

The IFSB bulletin

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ISLAMIC FINANCIAL SERVICES BOARD

Welcome Message from the Secretary-General

The first half of 2016 has been an eventful and dynamic phase for the IFSB. We concluded the 28th Meeting of the IFSB Council in Cairo, Egypt on 12 April 2016. In this meeting, the Council approved to adopt the Guiding Principles for *Retakāful* (Islamic Reinsurance) - IFSB-18. The Council also admitted three new members bringing the new membership total to 190 members covering 48 jurisdictions. Detailed updates on the resolutions of the IFSB Council are covered on page 3.

On membership updates, we have managed to organise three Meet the Members & Industry Engagement Sessions in Manama, Bahrain and Kuala Lumpur (January, 2016) and Cairo, Egypt (April, 2016).

We have also completed a number of events held in the first half of the year: Seminar on Islamic Capital Markets and 8th Public Lecture in conjunction with IFSB Annual Meetings 2016 (April), IFSB Regulator's Forum in conjunction with Global Islamic Finance Forum – GIFF 5.0 (May), Seminar in Islamic Finance supported and in collaboration with Banco de España and IE

Business School, Spain (May), and Conference on *Takāful*, jointly organised with The World Bank Group (WBG) and the Undersecretariat of Treasury of the Republic of Turkey (May).

The IFSB's flagship Islamic Financial Services Industry Stability Report 2016, the fourth edition in this series, has been launched by H.E. Dr. Hendar, Deputy Governor of Bank of Indonesia during the IFSB Regulator's Forum.

We are also pleased to share that we have released the third set of PSIFIs data from 17 member countries in March this year, which are available for download at the IFSB website. Currently a new set of data for Q3 2015 is being collected and reviewed by the IFSB. Detailed updates on PSIFIs is covered on page 4.

As for Facilitating the Implementation of the IFSB Standards (FIS) Workshops, we have conducted four Workshops, with a few more confirmed till year end.

Do visit the IFSB website for further details on IFSB's future programmes and activities and mark them in your 2016 calendar.

Thank you for your support and looking forward for more engagement with IFSB members in the coming months.

Jaseem Ahmed

28th Meeting of the IFSB Council 12 April 2016, Cairo



Front L to R: Jaseem Ahmed, Gamal Mohamed Negm, Dr. Akbar Komijani, H.E. Muhammad Ibrahim, H.E. Dr. Mohammad Y Al-Hashel, H.E. Tarek Amer, H.E. Mubarak Rashed Al Mansoori, H.E. Abdulaziz AlFuraih, Saeed Ahmad, Hakan Atasoy
Back L to R: Zainal Izlan Zainal Abidin, Khalid Hamad Abdulrahman, Adi Marhain Leman, Dr. Ahmed Fayed Al-Gebali, Kevin Amugo, Ian Johnston, H.E. Muhammad Kari, Dr. Dadang Muljawan, Ahmad Buchori, Ararat Alfayoumi, Mejeb Turki Al-Turki

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IFSB Annual Meetings and Side Events 2016 in Cairo, Egypt

The IFSB organised three Side Events in conjunction with the IFSB Annual Meetings 2016 on 10 – 12 April 2016 in Cairo, Egypt, hosted by the Central Bank of Egypt.

The first event was a **Seminar on Islamic Capital Market**, held on 10 April 2016. Themed, "Supporting Development through *Sukūk*: Prospects and Initiatives", the Seminar aimed to provide an interactive environment enabling speakers and participants to explore the prospective role of *sukūk* in social and economic development. The Seminar offered perspectives of *sukūk* that revolved around the key challenges.

Mr. Gamal Negm, Deputy Governor, Central Bank of Egypt and **Mr. Jaseem Ahmed**, Secretary-General of the IFSB delivered the opening and welcoming speeches respectively. The keynote address was delivered by **H.E. Sherif S. Samy**, Chairman of the Egyptian Financial Supervisory Authority.

Fourteen chairpersons and speakers from among regulators and market players were invited to discuss several issues at the Seminar. The issues were Development of the *Sukūk* Sector: Legal and Regulatory Considerations, *Sukūk* for Budgetary and Financial Sector Support: Structures and Country Examples, *Sukūk* for Infrastructure Financing: Prospects and Case Studies and Building Synergies for *Sukūk* Issuance.

Over 100 delegates from 16 jurisdictions among the IFSB member and non-member organisations – representatives from market players, regulatory bodies, international agencies as well as academia and other interested parties from the public attended this Seminar.

On 11 April 2016, the IFSB organised its 8th **Public Lecture on Financial Policy and Stability**. The Lecture, delivered by **Dr. Sami Al Suwailem**, Head, Financial Product Development Center, Islamic Development Bank carried the theme, "Morality, Rationality and Financial Stability".

Mr. Jaseem Ahmed and **Mr. Tarek Fayed**, Sub Governor, Central Bank of Egypt delivered the opening and welcoming speeches. The Lecture saw the attendance of 100 participants from among the IFSB members, regulatory and supervisory bodies, as well as the government, private, legal and educational sectors in Egypt.

The 13th **Islamic Financial Stability Forum (IFSF)** was held on 12 April 2016, after the IFSB Council and General Assembly meetings. The topic of this year's IFSF was "Consumer Protection in Islamic Finance".

Professor Volker Nienhaus, Former President, University of Marburg, Germany, and IFSB Consultant was the speaker of the 13th IFSF. His presentation which was based on the IFSB Working Paper on, "Financial Consumer Protection in Islamic Finance", stated that while most of the issues in consumer protection – such as preventing systemic financial risks, selling of unsuitable financial products, unfair treatment by the financial institutions – cover both conventional and Islamic segments of the financial system, there are some issues and risks pertinent to Islamic finance sector, such as Shar'ah non-compliance risk. He stressed that regulators and supervisors in Islamic finance should focus on these unique risks in line with the progress taking place to address the common issues applicable to both sectors.



The press releases and speeches from the side events are available at the IFSB website - Press room.

Presentations are accessible for members from the Member's zone.

1. Mr. Gamal Negm delivering the welcoming speech during the Seminar
2. Session 1: Development of the *Sukūk* Sector: Legal and Regulatory Considerations
3. Participants attending the Seminar
4. Dr. Sami delivering his Lecture during the 8th Public Lecture

الاجتماعات السنوية لمجلس الخدمات المالية الإسلامية للعام 2016 والفعاليات المصاحبة لها -القاهرة، جمهورية مصر العربية

نظم مجلس الخدمات المالية الإسلامية ثلاث فعاليات بالتزامن مع انعقاد الاجتماعات السنوية لمجلس الخدمات المالية الإسلامية للعام 2016 التي عقدت في الفترة 10-12 أبريل في العاصمة المصرية القاهرة، باستضافة البنك المركزي المصري.

وافتح الفعاليات بانعقاد ندوة حول سوق رأس المال الإسلامي بعنوان " دعم التنمية من خلال الصكوك: الآفاق والمبادرات"، بتاريخ 10 أبريل 2016. حيث هدفت الندوة إلى توفير بيئة تفاعلية تمكن كل من المتحدثين والمشاركين لاستكشاف الدور المحتمل للصكوك في التنمية الاجتماعية والاقتصادية. كما قدمت الندوة وجهات نظر مختلفة حول التحديات التي تواجه الصكوك.

وفي بداية الندوة ألقى كل من نائب محافظ البنك المركزي المصري، السيد/ جمال نجم، والأمين العام لمجلس الخدمات المالية الإسلامية، السيد/ جاسم أحمد الكلمات الترحيبية والافتتاحية على التوالي. في حين ألقى معالي السيد شريف سامي رئيس الهيئة العامة للرقابة المالية المصرية خلال كلمته الرئيسة.

وتناول أربعة عشر رئيساً ومتحدثاً في الجلسات يمثلون السلطات التنظيمية والجهات الفاعلة في قطاع أسواق رأس المال الموضوعات التالية:

- تطوير قطاع الصكوك: الاعتبارات القانونية والتنظيمية.
- حلقة نقاش حول دور الصكوك في دعم الميزانية والقطاع المالي: هياكل وأمثلة من دول معينة.
- دور الصكوك في تمويل مشاريع البنية التحتية: الآفاق ودراسات حالة.
- حلقة نقاش حول إرساء أطر التعاون لإصدار الصكوك.

هذا وشهدت الندوة حضوراً مميزاً لأكثر من 100 مشاركاً ينتمون لـ 16 دولة من المنظمات الأعضاء وغير الأعضاء في مجلس الخدمات المالية الإسلامية والذين يمثلون كل من السلطات الرقابية،

والمنظمات الدولية، وعلماء الشريعة فضلاً عن الأكاديميين والأطراف المعنية بصناعة الخدمات المالية الإسلامية.

كما نظم مجلس الخدمات المالية الإسلامية بتاريخ 11 أبريل 2016 المحاضرة العامة الثامنة حول السياسات المالية والاستقرار المالي، التي ألقاها الدكتور سامي السويلم، رئيس مركز تطوير المنتجات المالية الإسلامية في البنك الإسلامي للتنمية، حيث كان عنوانها " الأخلاقية، والعقلانية، والاستقرار المالي".

وكانت الندوة قد شهدت لقاء كل من الأمين العام لمجلس الخدمات المالية الإسلامية السيد/ جاسم أحمد، ووكيل محافظ البنك المركزي المصري السيد/ طارق فايد الكلمات الافتتاحية والترحيبية على التوالي. وشهدت الندوة حضوراً لافتاً لأكثر من 100 مشاركاً من المنظمات الأعضاء، والسلطات الرقابية والإشرافية، وكذلك القطاعي الحكومي والخاص، فضلاً عن المؤسسات التعليمية والقانونية في جمهورية مصر العربية.

وامتدت فعاليات المجلس لتاريخ 12 أبريل 2016، حيث عُقد منتدى الاستقرار المالي الإسلامي الثالث عشر عقب انعقاد اجتماع المجلس الأعلى، الجمعية العمومية للمجلس، متناولاً الحماية المالية للمستهلك في التمويل الإسلامي.

شارك في المنتدى البروفيسور فولكر نينهاوس والرئيس السابق لجامعة ماربورغ، بألمانيا، ومستشار مجلس الخدمات المالية الإسلامية بصفته متحدثاً، استند في حديثه لورقة العمل الصادرة ضمن سلسلة أوراق العمل التي يصدرها المجلس حول الحماية المالية للمستهلك في المالية الإسلامية، حيث ذكر أن معظم القضايا المتعلقة بالحماية المالية للمستهلك تغطي القطاع التقليدي والإسلامي للنظام المالي، وشارك كل من ناريمان عبد الله قمبر العوضي المدير الرئيسي لوحدة حماية المستهلك، مصرف الإمارات المركزي، والسيد/ خير النظام الرئيس التنفيذي للعمليات، هيئة الاعتماد المالية المحدودة.

UPDATES FROM THE 28TH MEETING OF THE IFSB COUNCIL

12 April 2016, Cairo

The IFSB Admits Three Organisations Into Its Membership

The Council of the IFSB has resolved to approve the admission of three organisations into the IFSB membership. These include one supervisory authority as an Associate Member, and two financial institutions as Observer Members.

The newly admitted members are:

Associate Member

1. Bank of Tanzania

Observer Member

2. Sohar Islamic, Oman
3. Gulf African Bank, Kenya

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 190 members of the IFSB consist of 66 supervisory and regulatory authorities from the banking, capital markets and Islamic insurance (*takāful*) sectors from 48 jurisdictions, as well as eight international inter-governmental organisations, and 116 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 website.

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

The Council of the IFSB resolved to approve the adoption of a new standard, Guiding Principles for *Retakāful* (Islamic Reinsurance) - IFSB-18.

IFSB-18 aims to provide the regulatory and supervisory authorities (RSAs)

and market players of the *takāful* industry guidance relating to *retakāful*. IFSB-18 identifies and sets forth a set of basic principles and best practices pertaining to *retakāful* activities of both *takāful* and *retakāful* operators. The objectives of IFSB-18 include:

- (a) To provide a basis for RSAs to set rules and guidance on the operational framework of entities undertaking inward *retakāful* activities;
- (b) To outline a basis for RSAs to supervise *takāful* and *retakāful* undertakings' use of outward *retakāful* arrangements; and
- (c) To suggest recommended best practices for *retakāful* and *takāful* operators and their RSAs to help address regulatory issues concerning *retakāful*.

A key feature of IFSB-18 is that it provides *retakāful* stakeholders with guiding principles on the conduct of the *retakāful* business. These guiding principles touch important elements of the *retakāful* practice including governance, Sharī'ah principles, transparency, disclosure and supervisory review process. IFSB-18 also delineates relevant regulatory standards and practices that are to be implemented alongside the aforementioned guiding principles which include the suitable adoption of Core Principles issued by International Association of Insurance Supervisors (IAIS) to ensure prudence in *retakāful* regulatory supervision, business and operations.

IFSB-18 draws upon the results of an industry-wide survey conducted by the IFSB, and highlights the distinguishing features of various structures being used in various jurisdictions for offering *retakāful* solutions. Furthermore, IFSB-18 provides highlights on various dimensions of *retakāful* arrangements which include inward and outward *retakāful* as well as co-*takāful*. Other pertinent issues covered in IFSB-18 are *retakāful* windows, business undertaking model, and the many types of *retakāful* arrangements.

Since the launching of its work programme to expand its coverage of its standards to the *takāful* sector, the IFSB has issued four standards covering this sector. IFSB-18 expands the appropriate governance and risk management principles to accommodate the *retakāful* sector.

The softcopies of IFSB-18 are available on the IFSB website, www.ifsb.org in both English and Arabic languages.

Facilitating the Implementation of the IFSB Standards (FIS) Workshops in Sudan, Nigeria and Oman

Four "Facilitating the Implementation of the IFSB Standards (FIS)" Workshops have been held from January to May 2016.

The IFSB conducted 4-day Workshop for Banking Sector from 11 - 14 January 2016, hosted by the Central Bank of Sudan in Khartoum, Sudan. The Workshop focused on two IFSB standards; 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. The Workshop was attended by 70 participants, consisting staff from the Central Bank of Sudan, the Insurance Supervisory Authority, Sudan as well as industry participants from numerous banking institutions within the jurisdiction.

The second Workshop on Banking Sector was held from 23 - 26 February 2016, hosted by the Central Bank of Nigeria in Abuja, Nigeria. The Workshop focused on two IFSB standards; IFSB-15: Revised

Capital Adequacy Standard and IFSB-16: Revised Guidance on Key Elements in the Supervisory Review Process of IIFS. The Workshop was attended by 48 participants, the majority of whom were among the staff of the Central Bank of Nigeria.

The Workshop was conducted concurrently with another Workshop for the *Takāful* sector, hosted by the National Insurance Commission of Nigeria. The latter focused on three IFSB standards; IFSB-8: Guiding Principles on Governance for *takāful* Undertakings, IFSB-11: Standard on Solvency Requirements for *Takāful* Undertakings and IFSB-14: Standard on Risk Management for *Takāful* Undertakings. The 2-day Workshop was attended by 51 participants from Nigeria and one participant from Sudan.

The Workshop in Sultanate of Oman was held from 28-31 March 2016 by Central Bank of Oman and supported by the Islamic Development Bank. The 4-day Workshop was attended by 45 participants, and included not only participants from the Central Bank of Oman, but also from the industry participants from numerous banking institutions. The aim of the Workshop was to provide in-depth technical knowledge about IFSB-15: Revised Capital Adequacy Standard, and IFSB-16: Revised Guidance on Key Elements in the Supervisory Review Process.



FIS Workshop in Khartoum, Sudan



FIS Workshop in Abuja, Nigeria



FIS Workshop in the Sultanate of Oman

Technical Note on Stress Testing for Institutions offering Islamic Financial Services

In its 23rd meeting held in December 2013 in Doha, Qatar, the Council of the IFSB approved the preparation of the Technical Note on Stress Testing for Institutions Offering Islamic Financial Services (IIFS) and the setting up of a Task Force for this purpose to be part of the IFSB Work Plan 2014.

The IFSB Secretariat accordingly embarked upon this project and a Task Force comprising 21 members from 16 regulatory and supervisory authorities (RSAs) and two international organisations was established. The Task Force held its first meeting on 19 December 2014 in Kuala Lumpur.

The Task Force has, since then, held a total of five meetings as part of the due process in the preparation of the Technical Note. The Exposure Draft of this Technical Note (ED TN-2) has also been reviewed by the Shari'ah Board of the Islamic Development Bank.

The objective of this Technical Note is to provide RSAs and market players of the Islamic banking industry with appropriate and adequate technical guidance to develop, conduct and assess stress tests. In particular, the objectives of the Technical Note include:

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

A key feature of this Technical Note is that it is accompanied by four basic stress test templates: one each for conducting credit, market and liquidity risk assessments as well as a scenario analysis template that combines credit and market risk stress tests.

The scope of this Technical Note is limited to the Islamic banking sector, and is being aimed at both institutional-level (i.e. used by banking institutions to assess institutions' risk tolerance and capital level) and system-wide stress tests (i.e. used by RSAs as a supervisory tool for financial stability analysis stress testing). RSAs may extend the application to Islamic "window" operations that are self-contained or modify it for application to other types of IIFS that fall within their jurisdictions.

The Technical Committee of the IFSB, in its 38th meeting held on 17 March 2016 in Kuala Lumpur, Malaysia, approved the issuance of the Exposure Draft (ED TN-2) for public consultation for a period of 3 months starting 21 March 2016 to 21 June 2016. During this period, the IFSB invites comments from RSAs, international organisations, market players, academics and other interested parties.

Disclosure Requirements for Islamic Capital Market Products

In its 21st meeting on 12 December 2012 in Jeddah, Kingdom of Saudi Arabia, the Council approved the preparation of a standard for disclosure requirements for Islamic capital market products.

Mr. Zainal Izlan, Executive Director, Securities Commission Malaysia and Mr. Eser Sagar, Expert, Capital Markets Board of Turkey, were appointed as the Chairman and Deputy Chairman of the Working Group (WG) by the Technical Committee in their 35th and 36th meetings respectively.

The 1st meeting of the WG was held on 23 April 2015 in Oman where an Issues Paper was discussed. The 2nd meeting was held on 3 August 2015 in Istanbul, Turkey in which the WG discussed the Initial Study Report and the draft survey questionnaires.

A Survey had been 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. 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 is was presented in the 5th WG meeting on 9 May 2016 in Kuala Lumpur.

The IFSB releases 3rd Dissemination of Prudential and Structural Islamic Financial Indicators (PSIFIs) for 17 member countries

On 14 March 2016, the IFSB released the third dissemination of data on financial soundness and growth of the Islamic banking systems in participating IFSB member jurisdictions, covering quarterly data from December 2013 to the Q2 of 2015.

The dissemination is part of the IFSB's Prudential and Structural Islamic Financial Indicators (PSIFIs) project, which currently compiles data from 17 member countries.

This release expands the data provided in the earlier releases as many member jurisdictions have improved their data collection and consolidation of their framework for the Islamic banking industry, in line with the requirements of PSIFIs project.

In this release, a few jurisdictions have also started reporting the data on newly introduced Basel III indicators such as the leverage ratio, Liquidity Coverage Ratio (LCR), and Net Stable Funding Ratio (NSFR) during the observation period.

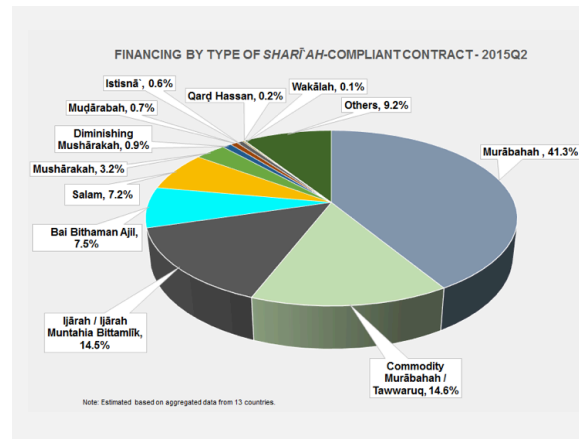
An important feature of the current dissemination is the inclusion of Islamic banking data of the United Arab Emirates, released for the first time, as the country became the 17th member of the PSIFIs project in December 2015. The 17 countries participating in this project are: Afghanistan, Bahrain, Bangladesh, Brunei, Egypt, Indonesia, Iran, Jordan, Kuwait, Malaysia, Nigeria, Oman, Pakistan, Saudi Arabia, Sudan, Turkey, and United Arab Emirates.

In order to coordinate the data collection exercise, the IFSB established a Task Force comprising two country coordinators from each participating banking sector regulator to finalise the set of indicators, conduct

capacity building workshops and launch a Coordinated Compilation Exercise. Accordingly, the IFSB Task Force on PSIFIs now includes representatives from all 17 member jurisdictions as well as three international organisations – the International Monetary Fund (IMF), Islamic Development Bank (IDB) and the Asian Development Bank (ADB). The international collaboration between the IFSB, multilateral institutions and participating countries has greatly facilitated the collection of Islamic banks data and enhanced the clarity and consistency of indicators across jurisdictions. Since the establishment of Task Force in Q3 of 2014, the IFSB has conducted five meetings in Kuala Lumpur, Denpasar, Kuala Lumpur, Dhaka, and Manama, which were held in September and November 2014, April and August 2015 as well as January 2016 respectively.

Currently new set of data for the third quarter of 2015 is being collected and reviewed by the IFSB. In addition, the Secretariat has started drafting of revised compilation guide for the current PSIFIs indicators.

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



IFSB Members and Industry Engagement Sessions

Since the start of the year, the IFSB has organised three IFSB Members and Industry Engagement (M&IE) Sessions in Bahrain, Malaysia and Egypt.

The first M&IE session was held in Bahrain on 10 January 2016 and hosted by the Central Bank of Bahrain. It was attended by 21 participants consisting IFSB members and the Bahrain financial community. The session was held back to back with the IFSB's Roundtable Discussion for the IFSB Exposure Draft on Guiding Principles for *Retakaful* (Islamic Reinsurance).

Mr. Abdul Rahman Al Baker, Executive Director – Financial Institutions Supervision, Central Bank of Bahrain delivered the welcoming remarks, which was followed by a presentation on the development of the Islamic financial services industry, as well as the work of the IFSB by Mr. Jaseem Ahmed, Secretary-General and Mr. Zahid Ur Rehman Khokher, Assistant Secretary-General of the IFSB.

The second M&IE session, hosted by Bank Negara Malaysia was held in Malaysia on 28 January 2016 and was attended by 55 participants consisting IFSB members and leaders of the Malaysian financial community. H.E. Dr. Zeti Akhtar Aziz, the then Governor, Bank Negara Malaysia delivered the opening remarks.

The latest M&IE session in Egypt on 11 April 2016 was held in conjunction with the IFSB Annual Meetings and Side Events 2016, which the Central Bank of Egypt hosted. The session was attended by 50 participants consisting IFSB members and the Egyptian financial community, where Mr. Tarek Fayed, Sub Governor, Central Bank of Egypt and Deputy Chairman of the IFSB Technical Committee, delivered the opening remarks.

For the sessions in Malaysia and Egypt, the opening remarks were followed by a presentation titled, "Global Outlook of Islamic Finance", by Mr. Jaseem Ahmed. Mr. Zahid Ur Rehman Khokher then delivered a presentation themed, "Stakeholders Engagement in Supporting the Sound Development of Islamic Financial Services Industry".

The IFSB Members and Industry Engagement Sessions are held with the aim to provide platforms for the IFSB members and greater financial community insights and updates into the work of the IFSB, its relevance to the development of the global industry, and the roles the stakeholders (members and non-members) can play in this development.

These sessions received very positive responses and feedback from the participants, and the IFSB looks forward to meeting and engaging with IFSB members and non-members from various jurisdictions in future IFSB Members and Industry Engagement sessions.



Bahrain, January 2016



Malaysia, January 2016



Egypt, April 2016



Egypt, April 2016

Upcoming IFSB Workshops & Awareness Programmes Sept - Dec 2016

19 - 21 SEPTEMBER 2016 | ZAMBIA

IFSB-FIS WORKSHOP
• Banking Sector

Hosted by



BANK OF ZAMBIA

5 - 6 OCTOBER 2016 | MALAYSIA

9TH IFSB-INCEIF EXECUTIVE FORUM
• Shari'ah Governance Framework
Promoting Sound and Effective Shari'ah
Governance Practices

Jointly organised with



THE GLOBAL UNIVERSITY OF ISLAMIC FINANCE

6 OCTOBER 2016 | WASHINGTON DC

IFSB-WB HIGH-LEVEL SEMINAR ON ISLAMIC
FINANCE
• Sustainable Development Goals and the Role
of Islamic Finance

Jointly organised with



WORLD BANK GROUP

24 - 28 OCTOBER 2016 | MALAYSIA

IFSB-FIS WORKSHOP (FOR REGULATORY &
SUPERVISORY AUTHORITIES)
• IFSB Standards for Regulatory and Supervisory
Authorities for the Banking Sector

17 - 10 NOVEMBER 2016 | MALAYSIA

IFSB-FIS WORKSHOP
• Banking Sector (IFSB 15, IFSB 16, GN 6)

Hosted by



BANK AL-MAGHRIB

Supported by



BANK AL-MAGHRIB

16 - 17 NOVEMBER 2016 | MALAYSIA

10TH IFSB-INCEIF EXECUTIVE FORUM
• Financial Inclusion and Islamic Finance
Aligning Objectives and Methodologies

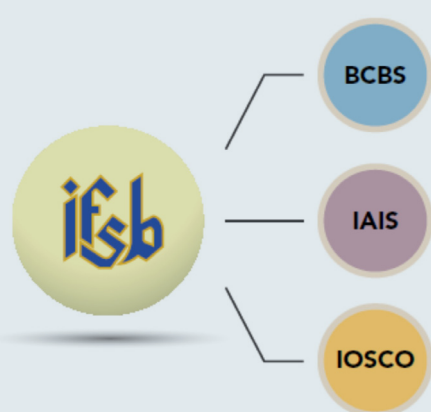
Jointly organised with



THE GLOBAL UNIVERSITY OF ISLAMIC FINANCE

29 NOVEMBER - 1 DECEMBER 2016 | MALAYSIA

IFSB-FIS WORKSHOP (FOR REGULATORY &
SUPERVISORY AUTHORITIES)
• IFSB Standards for Regulatory and Supervisory
Authorities for the Islamic Capital Market and Takāful
Sectors



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).

Basel Consultative Group Meeting in Abu Dhabi, UAE

The Secretary-General of the IFSB, **Mr. Jaseem Ahmed** and Assistant Secretary-General **Mr. Zahid ur Rehman Khokher** participated in the Basel Consultative Group Meeting which was held on 19 - 20 January 2016 in Abu Dhabi, UAE and hosted by the Arab Monetary Fund (AMF). The IFSB also sent feedback on the Consultative Document, "Revisions to the Standardised Approach issued by BCBS."

International Auditing and Assurance Standards Board (IAASB) and International Ethics Standards Board for Accountants (IESBA)

The IFSB team comprising the Secretary-General **Mr. Jaseem Ahmed** and Assistant Secretary-General **Dr. Sherif Ayoub** attended the Consultative Advisory Group meeting of two standard-setting bodies on 7 - 9 March 2016 in Paris, France.

The IFSB and Banco De España successfully organise Seminar on Islamic Finance: The Real Economy and the Financial Sector

IFSB organised a Seminar on Islamic Finance with the theme, "The Real Economy and the Financial Sector" on 24 May 2016 in Madrid, Spain, supported by the Banco de España and in collaboration with the IE Business School, Spain.

This Seminar is part of the IFSB European Forum series, held in prominent financial centres in Europe. It was organised in response to the increasing interest shown by European countries in Islamic financial services. Previous Seminars have been held in Italy (2013), France (2009), Germany (2007) and Luxembourg (2005).

The one-day Seminar covered the topics such as Islamic Finance: Legal and Regulatory Considerations, *Sukūk*: A Growing Alternative Asset Class to Fund the Real Sector, Equity-based Financing and its Effects on Macroeconomic Resilience as well as Banking the Unbanked: Enhancing Financial Inclusion using Risk-Sharing Instruments.

The Seminar was preceded by an Introductory Seminar on 23 May 2016.

International Monetary Fund (IMF) Law and Stability Seminar, Washington DC, USA

The Seminar, "Rule of Law and Financial Stability", took place on 16 -18 May 2016 at IMF Headquarters in Washington D.C. The IMF's Managing Director, **Madame Christine Lagarde**, in her Welcome Remarks mentioned, amongst others, the importance of recognising the innovation represented by Islamic Finance. **Mr. Jaseem Ahmed**, the Secretary-General of the IFSB participated in the Seminar as a speaker, presenting on the topic: Legal Framework for Islamic Banking. The SG's session was chaired by Mr. Masood Ahmed, Director of IMF's MENA region, with panellists from IFSB members; Banking Regulation and Supervision Agency of Turkey and Banque du Liban.



World Bank - IFSB - Turkish Treasury Conference: Realising the Value Proposition of *Takāful* Industry for a Stable and Inclusive Financial System

The World Bank Group (WBG), IFSB, and the Undersecretariat of Treasury of the Republic of Turkey jointly organised a conference on "Realising the Value Proposition of *Takāful* Industry for a Stable and Inclusive Financial System" on 30-31 May 2016 in Istanbul, Turkey. The event was hosted by Insurance Association of Turkey and Participation Insurance Association of Turkey.

This Conference aimed to provide a platform for global practitioners and stakeholders in *takāful* industry to discuss selected emerging issues. It covered issues such as the recent outlook of the *takāful* industry and its potential in enhancing risk coverage of households and corporates, as a tool for financial inclusion, as well as its role in supporting the growth of Islamic finance industry globally. The Conference also included discussion on the developments made in the legal, regulatory, and supervisory framework for *takāful* and *retakāful* sectors, focusing on the pre-requisites and governance of these sectors at national and international levels.



ISLAMIC FINANCIAL SERVICES INDUSTRY STABILITY REPORT 2016 ISSUANCE DATE: MAY 2016

Consistent with the previous editions, the IFSI Stability Report 2016 is segregated into four chapters, with the first looking into the latest developments across the three main sectors of the IFSI – Islamic banking, the Islamic capital market and *takaful* – along with some recent developments in Islamic microfinance sector. The second chapter follows with a comprehensive overview of the initiatives undertaken by the IFSB's counterparts, the Financial Stability Board and its component international standard-setting bodies, and the corresponding initiatives and work plan executed by the IFSB. The third chapter follows with an assessment of the resilience of the Islamic financial system by conducting technical analysis of selected financial indicators to identify imminent risks (if any) to its stable performance. Finally, the fourth chapter discusses three pertinent and emerging issues in Islamic finance, namely, (a) Cross sectoral links between various sectors of IFSI; (b) Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT) Regulations in Islamic Finance; and (c) Regulatory Consistency in the Implementation of Global Prudential Standards. The 2016 Report has also benefitted through box article contributions by Bangladesh Bank and the European Banking Authority (EBA).



7TH PUBLIC LECTURE ON FINANCIAL POLICY AND STABILITY ISSUANCE DATE: APRIL 2016

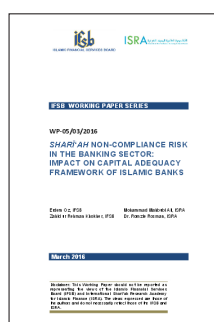
The 7th Public Lecture, entitled, "Entrepreneurship, Islamic Finance and SME Financing" was presented by Dr. M. Kabir Hassan, Ph.D, Professor of Finance and Hibernia Professor of Economics and Finance, University of New Orleans on 1 April 2015.

The purpose of this paper is to explore the entrepreneurship phenomenon from an Islamic perspective. It specifically seeks to examine the relationship between Islamic values and entrepreneurial activity and to establish whether these values can be more effectively tapped into to raise the profile of Islamic form of entrepreneurship and promote alternatives to development.



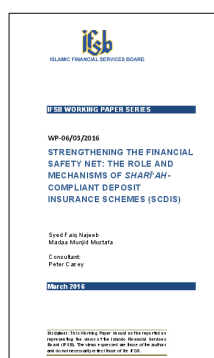
IFS-18: GUIDING PRINCIPLES FOR RETAKFUL (ISLAMIC REINSURANCE) ISSUANCE DATE: APRIL 2016

IFS-18 aims to provide the regulatory and supervisory authorities (RSAs) and market players of the *takaful* industry guidance relating to *retakaful*. IFS-18 identifies and sets forth a set of basic principles and best practices pertaining to *retakaful* activities of both *takaful* and *retakaful* operators. In particular, the objectives of IFS-18 include: (a) To provide a basis for RSAs to set rules and guidance on the operational framework of entities undertaking inward *retakaful* activities; (b) To outline a basis for RSAs to supervise *takaful* and *retakaful* undertakings' use of outward *retakaful* arrangements; and (c) To suggest recommended best practices for *retakaful* and *takaful* operators and their RSAs to help address regulatory issues concerning *retakaful*.



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 ISSUANCE DATE: MARCH 2016

The paper aims to study the nature of Shari'ah Non-Compliance Risk (SNCR) and explore its implications on the capital adequacy of Islamic banks. This paper endeavours to describe an appropriate approach for the application of capital charge for SNCR in the light of currently available data as well as provide a direction for future studies in this area. It provides an overview on the nature of operational risk and associated capital adequacy requirements for both conventional and Islamic banks. It further explores the identification process of SNCR from a contractual perspective and the methodologies adopted in dealing with SNCR.



WP-06: STRENGTHENING THE FINANCIAL SAFETY NET: THE ROLE AND MECHANISMS OF SHARI'AH-COMPLIANT DEPOSIT INSURANCE SCHEMES (SCDIS) ISSUANCE DATE: MARCH 2016

WP-06 highlights the current Shari'ah-compliant models of deposit insurance schemes that are being implemented in different jurisdictions and the operational and Shari'ah challenges that need to be considered in the implementation of these schemes. The paper also considers the Shari'ah perspectives that support the provision of funds protection to the IFSI in general, and to depositors in particular, in the interest of achieving financial stability and resilience in the system. The paper raises awareness on the importance of having SCDIS; highlights the existing modalities and practices of SCDIS in different jurisdictions; and identifies key design challenges from both Shari'ah and operational perspectives for developing SCDIS.

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 احترافية 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 خمسة 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 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 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 الشريعة الإسلامية الصادرة من مؤسسات تصنيف ائتماني خارجية.

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

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>

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 April 2016, the IFSB has published twenty-five 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

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.