Risk Management Oversight and Governance of Islamic Banks**” the EF is targeted to C-level executives and Board of Directors.

Among the topics which will be discussed are:

- Risk Governance of Islamic Banks and Regulatory Compliance
- Case Studies on Oversight of Operational, Shar’ah-compliance and Legal Risks: Issues and Challenges
- Risk Governance and Oversight: Role of the Board and Risk Committee
- Case Studies on Oversight of Financial Risk Management: Credit, Market, Liquidity and Equity Risks of Islamic Banks
- Panel Discussion on the Role of Transparency and Disclosure in Effective Risk Governance
- Panel Discussion on the Next Phase in Risk Management and Governance for Islamic Banks

For further information on the above programmes, visit the IFSB website at www.ifsb.org. For queries on registrations, contact Mrs. Ida Shafinaz Ab. Malek (email: ida.shafinaz@ifsb.org).

Updates from the 32nd Meeting of the IFSB Council Meeting

3 May 2018 | Kuwait City, Kuwait



The 32nd Meeting of the IFSB Council was attended by 19 Governors and Deputy Governors of RSAs, and 8 senior representatives from among the Council and Full Members of the IFSB, representing countries.

The meeting was chaired by H.E. Dr. Mohammad Y. Al Hashel, Chairman of the IFSB and Governor of the Central Bank of Kuwait and hosted by Central Bank of Kuwait.

IFSB Technical Committee Chairman and Deputy Chairman



Mr. Khalid Omar Al-Kharji
Chairman,
IFSB Technical Committee



Mr. Waleed M. Al Awadhi
Deputy Chairman,
IFSB Technical Committee

The Council of the IFSB resolved to approve the appointment of a new Technical Committee of the IFSB for a three-year term May 2018 – April 2021. The IFSB Technical Committee is the body responsible for advising and making recommendations to the Council on technical issues, including presenting draft prudential and supervisory standards and guidance, reviewing the findings and progress of the IFSB working groups and standards implementation initiatives as well as approving IFSB research papers. As per IFSB Articles of Agreement, the Technical Committee shall consist of up to thirty persons representing the Full Members of the IFSB. The new appointments of the IFSB Technical Committee take effect on 3 May 2018.

Mr. Khalid Omar Al-Kharji, Chief Manager, Banking Supervision Department from the Central Bank of the UAE was appointed as the Chairman of the Technical Committee and Mr. Waleed M. Al Awadhi, Executive Director of Supervision Department from the Central Bank of Kuwait has been appointed Deputy Chairman of the Technical Committee for 18 months, after which they will swap their positions for remaining term of the Technical Committee.

Updates from the 45th Meeting of the IFSB Technical Committee Meeting

19 July 2018 | Kuala Lumpur, Malaysia



TECHNICAL UPDATES

The 45th Technical Committee (TC) Meeting was held on 19 July 2018 in Kuala Lumpur, Malaysia to provide the Members of the TC with updates on technical projects as well as information about programmes and activities conducted March to July 2018.

The TC Meeting was chaired by Mr. Khalid Omar Al Kharji, Central Bank of the United Arab Emirates, and hosted by Bank Negara Malaysia.

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

In the 44th TC held in Brunei Darussalam, the TC approved to release the IFSB Exposure Draft (ED-22) for Public Consultation for a period of 2 months from 28 March to 28 May 2018.

The public hearings for ED-22 were respectively held on 10 April 2018 in Jakarta, Indonesia and then on 8 May 2018 broadcasted globally via Webinar and from the IFSB headquarters in Kuala Lumpur, Malaysia.

The Public Consultation period has concluded and the project team collated written and oral comments received during the public hearing and webinar. Accordingly revised exposure draft has been sent for discussion by the WG in its 7th meeting to be held on 18 July 2018 in Kuala Lumpur, Malaysia.

Following the 7th meeting, the exposure draft will undergo for a second Shari'ah Review in September 2018 and followed with a submission to the 46th TC for approval to submit the Standard for adoption in the 33rd IFSB Council in December 2018.

The Council of the IFSB, in its 27th meeting in Jeddah, Kingdom of Saudi Arabia on 8 December 2015 approved the development of a revised standard named Disclosures to Promote Transparency and Market Discipline for IIFS (Banking Sector). In early 2016, IFSB established a Working Group for the preparation of this standard comprising members from RSAs, international and multilateral organisations.



Technical Note on Financial Inclusion and Islamic Finance (TN-3)

In October 2017, a Survey Questionnaire was distributed to a total of 62 IFSB member banking and capital market RSAs. In addition, the Alliance for Financial Inclusion (AFI) graciously circulated the draft survey questionnaire to various members of its SME Finance Working Group, some of whom were non-IFSB members.

The IFSB received in total 32 responses, a response rate from member RSAs 52% plus an additional response from the Central Bank of the Russian Federation, facilitated by AFI. The project team had prepared the TN-3 Survey Report based on responses received.

The Survey Report and a proposed draft outline of the TN-3 Preliminary Exposure Draft (PED) was submitted to the Task Force (TF) members for discussions and deliberation in the 3rd TF meeting held on 12 January 2018 in Kuala Lumpur, Malaysia. The TF agreed on an activities-based approach to be followed by the project team in drafting the Preliminary Exposure Draft (PED) of TN-3. This PED consisted 9 sections outlining various financing, deposit and investment-based activities in financial inclusion, as well as other non prudential regulations.

The project team drafted the TN-3 PED which were presented and discussed by the TF in its 4th meeting held on 11 April 2018 in Jakarta, Indonesia.

The TF extensively reviewed and deliberated the contents of the TN and provided useful comments for improving the TN further. The 5th meeting was held on 28 and 29 June 2018 in Kuala Lumpur, Malaysia to review the revised PED (RPED). The TF concluded that it stands guided by the Shari'ah Board of the Islamic Development Bank for inputs in relation to the various Shari'ah-related proportionalities proposed in this TN.

Following this 5th meeting, the RPED was submitted to the 45th TC meeting held on 19 July 2018 in Kuala Lumpur, Malaysia - for approval to submit the document for Shari'ah Review by the Shari'ah Board of the Islamic Development Bank. As part of the due process, the RPED is currently undergoing translation into Arabic and review by the IFSB Arabic Editing Committee, prior to its presentation to the Shari'ah Board in September 2018.

The Council of the IFSB, in its 29th meeting held on 14 December 2016 in Cairo, Egypt approved the IFSB Work Plan for 2017 which includes, among others, the preparation of a new Technical Note (TN) on Financial Inclusion and Islamic Finance, and setting up of a Task Force (TF) to guide its preparation.

Core Principles for Islamic Finance Regulation - Islamic Capital Market Segment (CPIFR - ICM)

The TC provided its approval for releasing the Exposure Draft (ED) of CPIFR – ICM for public consultation for a period of 2 months starting 28 March to 28 May 2018. The TC also approved public hearing arrangements for this standard – one physically-held public hearing to be held on 10th April 2018 in Jakarta, Indonesia while the other to be held in May 2018 via web-based platform (i.e. webinar).

The public hearings for CPIFR - ICM were respectively held on 10 April 2018 in Jakarta, Indonesia and on 7th May 2018 broadcasted globally via Webinar from the IFSB headquarters in Kuala Lumpur, Malaysia.

The Public Consultation period has concluded and the project team collated written and oral comments received during the public hearing and webinar. Accordingly, revised exposure draft has been sent for discussion by the WG in its 7th meeting to be held on 17 July 2018 in Kuala Lumpur, Malaysia.

Following this 7th meeting, the exposure draft will undergo for a second Shari'ah Review in September 2018 and followed with a submission to the 46th TC for approval to submit the Standard for adoption in the 33rd IFSB Council in December 2018.

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 [Islamic Capital Market Segment]. In 2016, the IFSB established a Working Group (WG) for the preparation of this standard comprising members from various RSAs, including two international organisations (IDB and IMF).



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

In the 44th TC held in Brunei Darussalam, the TC approved to release the IFSB Exposure Draft (ED-20) for Public Consultation for a period of 2 months from 28 March to 28 May 2018. The TC also approved public hearings arrangements for this standard which was respectively held on 10th April 2018 in Jakarta, Indonesia and then on 7 May 2018 broadcasted globally via Webinar and from the IFSB headquarters in Kuala Lumpur, Malaysia.

The Public Consultation period has concluded and the project team collated written and oral comments received during the public hearing and webinar. Accordingly, revised exposure draft has been sent for discussion by the WG in its 7th meeting to be held on 16 July 2018 in Kuala Lumpur, Malaysia.

Following the 7th meeting, the exposure draft will undergo for second Shari'ah Review in September 2018 and followed with a submission to the 46th TC for approval to submit the Standard for adoption in the 33rd IFSB Council Meeting in December 2018.



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 Guidance on Key Elements in the Supervisory Review Process of *Takāful* / *Retakāful* Undertakings. In early 2016, IFSB established a Working Group for the preparation of this standard comprising members from Regulatory and Supervisory Authorities (RSAs), international and multilateral organisations.



As the global standard setting body for prudential regulation and supervision of the industry, the IFSB in line with its mandate to undertake research into the Islamic financial services industry, is currently undertaking a number of research working papers on pertinent issues specifically relating to Islamic Banking, *Takāful*, and Islamic Capital Market sectors.

Two researches are related to Islamic Banking:

- Sectoral Links and Macro-prudential Issues in Islamic Banking
- Risk-sharing in Islamic Banking

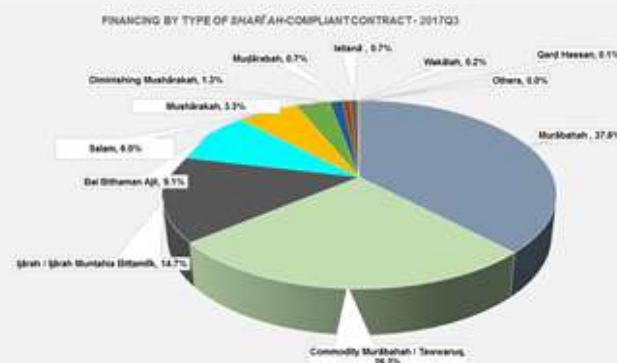
Both researches are in the data collection and analysis stage and will be submitted in 46th TC in November 2018 to seek approval for members' consultation.

Sectoral Links and Macro-prudential Issues in Islamic Banking

The first research derives from the concern that notwithstanding the importance of the financial soundness of each of the components making up the Islamic financial system, sustainable systemic stability depends on a comprehensive understanding of the complex interactions and interdependencies among and between the components. Based on data to be elicited from databases of various private-sector, government, international standard setting and multilateral organisations as well as IFSB Prudential and Structural Islamic Financial Indicators (PSIFIs), a 'from-whom-to-whom' matrix based on aggregate data will be created to estimate bilateral exposures among sectors in the Islamic Financial System using maximum entropy in the first stage and a RAS algorithm in the second. The paper is envisaged to provide a clearer picture of both interconnectivity as well as vulnerabilities within the IFSI to provide guidance for macro-prudential policy framework.

Risk-sharing in Islamic Banking

The second research derives from a trend analysis based on extant related data indicating a continuous decline in the use of the risk-sharing contracts in Islamic banking across jurisdictions. There are also concerns about the controversial applications of such risk-sharing financial transactions in some instances with consequential peculiar risks, governance and regulatory issues. In addition to relevant secondary data where available, questionnaire survey is presently being administered on both the Regulatory and Supervisory Authorities (RSA)s and Islamic Banks in various IFSB jurisdictions to elicit primary data. Such data will be subjected to both descriptive and inferential statistical analyses with the intent of providing insights on the underlying regulatory and operational issues.



Consumer Protection in *Takāful*

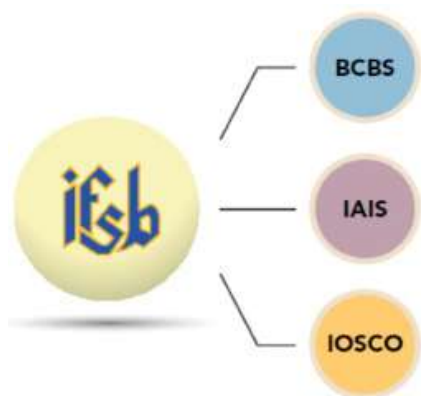
The third research paper, which is envisaged to be completed by December, 2018 focuses on consumer protection in the *takāful* industry. The paper identifies issues in designing and implementing effective and efficient consumer protection regulations in various IFSB jurisdictions. The research paper also explores on how the current consumer protection regulations are being applied at different stages of *takāful* consumers' engagement-from product design to sales, claims handling and dispute resolution. Data and responses elicited from both the RSAs and *takāful* operators is presently being analysed. It is envisaged that the outcome will assist in providing specific guidance in the form of adaptation of the relevant Insurance Core Principles (ICPs) particularly, ICP on intermediaries (ICP 18) and ICP on consumer protection (ICP 19) for the *takāful* industry.

Anti-Money Laundering and Combating Financial Terrorism

The fourth research paper on Anti-Money Laundering and Combating Financial Terrorism is being carried out by a joint-research team comprising the IFSB, International Monetary Fund (IMF) and the Arab Monetary Fund (AMF). Key objectives of the paper are:

- examine money laundering (ML)/terrorist financing (TF) methods, trends, and typologies related to Islamic banking analyse ML/TF risk sensitive information emanating from the intrinsic characteristics of instruments, arrangements and contractual relationship
- used in Islamic banking review the current status of AML/CFT legal and regulatory frameworks in jurisdictions

Data collection process is envisaged to commence before the fourth quarter of 2018 via a survey questionnaire to be administered on RSAs in the countries where Islamic banking activities are significant. It is envisaged that the findings from the research will shed light on the understanding of the ML/TF risks related to Islamic banking, and whether the risk by Islamic banking are different from those posed by conventional banking. From a regulatory point of view, the paper will examine whether there is any need for special provision for Islamic banking for the design of AML/CFT laws and regulations. The final paper is expected to be published by May 2019.



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).

The IFSB Receives Technical Assistance from the Islamic Development Bank to Promote Islamic Finance

The IFSB and the Islamic Development Bank (IsDB) signed a Technical Assistance (TA) Grant agreement during the IFSB Annual Meetings in Kuwait City on 1 May 2018. The TA, worth USD 250,000, is planned to be implemented over a period of three years (2018-2021) to support selected IFSB work programmes and activities which include the facilitating the implementation of IFSB standards in the IsDB and IFSB common member countries and developing a new Technical Note on Financial Inclusion and Islamic Finance. Vice President Country Programmes, IsDB, **Dr. Mansur Muhtar** and **Dr. Bello Lawal Danbatta**, the Secretary-General of the IFSB represented their respective organisations at the ceremony.



Participation of the IFSB at the 51st Asian Development Bank Annual Meeting

The Secretary-General of the IFSB, **Dr. Bello Lawal Danbatta** attended the 51st ADB Annual Meeting, in Manila, the Philippines from 3 to 6 May 2018.

Official Launch of The IFSB Islamic Financial Services Industry Stability Report 2018 and the Secretary-General of the IFSB's Participation at the Astana Islamic Economy Forum

H.E. **Dr. Kairat Kelimbetov**, the Governor of the Astana International Financial Centre (AIFC) officially launched the sixth edition of the Islamic Financial Services Industry (IFSI) Stability Report 2018 at the Astana Islamic Economy Forum on 4 July 2018, in conjunction with the Astana Finance Days on 3 – 5 July 2018 in Astana, Kazakhstan. **Dr. Bello Lawal Danbatta** was also participating as a speaker on 4 July 2018 at The Summit of Islamic Financial Institutions, **Islamic Finance: Next Big Step**.

Further information of the Stability Report 2018 is on page 9.



The IFSB and INCEIF Renew MoU for Collaboration on Global Capacity Development and Awareness-Promotion Activities in the Islamic Financial Services Industry

The IFSB and INCEIF – The Global University of Islamic Finance renewed an agreement to facilitate international cooperation between the two organisations to undertake relevant activities relating to global capacity development and awareness promotion in the Islamic financial services industry. The MoU signing ceremony took place on 9 July 2018 in Kuala Lumpur with the presence of the IFSB Secretary-General, **Dr. Bello Lawal Danbatta** and INCEIF President and Chief Executive Officer **Professor Dato' Dr. Azmi Omar**.

This mutual co-operation aims to strengthen the efforts of the two institutions in promoting an exchange of information, undertaking research, development, training and education in the Islamic financial services industry.

This is the third time both organisations are collaborating under the MoU. Over the period of the previous MoUs, which were signed in 2012 in Istanbul, Turkey and 2015 in Almaty, Kazakhstan respectively, the IFSB and INCEIF successfully held a series of twelve Executive Forums (EF) covering a wide range of pertinent topics on Islamic finance as part of its activities relating to capacity building and awareness promotion in Islamic finance.

The IFSB and Union Des Banques Maghrébines (UBM) Seals MoU

The IFSB has expanded its collaboration with Union Des Banques Maghrébines (UBM) with an MoU, was signed on 26 July 2018. Areas of cooperation include:

- To enhance outreach or awareness building through joint organisation and hosting of conferences, workshops, seminars, executive programmes, workshops, roundtables, trainings on topics of mutual interest in the North African region, with priority to those countries that are members of the IFSB.
- To explore the possibility of UBM assisting with the translation of the IFSB Standards and other relevant documents into the French language, and promote its availability among its members, and to the Islamic financial services industry in the North African region.
- Both organisations to work together to promote the development of the Islamic financial services industry in the North African region to promote the IFSB membership and its benefits to the industry as well as to provide feedback to the IFSB on the industry's developments and needs in the region.

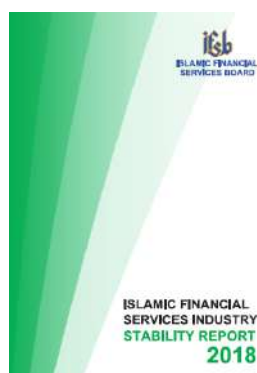


Global Standard-Setting Bodies IADI and IFSB Partner to Jointly Develop and Promote Core Principles for Effective Islamic Deposit Insurance Systems

Dr. Bello Lawal Danbatta, Secretary-General, Islamic Financial Services Board (IFSB) and Mr. David Walker, Secretary-General, International Association of Deposit Insurers (IADI) signed an MoU on 6 August 2018. Dr. Ronald Rulindo, Chief Specialist, Indonesia Deposit Insurance Corporation (IDIC) as well as Mr. Rafiz Azuan Abdullah, Chief Executive Officer, Malaysia Deposit Insurance Corporation were also present to witness the signing ceremony.

The MoU aims at strengthening the collaboration between the two institutions to jointly develop, and promote, technical standards for the implementation of effective Islamic deposit insurance systems.

PUBLICATIONS



ISLAMIC FINANCIAL SERVICES INDUSTRY (IFSI) STABILITY REPORT 2018 Issuance Date: June 2018

This is the sixth edition of IFSB IFSI Stability Report, which has been released annually since 2013. Overtime, it has become a benchmark publication on growth, development and stability assessment of the Islamic financial services industry.

The IFSB's IFSI Stability Report 2018 provides an assessment of key developments and illuminates the status of resilience of various sectors of the global Islamic finance services industry – comprising Islamic banking, *takāful*, *shukūk*, Islamic funds and equity markets – while highlighting current and emerging challenges to its stability.



WP-08 - ISSUES ARISING FROM CHANGES IN TAKĀFUL CAPITAL REQUIREMENTS Issuance Date: July 2018

WP-08 aims at studying the potential issues in relation to the solvency requirements of *takāful*, such as surplus, capital instruments, and *qard*. It also identifies regulatory and stability issues arising from global capital regulation for the insurance sector and their implications on *takāful* solvency requirements. WP-08 identifies differences and gaps in the developments of capital requirements regulation across the jurisdictions that participated in the survey, and shows that the level of policyholders' protections depend on the strength of capital requirements' regulation.

MARK YOUR CALENDAR

November – December 2018



UPCOMING IFSB WORKSHOPS, MEETINGS & AWARENESS PROGRAMMES

13 November 2018 | United Arab Emirates

SEMINAR ON ISLAMIC CAPITAL MARKET
(ICM)



13 – 14 November 2018 | United Arab Emirates

. 2ND MEETING OF REVISED CAPITAL
ADEQUACY STANDARD FOR THE ISLAMIC
BANKING SECTOR
. 46TH IFSB TECHNICAL COMMITTEE
MEETING



21 – 22 November 2018 | Malaysia

IFSB-IBFIM ISLAMIC FINANCE EXECUTIVE
PROGRAMME



5 – 6 December 2018 | Saudi Arabia

. ROUNDTABLE ON TECHNICAL NOTE ON
FINANCIAL INCLUSION
. IFSB MEMBERS AND INDUSTRY
ENGAGEMENT SESSION
. 17TH ISLAMIC FINANCIAL STABILITY FORUM



6 December 2018 | Saudi Arabia

33RD IFSB COUNCIL MEETING



11 December 2018 | Indonesia

SEMINAR AND WORKSHOP ON FINANCIAL
INCLUSION



Please visit www.ifsb.org for more information and registration details



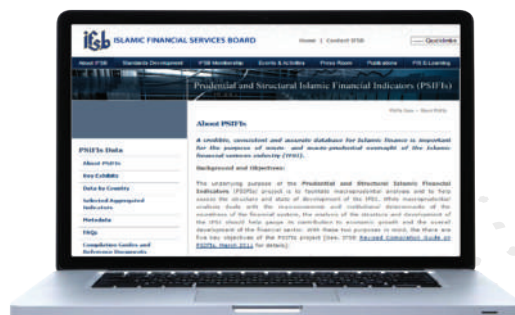
Prudential and Structural Islamic Financial Indicators (PSIFIs)

The Prudential and Structural Islamic Financial Indicators (PSIFIs) are developed by the IFSB with the objective of establishing a global database on Islamic finance in order to facilitate assessment of the strengths and vulnerabilities of Islamic financial systems and support macroprudential oversight of the Industry. The PSIFIs database is part of an international effort involving the IFSB, other international organisations and the IFSB member regulatory and supervisory authorities to construct a comprehensive picture of the development of the Islamic financial services industry.

The indicators provide a set of jurisdiction-level, aggregate indicators on the financial soundness, growth, and structure of the Islamic banking system, covering capital adequacy, earnings, liquidity, asset quality, exposures to various types of risks and structural elements such as asset and liability composition, revenues and earnings. Many indicators are parallel to the IMF's Financial Soundness Indicators (FSIs), but are customised to capture information unique to Islamic banks.

Key features of the PSIFIs database

- Publishes aggregated country-level Islamic banking data compiled by banking regulatory and supervisory authorities
- Reports the data separately for stand-alone Islamic banks and Islamic windows of conventional banks
- Provides the data on a quarterly basis, subject to availability
- Comprehensive metadata, providing information / description of the reported data
- Currently comprises data reported by banking regulatory and supervisory authorities from 20 countries: Afghanistan, Bahrain, Bangladesh, Brunei, Egypt, Indonesia, Iran, Jordan, Kuwait, Lebanon, Malaysia, Nigeria, Oman, Pakistan, Palestine, Qatar, Saudi Arabia, Sudan, Turkey and United Arab Emirates
- Comprehensive coverage of the Islamic banking sector (the database reflects more than 90% of global Islamic banking assets)
- Indicators are available starting from December 2013

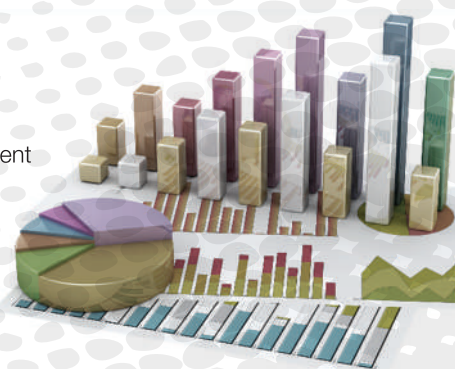


The PSIFIs Database is useful for:

- Financial sector supervisors and policy-makers
- Fund providers and investors
- Academics and researchers
- International agencies and standard-setters in the financial sector
- International financial press and media
- Shari'ah-related stakeholders

Key Benefits:

- Provides a set of reliable and consistent, internationally comparable measures of the soundness, growth and structure of Islamic banking systems
- Strengthens transparency and supports macroprudential analysis and assessment of the structure, state of development and performance of the industry at any given time
- Helps track the progress of the Islamic banking industry in adopting new regulatory standards
- Provides a clear picture of the role and contribution of Islamic banking within national economies and enhances comparability of Islamic finance within and across jurisdictions



Access to the Database:

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

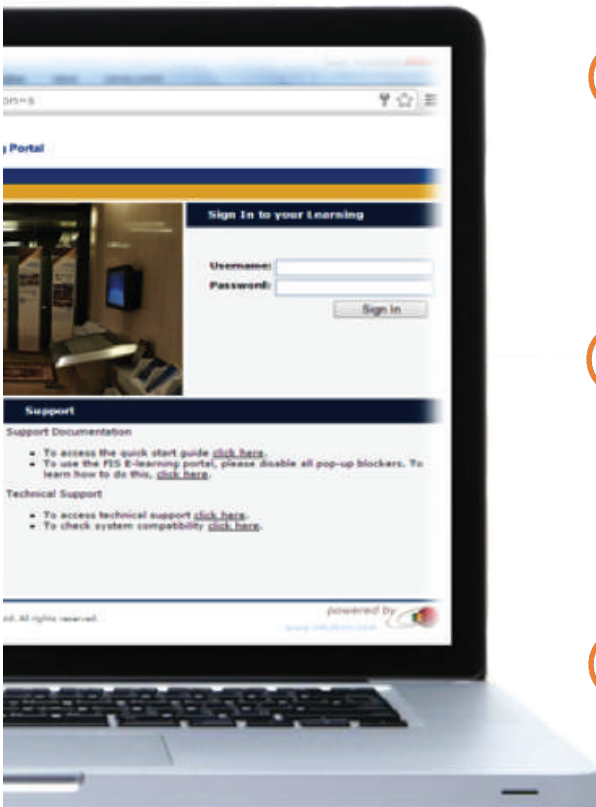
For more information on the PSIFIs database, please see the Frequently Asked Questions (FAQ) page at the above link.




<http://psifi.ifsb.org>



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

- (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 الرئيسة 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 الملاء 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)
(المعيار رقم 19): المبادئ الإرشادية الخاصة بمتطلبات الإفصاح لمنتجات سوق رأس المال الإسلامي (الصكوك وبرامج الاستثمار الجماعي الإسلامي)

- (المبادئ الإرشادية رقم 1): الإرشادات المتعلقة بمعيار كفاية رأس المال: الاعتراف بالتصنيفات لدوائد المالية المتفقة مع أحكام الشريعة الإسلامية الصادرة من مؤسسات تصنيف ائتماني خارجية
(المبادئ الإرشادية رقم 2): الإرشادات المتعلقة بإدارة المخاطر ومعيار كفاية رأس المال: معاملات المراجعة 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

- (الملاحظة الفنية رقم 1): قضايا تعزيز إدارة السيولة للمؤسسات التي تقدم خدمات مالية إسلامية: تطوير أسواق المال الإسلامية
(الملاحظة الفنية رقم 2): اختبارات الضغط للمؤسسات التي تقدم خدمات مالية إسلامية

- (ورقة العمل رقم 1): تقوية شبكة الأمان المالي: دور تسهيلات المسعف الأخير المتوافقة مع أحكام الشريعة ومبادئها، بوصفها آلية تمويل في حالات الطوارئ (باللغة الإنجليزية)
(ورقة العمل رقم 2): تقويم المبادئ الأساسية المتعلقة بالرقابة على التمويل الإسلامي (باللغة الإنجليزية)
(ورقة العمل رقم 3): الحماية المالية للمستهلك في المالية الإسلامية (باللغة الإنجليزية)
(ورقة العمل رقم 4): دراسة مقارنة حول مدى تفعيل المعايير الصادرة عن مجلس الخدمات المالية الإسلامية (باللغة الإنجليزية)
(ورقة العمل رقم 5): ورقة العمل المشتركة بين مجلس الخدمات المالية الإسلامية والأكاديمية العالمية للبحوث الشرعية حول مخاطر عدم الالتزام بأحكام الشريعة ومبادئها في القطاع المصرفي: الأثر على إطار كفاية رأس المال للمصارف الإسلامية (باللغة الإنجليزية)
(ورقة العمل رقم 6): تقوية شبكة الأمان المالي: دور وآليات نظم التأمين على الودائع المصرفية المتوافقة مع أحكام الشريعة ومبادئها (باللغة الإنجليزية)
(ورقة العمل رقم 7): القضايا المتعلقة بتعافي وإعادة هيكلة وتصفية المؤسسات التي تقدم خدمات مالية إسلامية (باللغة الإنجليزية)
(ورقة العمل رقم 8): القضايا الناشئة من التغييرات في متطلبات رأس المال الخاصة بقطاع التكافل (باللغة الإنجليزية)
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 الرجاء زيارة الموقع الإلكتروني <http://arabic.ifsb.org>

- 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: *Sukuk* 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 Shari'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)
IFSB-19 : Guiding Principles on Disclosure Requirements for Islamic Capital Market Product (*Sukuk* and Islamic Collective Investment Schemes)

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

- WP-01 : Working Paper on Strengthening the Financial Safety Net: The Role of WP-01: Working Paper on Strengthening the Financial Safety Net: The Role of Shari'ah-compliant Lender-of Last-Resort (SLOLR) Facilities as an Emergency Financing Mechanism
WP-02 : Working Paper on Evaluation of Core Principles Relevant to Islamic Finance Regulation
WP-03 : Working Paper on Financial Consumer Protection in Islamic Finance
WP-04 : Comparative Study on the Implementation of Selected IFSB Standards
WP-05 : The IFSB-ISRA Joint Working Paper on Shari'ah Non-Compliance Risk in the Banking Sector: Impact on Capital Adequacy Framework of Islamic Banks
WP-06 : Strengthening the Financial Safety Net: The Role and Mechanisms of Shari'ah Compliant Deposit Insurance Schemes (SCDIS)
WP-07 : Recovery, Resolution and Insolvency Issues for Institutions Offering Islamic Financial Services
WP-08 : Issues Arising From Changes in *Takāful* Capital Requirements

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.