

CONTENTS

Welcome Message from the Secretary-General	1
IFSI Stability Report 2014 Launched	1
IFSB-IRTI Session on the Mid-Term Review of the IFSI Development: Ten-Year Framework and Strategies	1
Event Highlights	
• Seminar on Prospects and Challenges in the Development of Islamic Finance for Kazakhstan	2
• Pre-Summit Events, Mauritius	2
• 11 th IFSB Summit	3-4
IFSB in the International Arena	5
Technical Updates	6
Focus on IFSB Publications	7
Events Calendar	8
IFSB Membership	8
About the IFSB	8

Welcome Message from the Secretary-General

We have had some very notable developments recently.

The 11th Annual Summit, held in Mauritius in May 2014, received positive feedback from IFSB members and non-members alike. Two key IFSB publications were launched during the Summit: *Mid-Term Review of the Ten-Year Framework and Strategies Report*, a joint publication with the Islamic Research Training Institute (IRTI); and the *Islamic Financial Services Industry (IFSI) Stability Report 2014*. The former was launched on 19 May during the IFSB-IRTI Session on Mid-Term Review of the IFSI Development: Ten-Year Framework and Strategies.

The *IFSI Stability Report 2014*, an annual report which analyses the Islamic finance industry, was launched on 21 May by Dr The Hon. Navinchandra Ramgoolam, Prime Minister of Mauritius, during the Opening Session of the Summit.

In addition to the IFSB-IRTI Session, seven Pre-Summit Sessions were held on 19 and 20 May. The participation of international multilateral organisations in the Summit and Pre-Summit events, alongside the key industry regulators and stakeholders, provided added value to the proceedings. The events of the 11th Summit are covered on pages 3-5.

Our work in preparation of standards reached an important milestone when the *Shari'ah* Advisory Board

met in Kuala Lumpur on 15-17 September, where they approved the drafts of the standard on Core Principles for Islamic Finance (Banking) and the Guidance Note on Quantitative Measures for Liquidity Risk Management in Institutions offering only Islamic Financial Services (IIFS). The two drafts will next be discussed by the Technical Committee when it meets in Amman, Jordan on 20-21 October 2014.

We are now in the midst of preparing for the 25th Meeting of the IFSB Council, scheduled for 11 December 2014 in Kuala Lumpur. We are also looking forward to our first joint programme with the Bahrain Institute of Banking and Finance (BIBF), to be held in October. The IFSB-BIBF Islamic Finance Executive Programme will be targeted at C-level executives and aims to fill the need for industry-cum-regulatory driven programmes for our members in the GCC and MENA region.

I am delighted to inform you that IFSB member organisations will be receiving printed copies of IFSB publications towards the end of the year. Please log into the Member's Zone on the IFSB website and ensure that your contact details, especially mailing addresses, are up to date. In the meantime, I hope you enjoy reading the latest instalment of our bulletin.

Jaseem Ahmed

The Prime Minister of Mauritius, Dr. The Hon. Navinchandra Ramgoolam, launched the *Islamic Financial Services Industry (IFSI) Stability Report 2014* during the Opening Session of the 11th Islamic Financial Services Board (IFSB) Summit on 21 May in Balacava, Mauritius. The Summit, which took place from 19 – 22 May 2014 was hosted by the Bank of Mauritius. The first *IFSI Stability Report* was published by the IFSB in May 2013.

Against the backdrop of continuing concerns about the prospects for long-term growth in developed economies, and a possible slowdown in the growth rates of emerging economies, the report focuses on key issues affecting the IFSI. In general, the *IFSI Stability Report 2014* covers the following areas:

- updates on the trends and development in the various segments of the industry – Islamic banking, Islamic capital markets and *Takaful*, and Islamic microfinance;

IFSI Stability Report 2014 Launched



Prime Minister of Mauritius, Dr. The Hon. Navinchandra Ramgoolam and Governor of Bank of Mauritius, H.E. Ruudheersing Bheenick during the launching of the *IFSB Stability Report 2014*.

- global initiatives undertaken by international standard-setting bodies to further strengthen the resilience and stability of the financial institutions and markets, as well as the implications of such reforms for institutions offering Islamic financial services (IIFS).
- the resilience of the Islamic financial system through technical analysis of selected indicators for Islamic banks, *Takaful* operators and Islamic capital markets; and
- emerging issues for the IFSI, such as the prospects and role of Islamic finance in contributing to the sustained economic growth and prosperity of new markets and locations, particularly Africa.

The report is available for download from the IFSB website, www.ifsb.org.

IFSB-IRTI Session on the Mid-Term Review of the IFSI Development: Ten-Year Framework and Strategies



Prof. Dr. Mohd Azmi Omar, Director - General of IRTI-IDB chairing the session

The *Mid-Term Review of the Ten-Year Framework and Strategies Report*, which was approved by the Council of the IFSB in March 2013, provides updated recommendations – categorised as Enablement, Performance and Reach – to reflect the current status of the IFSI. In addition, it outlines the progress made in various segments of the industry, identifies the challenges in meeting the Ten-Year Framework, and examines the roles of the various industry stakeholders in achieving its objectives.

Mr Jaseem Ahmed delivered the welcoming remarks, and Prof. Dr. Mohd Azmi Omar, Director General of IRTI-IDB, delivered the key

presentation. The session was then followed by two panel discussions in which six panelists provided their views on the report. Topics discussed in the session were: "Updated Framework Recommendations: Enablement, Performance and Reach" and "Bringing the 16 Recommendations to Life: Concrete Initiatives and a Stronger Implementation Plan".

Participants in the session each received a copy of the report. The report is also available for download from the IFSB website. The 85 participants comprised representatives from regulatory and supervisory authorities, government agencies and market players.

EVENT HIGHLIGHTS

Seminar on the Prospects and Challenges in the Development of Islamic Finance for Kazakhstan

A seminar on the theme “Prospects and Challenges in the Development of Islamic Finance for Kazakhstan” was held on 16 June 2014 in Almaty, Kazakhstan. Hosted by the National Bank of the Republic of Kazakhstan (NBRK), the seminar was part of a series of seminars organised by the IFSB in jurisdictions wishing to explore the possibilities, opportunities and challenges of Islamic finance. The event aimed to create greater awareness of the specificities of the IFSI, and to discuss issues relating to the development of Islamic finance in the country and the region. The welcoming remarks were delivered by Mr Daniyar Akishev, Deputy Governor of NBRK and the opening remarks by Mr Jaseem Ahmed. The keynote address was delivered by Dr Serik Akhanov, Chairman, Association of Financial Institutions, Kazakhstan.

The seminar covered topics such as “Islamic Finance for Central Asia: Growth with Stability – Regulatory Issues and Key Preconditions” and “The Role of *Sukūk*: Infrastructure Financing, Capital Market Instruments and High Quality Liquid Assets (HQLA)”. A panel discussion followed on “The Way Forward for the Development of Islamic Finance for Kazakhstan”.

The seminar was attended by almost 90 participants from government and regulatory and supervisory bodies and key players in the industry.

On 17–19 June, the IFSB held “Facilitating the Implementation of Standards (FIS) Workshops” on selected IFSB banking and *Takāful* Standards. The workshops aimed to provide the participants with a better understanding of the IFSB’s Standards and their implementation process



Participants attending the Seminar



Session 2 deliberated the topic “The Role of *Sukūk*: Infrastructure Financing, Capital Market Instruments and High Quality Liquid Assets (HQLA)”



IFSB Meet the Members & Interactive Session

An IFSB Meet the Members and Interactive Session was held on 19 May 2014 in Mauritius (in conjunction with the 11th IFSB Summit) and hosted by Bank of Mauritius.

The session, the third held this year, attracted almost 60 members from 18 member countries, including international organisations such as the Asian Development Bank and the World Bank.

Mr Jaseem Ahmed provided an overview of the IFSB membership and concerns, while the Assistant Secretary-General, Mr Zahid ur Rehman Khokher, gave a presentation on the *IFSI Stability Report 2014*. He also shared the results of the IFSB Membership Satisfaction and Standard Implementation surveys, both of which were conducted in 2013.



Mr Jaseem Ahmed presenting the overview of the IFSB membership



The Session provides networking opportunities among members



Q&A Session



Participants taking their seats before the Session begins



Participants listening to the presentations by the IFSB management

EVENT HIGHLIGHTS



PRE-SUMMIT EVENTS, MAURITIUS

The pre-Summit events held in conjunction with the 11th IFSB Summit, saw a line-up of five sessions held on 19 - 20 May 2014. Participants included Summit delegates and members of the Mauritian financial and academic communities

Industry Development Sessions

The Industry Development Sessions (IDS), first introduced at the 10th IFSB Summit held in 2013, received a very encouraging response. The IDS aim to provide a platform for IFSB members from multilateral organisations to present their initiatives and provide updates on their work in supporting the growth and development of the IFSI. At this year's Summit, the participating organisations were the Finance Accreditation Agency (FAA) Malaysia, The World Bank and the Asian Development Bank.

At the first session, FAA Malaysia's Chief Executive Officer, Dr Amat Taap Manshor, spoke on the topic, "What Initiatives Exist to Develop Talent and Human Capital in the Islamic Finance Services?"

The second IDS, presented by The World Bank and chaired by Daud Vicary Abdullah, President and Chief Executive Officer of INCEIF, consisted of a panel discussion by key industry leaders: Dr Ibrahim Turhan, Chairman, Borsa Istanbul; Zamir Iqbal, Lead Financial Specialist, The World Bank Global Center for Islamic Finance, Istanbul; and Michael Bennett, Head of Structure Products, The World Bank Treasury. Discussions touched on "Recent Challenges to Islamic Finance and the Turkey Case" and "Islamic Finance, Poverty Reduction and Shared Prosperity: The Role of The World Bank".

The third IDS session was presented by the Asian Development Bank's (ADB) Ashraf Mohammed, Assistant General Counsel and Practice Leader for Islamic Finance, and Mr Asghar Ali Syed, Counsel, South Asia Regional Department of the ADB. The focus of the presentation was "The Role and History of the ADB in Reducing Poverty and Promoting Inclusive Growth in Asia: Relevance, Inclusion and Stability". It touched on how the ADB has assisted in the promotion and growth of Islamic finance, and its future plans.



Dr Amat Taap, Chief Executive Officer, FAA Malaysia



Panelists in the World Bank Session



Mr Ashraf Mohammed, Assistant General Counsel, ADB

Country Showcase: Business Forum by MIFC

The IFSB introduced the Country Showcase as a pre-Summit event in 2007, with the aim of providing an opportunity for IFSB member and non-member countries to present their country as an attractive Islamic finance market or to raise awareness of their efforts/initiatives in developing their respective IFSI.

This year's Country Showcase featured a Business Forum by Malaysia International Islamic Financial Centre (MIFC) on "Islamic Finance and African Infrastructure Development". Mr Nik Mohamed Din Nik Musa, Director of MIFC, Bank Negara Malaysia, delivered the welcoming remarks. The Forum was chaired by Mr Daud Vicary Abdullah and included panelists Mr Ahmed Jaffer, Partner, Islamic Financial Services Group, KPMG South Africa; Mr Satyam Ramnauth, Country Manager, International Finance Corporation (World Bank Group); Mr Wasim Saifi, Chief Executive Officer, Standard Chartered Saadiq Berhad and Global Head, Islamic Consumer Banking, Standard Chartered Bank; and Mr Badlisyah Abdul Ghani, Executive Director and Chief Executive Officer, CIMB Islamic Bank, Malaysia.



Mr Nik Mohamed Din Nik Musa, Director of MIFC, Bank Negara Malaysia



Panelists in the Knowledge Sharing Partner Session presented by INCEIF

Knowledge Sharing Partner Session by INCEIF

The Knowledge Sharing Partner Session (KSPS) provides a platform for IFSB partner organisations to initiate dialogue and discussions, present ideas and exchange views with the aim of promoting knowledge sharing, partnership and cooperation among the members of the IFSB and the Islamic financial services community at large. The topic of the KSPS is guided by the Summit theme.

This year's KSPS by INCEIF featured a Panel Discussion on the theme, "The Importance of New Markets for the Global Islamic Finance Industry". It was chaired by Mr Daud Vicary Abdullah. Panelists included: Prof. Dr Akram Laldin, Executive Director, International Shari'ah Research Academy for Islamic Finance (ISRA); Prof. Dr Murat Cizakca, Professor of Comparative Economics History INCEIF; Mr Simon Gray, Director, Supervision, Dubai Financial Services Authority, UAE; and Mr Iqbal Asaria, Adjunct Professor, INCEIF.

Summit Welcome Reception

The opening speech was delivered by Mr Marc Hein, Chairperson of the FSC, following an introduction by Mr Issa Soormally, Second Deputy Governor of Bank of Mauritius. Guests, speakers and delegates of the Summit were then treated to a sumptuous dinner.



Mr Marc Hein, Chairperson of Financial Services Commission, delivered the opening speech

EVENT HIGHLIGHTS



ISLAMIC FINANCE: INNOVATION AND THE REGULATORY PERIMETER

The Islamic Financial Services Board (IFSB) launched its 11th Annual Summit themed, “New Markets and Frontiers for Islamic Finance: Innovation and the Regulatory Perimeter”, on 21 and 22 May 2014 in Mauritius and hosted by Bank of Mauritius.

Among the highlights of the Summit were:

- The Prime Minister of Mauritius, Dr The Hon. Navinchandra Ramgoolam enunciated a vision of Islamic finance serving the development needs of Mauritius and the African continent.
- Islamic Corporation for the Development of the Private Sector (ICD) and Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC) stressed importance of supporting private and public sectors with appropriate financing instruments.
- Banque Centrale Des Etats De L'Afrique De L'ouest (BCEAO) and First Community Bank Limited, Kenya, illustrate challenges and opportunities of Islamic finance in Africa.
- The World Bank speaks of its upcoming “social” and “green” *Sukūk* to support infrastructure provision and immunisation programmers.
- International Monetary Fund (IMF) stressed the importance of stability and resilience frameworks for Islamic finance.



Prime Minister of Mauritius, Dr The Hon. Navinchandra Ramgoolam delivering the Keynote Address



Session 1: Legal and Regulatory Environment of Islamic Finance



Session 2 - Global Overview of the IFSI: Outlook and Policy Developments



Session 3: *Sukūk*, Market Development and Regulation



Session 4 - The Role of Islamic Finance in Economic Development: Promoting Financial Inclusion, Sustaining Innovation, Expanding the



Session 5 - New and Emerging Islamic Finance Jurisdictions: Opportunities and Challenges Ahead



Dr Ibrahim Turhan, Chairman and Chief Executive Officer of the Borsa Istanbul was the Keynote speaker



Delegates and invited guests during the Dinner



Mr Ben Lim, Board Member, Board of Investment, Mauritius delivering his welcome speech.

11TH IFSB SUMMIT – GALA DINNER

Gala Dinner of the 11th IFSB Summit was held on 21 May 2014, sponsored by the Board of Investment, Mauritius. Guests enjoyed a welcome cocktail and light snacks at the English Garden, Chateau Mon Desir, before adjourning to the dinner held in the grounds of the Ruins of Balacava.

The dinner started with speeches by Mr Ben Lim, Board Member, Board of Investment, Mauritius and H.E. Rundheersing Bheenick, Governor, Bank of Mauritius. Dr Ibrahim Turhan, Chairman and Chief Executive Officer of Borsa Istanbul, delivered the Keynote Address.

Summit delegates and guests attending the dinner were then entertained by local dance and classical performances.

IFSB IN THE INTERNATIONAL ARENA

Collaboration with International Standard-Setting Bodies and Multilaterals

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 Bank 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 issues faced by the Islamic financial services industry at the global level.

Collaboration with Multilateral Organisations

The IFSB also collaborates with other multilateral organisations Asian Development Bank (ADB), Islamic Development Bank (IDB), the World Bank, International Monetary Fund (IMF) who have offered their support for the promotion of Islamic finance and for capacity building of supervisory authorities and industry players.

Working Paper on the Core Principles of the Global Standard-Setting Organisations

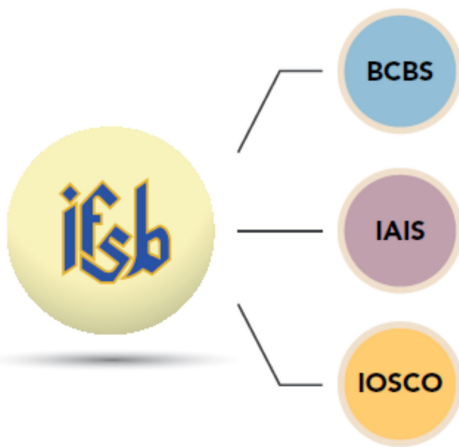
The IFSB Secretariat is finalising a review of the core principles of the global standard-setting organisations. This is the first comprehensive review that covers all three of the IFSB's comparator organisations and is designed to provide a framework for the preparation of the IFSB's Core Principles for Islamic Finance Regulation.

Positive feedback on the WP has been received from the global standard setters and from the IMF and will be discussed at the next meeting of the IFSB's Technical Committee.

IFSB – IAIS Joint Research on *Microtakāful*

The IFSB has been working with other standard-setting bodies to enhance the stability and the soundness of the financial systems in the member countries and strengthen the regulation of institutions offering Islamic financial services. A joint working group (JWG) was established by the IFSB and the International Association of Insurance Supervisors (IAIS) in 2005 to produce a paper on the applicability of the existing IAIS Core Principles (ICPs) on the *Takāful* sector and regulatory and supervisory standards to be developed by the IFSB on *Takāful*. In 2013, during the IAIS Financial Inclusion Subcommittee meeting in Manila, Philippines, both organisations agreed to commence another joint initiative to focus on financial inclusion issues from the perspective of *Microtakāful*. The Council of the IFSB, in its 24th meeting in Brunei in March 2014 approved the development of a research paper on *Microtakāful* to be part of IFSB 2014 Workplan. In view of this, the IFSB and IAIS established a Joint Working Group (JWG) comprising 9 members from Regulatory and Supervisory Authorities, International and Multilateral Organisations for the preparation of this research paper.

The JWG held its first meeting on 8 April 2014 in Sasana Kijang, Kuala Lumpur to deliberate on issues relevant to the *Microtakāful* industry. The second meeting of the JWG was held on 28 September 2014 in Dubai, UAE.



International Monetary Fund (IMF) External Advisory Panel on Islamic Finance

The Secretary-General of the IFSB participated in the Panel's discussions in which he joined counterparts from International Islamic Financial Market (IIFM), Islamic Development Bank (IDB) and Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI).

RECENT INITIATIVES

International Auditing and Assurance Standards Board (IAASB) and International Ethical Standards Board for Accountants (IESBA): Consultative Advisory Group Meetings on 8 – 10 September 2014

The IAASB and IESBA discussed their new strategies and work plans and the guidance to be provided on ethical conduct of their stakeholders. The Secretary-General of the IFSB shared insights from Islamic finance on ethical conduct, the role of *Shari'ah* Advisory Boards and also drew on the IFSB's work in the development of its Strategic Performance Plan.

The meetings were conducted at the headquarters of the International Federation of Accountants (IFAC). The CEO of IFAC, Mr Fayezul Choudhury and the Secretary-General of the IFSB discussed collaboration for joint work on Islamic finance issues.

International Accounting Standards Board (IASB) Working Group on Islamic Finance

Mr. Zahid ur Rehman Khokher, Assistant Secretary General of the IFSB attended the second meeting of the International Accounting Standards Board (IASB) Consultative Group on *Shari'ah*-Compliant Instruments and Transactions held in Kuala Lumpur on 5 September 2014. The Consultative Group is focusing on the challenges that may arise in the application of IFRS to Islamic finance instruments and transactions. The meeting focused on issues in the classification of financial instruments under IFRS 9 - Financial Instruments.

TECHNICAL UPDATES

33rd Technical Committee Meeting

The 33rd Technical Committee (TC) Meeting was held on 11 June 2014 in Kuala Lumpur to provide the Members of the TC with updates on ongoing technical projects, as well as information about events and activities conducted from March to May 2014.

New Surveys

Survey on *Retakāful* Practices in *Takāful* (Islamic Insurance) and *Retakāful* (Islamic Reinsurance) Undertakings

The IFSB has established the Guiding Principles for *Retakāful* Undertakings Working Group (GPRTUWG) for the preparation of a draft of a standard on *Retakāful* Undertakings. In order to support this project, and in accordance with the due process for standards, the IFSB is conducting a survey on the existing practices of *Retakāful* undertakings, the practices of *Takāful* undertakings in relation to *Retakāful*, and the practices of supervisory authorities. The objective of the survey is to collect background information on the *Retakāful* sector that will be used by the GPRTUWG in drafting the proposed GPRTU Standard. The survey seeks to achieve the following:

- provide information to the GPRTUWG on current approaches to the practice of *Retakāful* in selected IFSB member countries; and
- explore the challenges and limitations that are specific to *Takāful/Retakāful* undertakings in arranging for *Retakāful* contracts.

The survey ended on 5 August 2014 and the Secretariat is currently analysing the inputs received. The IFSB received feedback from 67 institutions comprising 14 *Retakāful* Operators (RTOs), 38 *Takāful* Operators (TOs) and 15 Regulatory and Supervisory Authorities (RSAs). The next meeting of the WG will be held on 29 September 2014 in Dubai, UAE.

Survey on *Microtakāful*

In its first meeting on 8 April 2014 in Sasana Kijang, Kuala Lumpur, the joint WG of IFSB-IAIS deliberated on the issues engulfing the *Microtakāful* industry. It was decided in this meeting that Survey Questionnaire should be sent to the industry to get detailed information on the current practices and challenges faced by *Microtakāful* industry and their supervisors. Taking into consideration the fact that few studies are currently available on the operations of *Microtakāful* sector and associated regulatory issues, the Survey Questionnaire aims to provide background information to the joint WG in drafting the research paper on *Microtakāful*. Two sets of Survey Questionnaire were prepared of which one was for the Market Player while the other was for the Regulatory & Supervisory Authorities. The survey questions covered areas of Corporate Governance, Financial and Prudential Regulation as well as Transparency & Market Conduct.

The survey questionnaire was distributed to the industry for their participation on 10 July 2014. The survey period ended on 1 September 2014. The IFSB received feedback from 15 institutions comprising 9 market players and 6 RSAs.

In its meeting (on 28 September 2014), the WG deliberates the Survey Report and Outline of the Standard.

Survey on *Shari'ah*-compliant Deposit Insurance Scheme (SCDIS)

Following a focused discussion at the 4th Islamic Financial Stability Forum held on 17 November 2011 in Kuala Lumpur, the Council of the IFSB on 29 March 2012 approved, as part of the IFSB Strategic Performance Plan 2012–2015, the Secretariat's conducting studies on both a *Shari'ah*-compliant lender of last resort (SLOLR) and a *Shari'ah*-compliant deposit insurance scheme (SCDIS). The study on SLOLR has been undertaken and the Working Paper (WP-1) was published by the IFSB in April 2014. The Secretariat is currently in the midst of analysing and drafting the Survey findings and preparing the first draft. Its initial draft will be presented in the 34th TC Meeting on 20 October 2014 in Jordan.

Ongoing Projects

Core Principles For Islamic Finance Regulations Working Group (CPIFRWG)

The 5th CPIFR Working Group Meeting was held on 29 May 2014 in Kuala Lumpur. The WG Members discussed and finalised the revised preliminary Exposure Draft (PED) before it was presented to the Technical Committee and subsequently to the *Shari'ah* Board of the Islamic Development Bank for *Shari'ah* deliberations in June 2014 and September 2014, respectively.

The main objective of the CPIFR is to provide a set of core principles for the regulation and supervision of the IFSI, taking into consideration the specificities of the IIFS in the banking segment and the lessons learned from the financial crisis, and complementing the existing international standards, principally the BCBS's Core Principles for Effective Banking Supervision (the Basel Core Principles).

The IFSB will submit the document after *Shari'ah* Board review for deliberation of the WG in its meeting scheduled on 30 September 2014 in Dubai, UAE. It will then be submitted to the TC for its approval for issuance as an ED for public consultation.

Guidance Note on Quantitative Measures for Liquidity Risk Management in Institutions offering only Islamic Financial Services (IIFS)

The Preliminary Exposure Draft (PED) of Guidance Note on Quantitative Measures for Liquidity Risk Management in Institutions offering only Islamic Financial Services (IIFS) was presented and discussed in the *Shari'ah* Board Meeting on 15 September 2014 in Kuala Lumpur. The next meeting which will be held on 1 October 2014 in Dubai, UAE will discuss the Revised PED after deliberation by the *Shari'ah* Board and to recommend to the Technical Committee for its issuance as an ED.

Guiding Principles for *Retakāful* (Islamic Reinsurance) Undertakings Working Group (GPRTUWG)

The GPRTU Working Group members held their second meeting on 10 June 2014 in Kuala Lumpur. The aim of the meeting was to discuss and provide inputs on the draft survey to the project manager and consultants developing the survey.

The next meeting will be held on 29 September 2014 in Dubai, UAE.

FOCUS ON IFSB PUBLICATIONS



ISLAMIC FINANCIAL SERVICES INDUSTRY STABILITY REPORT 2014

Issuance date: May 2014

The Islamic Financial Services Industry (IFSI) Stability Report 2014 covers the following areas:

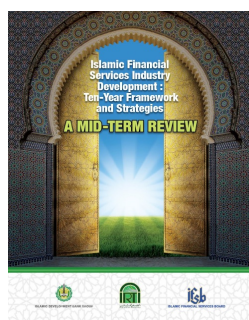
- updates on the trends and development in the various segments of the industry – Islamic banking, Islamic capital markets and *Takaful*, and Islamic microfinance;
- global initiatives undertaken by international standard-setting bodies to further strengthen the resilience and stability of the financial institutions and markets, as well as the implications of such reforms for institutions offering Islamic financial services (IIFS).
- resilience of the Islamic financial system through technical analysis of selected indicators for Islamic banks, *Takaful* operators and Islamic capital markets; and
- emerging issues for the IFSI, such as the prospects and role of Islamic finance in contributing to the sustained economic growth and prosperity of new markets and locations, particularly Africa.



PROSPECTS AND CHALLENGES IN THE DEVELOPMENT OF ISLAMIC FINANCE FOR BANGLADESH

Issuance date: May 2014

In line with its mandate to promote the development of the IFSI in and among its member countries, the IFSB has produced a publication on the prospects and challenges in the development of Islamic finance, with a special focus on Bangladesh. The chapters are based on key idea and discussions by various Islamic finance experts at a Seminar organised by the IFSB and hosted by Bangladesh Bank in Dhaka in September 2013. This publication aims to share the prospects and challenges, as well as initiatives and experiences, in developing Islamic finance, many of which are common to new Islamic finance jurisdictions.



ISLAMIC FINANCIAL SERVICES INDUSTRY DEVELOPMENT: TEN-YEAR FRAMEWORK AND STRATEGIES: A MID-TERM REVIEW

Issuance date: May 2014

Published by: IFSB And Islamic Research And Training Institute (IRTI)

This Review Report marks an interim assessment of the industry since the initial publication of the Ten-Year Framework for the Development of the IFSI, issued by the IFSB and IRTI in 2007. The assessment has resulted in a revised Framework, comprising four main sections – (a) overall assessments and progress of the priorities and initiatives suggested in the 2007 Ten-Year Framework, (b) sector-level assessments – Islamic banking, Islamic non-bank financial institutions, *Takaful* and *Retakaful* services, and Islamic capital markets – arising from developments in the global financial system post-crisis, (c) updated framework recommendations and key performance indicators for measuring progress, and (d) measures to be undertaken by all stakeholders of the IFSI to implement the 16 recommendations of the Ten-Year Framework, outlined under three categories, namely Enablement, Performance and Reach.



IFSB-16: REVISED GUIDANCE ON KEY ELEMENTS IN THE SUPERVISORY REVIEW PROCESS OF INSTITUTIONS OFFERING ISLAMIC FINANCIAL SERVICES (EXCLUDING ISLAMIC INSURANCE (TAKAFUL) INSTITUTIONS AND ISLAMIC COLLECTIVE INVESTMENT SCHEMES)

Issuance date: March 2014

The overall aim of the revised Standard is to update the earlier standard on this subject (IFSB-5), in setting forth guidance on key elements in the supervisory review process for authorities supervising institutions offering Islamic financial services (IIFS), taking into consideration the specificities of the IIFS, the lessons learnt from the global financial crisis, and, at the same time, to complement the existing international guidance on the supervisory review process issued by the Basel Committee on Banking Supervision (BCBS).

IFSB-16, which is broadly analogous to Pillar 2 of the Basel Accords, is about the supervisory process and how regulatory and supervisory authorities should supervise some specific areas pertinent to the IIFS. It ensures that the supervisory review process covering IIFS is consistent with those for conventional institutions and relevant to the current state of the industry, while catering for the specificities of *Shari'ah*-compliant financial transactions and promoting the financial soundness of the IIFS. In this respect, it intends to foster convergence towards best practice among authorities supervising IIFS by establishing a minimum standard, enabling such supervisory authorities to meet their requirements when carrying out the roles expected of them in the light of IFSB Standards.

EVENTS CALENDAR

UPCOMING IFSB WORKSHOPS & AWARENESS PROGRAMMES

September – December 2014

28 September 2014 | United Arab Emirates

Hosted by

THE IFSB MEET THE MEMBERS AND INDUSTRY
ENGAGEMENT SESSION



15 – 16 October 2014 | Bahrain

Co-organised with

IFSB-BIBF ISLAMIC FINANCE EXECUTIVE PROGRAMME
Building Robust Risk Management Infrastructure:
Growth Driver for Islamic Finance



28 – 29 October 2014 | Qatar

Co-organised with

IFSB-FSI SEMINAR ON LIQUIDITY RISK
IN ISLAMIC AND CONVENTIONAL BANKS



3 – 5 November 2014 | Malaysia

IFSB-FIS WORKSHOPS ON IFSB STANDARDS
FOR REGULATORY AND SUPERVISORY AUTHORITIES
OF THE IFSB MEMBER COUNTRIES
(ISLAMIC CAPITAL MARKET SECTOR)

3 – 5 November 2014 | Malaysia

IFSB-FIS WORKSHOPS ON IFSB STANDARDS FOR
REGULATORY AND SUPERVISORY AUTHORITIES OF
THE IFSB MEMBER COUNTRIES (TAKĀFUL SECTOR)

10 – 11 November 2014 | Malaysia

Co-organised with

IFSB-INCEIF EXECUTIVE FORUM ON ISLAMIC FINANCE
Global Regulatory Reforms: What They Mean for
Islamic Finance



9 – 10 December 2014 | Malaysia

Co-organised with

IFSB-INCEIF EXECUTIVE FORUM ON ISLAMIC FINANCE
Sound Governance Practices: Promoting Stability in
Islamic Finance



11 December 2014 | Malaysia

IFSB COUNCIL MEETING

Hosted by

- 25TH MEETING OF THE IFSB COUNCIL
- 10TH ISLAMIC FINANCIAL STABILITY FORUM



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

IFSB MEMBERSHIP

MEMBERSHIP SATISFACTION SURVEY

The IFSB completed its Membership Satisfaction Survey on 31 July 2014, which was conducted in two phases. A total of 131 out of 184 (71%) IFSB members participated in the survey, which constituted 100% of Full Members, 92% of Associate Members and 60% of Observer Members. The satisfaction level was high for Full and Associate Members with 75% and 43% respectively in “completely and very satisfied” category with 0% dissatisfaction rate. For Observer Members, 33% were “completely and very satisfied” with the IFSB, with a dissatisfaction rate of 9% on overall basis. About 69% and 57% Full and Associate Members feel that the IFSB has highly improved its services in last 2-3 years. For the same period, 43% Observer Members feel improvement in services whereas 5% think otherwise. In terms of time period, about half of the new members (in past 1-5 years) are highly satisfied with the IFSB, whereas around a tenth members are dissatisfied. The older members have 3% dissatisfaction rate. Most positive comments related to standards and guidelines, communication, cooperation with other agencies and knowledge development. Major dissatisfactions suggest the need for enhanced focus on some regions and improving timelines of communication and updates.

The IFSB would like to take this opportunity to thank its members for participating in this Survey, which will assist assisting the Secretariat to formulate its membership strategy for the coming years. Detailed results of the Survey will be shared with the IFSB Council in the next meeting in December 2014.

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 2014, the IFSB has published twenty-two Standards, Guiding Principles, Guidance and Technical Notes and Working Paper as follows:

IFSB-1 Guiding Principles of Risk Management for Institutions (Other Than Insurance Institutions) Offering 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 Special Issues in 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

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

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

WP-1 Working Paper on Strengthening the Financial Safety Net: The Role of *Sharī'ah*-compliant Lender-of Last-Resort (SLOLR) Facilities as an Emergency Financing Mechanism

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 IFSB Standards, reports, research papers and other publications, please visit www.ifsb.org.

Contact Information :

ISLAMIC FINANCIAL SERVICES BOARD

Level 5, Sasana Kijang, Bank Negara Malaysia, 2, Jalan Dato' Onn,
50480 Kuala Lumpur, Malaysia.

Telephone: +6 03 9195 1400 Facsimile: +6 03 9195 1405

Email: ifsb_sec@ifsb.org