

# 41ST COUNCIL MEETING & SIDE EVENTS EDITION

## MESSAGE BY THE SECRETARY - GENERAL

Bismillillahi Rahman Rahim

We greeted 2022 in high spirits and we bid 2022 farewell in an even higher spirits having harvested another fruitful quarter. The IFSB continued to heed several significant efforts as an adamant advocate of the Islamic finance.

The IFSB is proud to have entered its 10th year of its flagship publication, the IFSB 10th Islamic Financial Services Industry Stability Report 2022. The report launched in August, was optimistic in highlighting that despite the global challenges, the total worth of the IFSI had increased to an estimated USD 3.06 trillion in 2021 and that, the IFSI sustained its growth momentum recording a growth rate of 11.3% year-on-year (y-o-y).

The following month, the 4th IFSB Innovation Forum "Innovations for Sustainability & Regulating Financial Services held in Doha, Qatar, shone under a spotlight as it convened hundreds of international experts in Islamic finance and sustainable finance. The forum was successfully organised by the IFSB alongside with Qatar Financial Centre (QFC), under the auspices of the Qatar Central Bank, (QCB). The forum, was officiated by H.E. Sheikh Bandar bin Mohammed bin Saoud Al-Thani, Governor of QCB.

The IFSB drew the curtain of an eventful 2022, by concluding the 41st meeting of the IFSB Council and side events successfully in Islamabad, Pakistan. The meeting that happened in December was hosted by State Bank of Pakistan and chaired by H.E. Jameel Ahmad, Governor of State Bank of Pakistan and Chairman of the IFSB for 2022.

Repercussions from the meeting saw the appointment of H.E. Dr. Fahad Abdallah Al-mubarak, Governor of Saudi Central Bank as the new Chairman, while H.E. Ahmed Osman, Governor of Banque Centrale De Djibouti as the new Deputy Chairman, of the IFSB for the term 2023 respectively. In addition, new Executive Committee members were also appointed for term 2023-2024 as well as the adoption of 3 new Standards.

We anticipate another eventful year in 2023, cultivating dynamic direction under the helm of the new visionary leadership.

Dr. Bello Lawal Danbatta  
Secretary-General of the IFSB

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# 41ST COUNCIL MEETING & SIDE EVENTS

## The IFSB Successfully Concluded its 41st Council Meeting and Side Events



The IFSB Council members attended the 41st Meeting



Dr. Bello Lawal Danbatta presented an appreciation gift from the IFSB to Securities and Commodities Exchange of Pakistan (SECP)



Dr. Bello Lawal Danbatta presented a token of appreciation from the IFSB to Mr. Riaz Nazali Chunara, Managing Director of National Institute of Banking and Finance, State Bank of Pakistan.

The Islamic Financial Services Board (IFSB) is pleased to announce that the 41st Meeting of the IFSB Council and Side Events were successfully concluded on 15 December 2022. The Council Meeting and Side Events which were hosted by the State Bank of Pakistan being the IFSB Council Chair 2022 were as follows:

Tuesday, 13 December 2022

- Capacity Building Workshop for Market Players (CBM Workshop)
- Facilitating the Implementation of IFSB Standards Workshop (FIS Workshop)

Wednesday, 14 December 2022

- IFSB Members and Industry Engagement Session: Global Outlook of Islamic Finance
- 15th IFSB Public Lecture: Sustainable Development Goals (SDGs) and Islamic Finance Philosophy: The Way Forward

Thursday, 15 December 2022

- 41st IFSB Council Meeting

The 41st Meeting chaired by H.E. Jameel Ahmad, Governor of State Bank of Pakistan and Chairperson of the IFSB for 2022 were attended by Central Bank Deputy Governors, Chairmen of regulatory and supervisory authorities, senior representatives from among the Council members of the IFSB.

On behalf of the IFSB Secretariat, the Secretary-General, Dr. Bello Lawal Danbatta expressed his heartfelt gratitude to all IFSB members for attending and active participation in the 41st Council Meeting, paving the way to effective IFSB governance. Dr. Bello was delighted the same that the Side Events held over the last three (3) days, brought various IFSB stakeholders together on a common arena to discuss pertinent issues relevant to Islamic Finance.





Secretary-General of IFSB, Dr. Bello Lawal Danbatta, Syed Sammar Hasnain Abidi, Executive Director of Development Finance Group, the SBP and Mr. Tariq Naseem, Head of Islamic Finance Department in Securities & Committees Exchange of Pakistan (SECP) with all the participants of Capacity Building Workshops.

### **The IFSB Organised Capacity Building Workshops for Market Players in Pakistan**

Two (2) parallel workshops in conjunction with the 41st Council Meeting; Capacity Building Workshop for Market Players (CBM Workshop) and Facilitating the Implementation of IFSB Standards Workshop (FIS Workshop) were successfully conducted on 13 December 2022 in Islamabad, Pakistan.

The workshops which aimed at enhancing the level of understanding and awareness of IFSB standards among local regulators and industry players, commenced with welcoming remarks by Dr Bello Lawal Danbatta, Secretary-General of IFSB, Mr Syed Samar Hasnain, Executive Director of Development Finance Group in the SBP, and Mr Tariq Naseem, Head of Islamic Finance Department in Securities and Exchange Commission of Pakistan.

The workshops were designed to include topics covering Islamic banking, Islamic capital markets and Takaful sectors, with particular focus on

- IFSB-23: Revised Capital Adequacy Standard for Institutions offering Islamic Financial Services [Banking Segment]
- IFSB- 20: Key Elements in the Supervisory Review Process of Takaful/Retakaful Undertakings
- IFSB-21: Core Principles for Islamic Finance Regulation [Islamic Capital Market Segment]

Both workshops gathered more than 100 participants from several IFSB's member Regulatory and Supervisory Authorities (RSAs) of Pakistan, including various local market players of the Islamic finance industry.



Secretary-General of IFSB, Dr. Bello Lawal Danbatta, Syed Sammar Hasnain Abidi, Executive Director of Development Finance Group, the SBP and Mr. Tariq Naseem, Head of Islamic Finance Department in Securities & Committees Exchange of Pakistan (SECP) during certificate giving ceremony to Capacity Building Workshops.



Mr. Reza Mustafa, IFSB Secretariat delivered the workshop on IFSB-23 Revised Capital Adequacy Standard for Institutions offering Islamic Financial Services [Banking Segment]



## **IFSB conducted Members and Industry Engagement Session in Islamabad, hosted by State Bank of Pakistan that Discussed the Global Outlook of Islamic Finance**

The Islamic Financial Services Board (IFSB) successfully organised Members and Industry Engagement Session (MIES) Session on 14 December 2022 in Islamabad, Pakistan. The MIES Session aimed to discuss the global outlook of Islamic finance, and to provide an interactive platform for communication between the key players of the Islamic financial services industry (IFSI), from among the IFSB member and non-member organisations, and the IFSB Secretariat.

State Bank of Pakistan (SBP), a Full and Founding Member of the IFSB and the Chair of the IFSB 2022, hosted the MIES Session, and the opening remarks was delivered by H.E. Sima Kamil, Deputy Governor (Financial Inclusion, Digital Financial Services & Information Technology), State Bank of Pakistan. This was followed by a presentation on the Global Outlook of Islamic Finance: Stability, Resilience and the role of the IFSB by Dr. Bello Lawal Danbatta, Secretary-General of the IFSB. The MIES Session was concluded with an interactive session in which member organisations and industry stakeholders interacted and exchanged views with the IFSB Secretary-General and Senior Management Team on the relevant/current issues facing the IFSI, as well as the work programme of the IFSB.

The MIES Session aims to provide a platform for engagement and interaction, as well as exchange of views, among the industry leaders and stakeholders. The session was attended by over 70 participants key players of the IFSI, especially members of the IFSB from among regulatory and supervisory authorities, international inter-governmental organisations, institutions offering Islamic financial services and CEOs of both Islamic and conventional banks in Pakistan.



H.E. Sima Kamil, Deputy Governor (Financial Inclusion, Digital Financial Services & Information Technology), State Bank of Pakistan delivering the opening remarks.



Secretary-General of IFSB, Dr. Bello Lawal Danbatta delivering the Global Outlook of Islamic Finance: Stability, Resilience and the role of the IFSB.



## 15th IFSB Public Lecture: Sustainable Development Goals (SDGs) and Islamic Finance Philosophy: The Way Forward

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The Acting Director General of the Islamic Development Bank Institute (IsDBI), Dr. Sami Al-Suwailem delivered a lecture on the role of Islamic finance in actualizing the Sustainable Development Goals (SDGs).

## Saudi Central Bank to Helm the IFSB Chairmanship for 2023

The Council of the Islamic Financial Services Board (IFSB) resolved to appoint its Chairman and Deputy Chairman for the year 2023. H.E. Dr. Fahad Abdallah Al-mubarak, Governor of Saudi Central Bank will take over the Chairmanship of the IFSB, while H.E. Ahmed Osman, Governor of Banque Centrale De Djibouti will be the Deputy Chairman. H.E. Dr. Fahad Abdallah Al-mubarak will take over the chairmanship of the IFSB from H.E. Jameel Ahmad, Governor of State Bank of Pakistan. The new appointments will take effect on 1 January 2023 onwards.



### H.E. DR. FAHAD ABDALLAH AL-MUBARAK GOVERNOR OF SAUDI CENTRAL BANK CHAIRMAN, IFSB COUNCIL

**H.E. Dr. Fahad Almubarak** has been the Saudi Central Bank Governor since January 2021. Prior, he was a State Minister and Member of Council of Ministers from December 2018 till January 2021. At the same time, Governor Almubarak was also the Saudi G20 Sherpa between September 2018 and March 2021. He served as an Advisor to the Saudi Royal Court from June 2017 to December 2018 and was also the Secretary-General of G20 Saudi Secretariat from August 2017 to July 2019.

Starting his career as an Assistant Professor at King Fahad University of Petroleum and Minerals, Governor Almubarak has come a long way for the past 39 years to lead several top executive positions. He was the first Chairman of Saudi Stock Exchange (Tadawul) between 2003 and 2011, the Governor of the Saudi Arabian Monetary Authority (SAMA) from 2011 to 2016, Director of Morgan Stanley Saudi Arabia from 2005 to 2011 and Member of the Shoura Council. In addition, he served as chairman and member in numerous private and public companies' board of directors across various fields; telecommunication, banking, investment, insurance, commerce and industry.





## **H.E. AHMED OSMAN GOVERNOR OF BANQUE CENTRALE DE DJIBOUTI DEPUTY CHAIRMAN, IFSB COUNCIL**

**H.E. Ahmed Osman Ali**, Governor of the Central Bank of Djibouti since January 2013, holds a Master's Degree in Economics and a Postgraduate Diploma in Banking Economics obtained in France.

Before joining the Central Bank at the end of the 1980s, Governor Osman began his career in the field of tertiary education, where he, respectively, worked as a professor of economics at the high schools of Tours, at the Ecole Supérieure de Commerce, and at the Tours School of Management from 1985 to 1989. He acquired a long and fruitful career at the Central Bank as Controller General of Operations and Head of Mission of the on-site Banking Supervision Department from 1989 to 1997. During this period, Governor Osman led the reform of the local financial system by introducing new regulations (Statutes of the Central Bank, Banking Law, Islamic Finance, Development of Microfinance), by reorganizing and strengthening the missions of the Central Bank (supervision, AML/FT, etc.), and conducting negotiations with Bretton Woods institutions.

Since 2013, Governor Osman has championed major reforms to transform the financial system, which includes modernization of the national payment system, improvement of the credit information system, introduction of leasing, creation of a guarantee fund for financing of SMEs, forming a national sharia committee, etc.

### **The IFSB Council Adopts Three (3) New Standards**

The Council of the Islamic Financial Services Board (IFSB) has adopted three new standards during its 41st Meeting held on 15 December in Islamabad, Pakistan hosted by the State Bank of Pakistan (SBP) being the Chairman of the IFSB Council 2022.

The three (3) new standards are:

- GN-8: Guidance Note on Deepening the Islamic Capital Markets;
- IFSB-27: Core Principles for Islamic Finance Regulation (Takāful Segment); and
- IFSB-28: Revised Solvency Requirements for Takāful / Retakāful Undertakings.

### **GN-8: Guidance Note on Deepening the Islamic Capital Markets**

The Guidance Note (GN) seeks to promote financial stability through deep and liquid Islamic financial systems with diverse instruments that will help enhance countries' resilience to shocks, and in turn also support the resilience of other parts of the Islamic financial services industry by providing a wider range of investments with better price discovery. In this regard, the GN aims to provide guidance and highlight best practices on developing and deepening the Islamic capital markets. Specifically, it seeks to:

- Provide international best practices in developing and promoting the growth of Islamic capital markets
- Provide guidance on deepening liquidity in the Islamic capital markets
- Provide guidance on strengthening regulatory frameworks and stability of Islamic capital markets
- Promote the harmonisation of practices across Islamic capital markets

The GN identifies the current gaps and challenges in the development of Islamic capital markets based on a survey of IFSB members, as well as comments and inputs from public consultation and an expert roundtable.

The GN provides thirteen (13) recommendations on best practices for the development and deepening of Islamic capital markets, addressing the issues and gaps that were identified by IFSB members. The recommendations are designed to provide a list of potential areas for consideration, in line with domestic regulatory frameworks and policy approaches for Islamic finance development.

## **IFSB-27: Core Principles for Islamic Finance Regulation (Takāful Segment)**

This standard provides a set of Takāful Core Principles (TCPs), closely aligned with the ICPs (as adopted in November 2019), but with additions where necessary to reflect the application of Shari'ah principles in takāful. The aim is to provide an international benchmark standard to promote a sound regulatory and supervisory system, as well as to maintain a fair, safe and stable takāful sector. This is for the benefit and protection of the interests of takāful participants, beneficiaries and claimants, as well as contributing to the stability of the Islamic financial system. Ultimately, the standard intends to achieve the following objectives:

- To provide an appropriate international standard for sound regulatory and supervisory practices specifically for the takāful sector;
- To enable policymakers and supervisors to self-assess the level of observance of principles and standards in the regulations;
- To identify areas for improvement and guide development of reform agendas and responses to emerging issues; and
- To provide a basis for peer review enabling objective external assessment by specialised bodies.

Core Principles for regulation of the financial sector have become standard tools to guide Regulatory and Supervisory Authorities (RSAs) in developing their regulatory regimes and practices. They also serve as the basis for regulatory authorities or external parties such as multilateral agencies to assess the strength and effectiveness of regulation and supervision in a jurisdiction. This standard intends to complement the IAIS Insurance Core Principles (November 2019) to address areas that either do not deal, or deal inadequately, with the specificities of Islamic finance.

The IFSB envisages that the Core Principles for Islamic Finance Regulation (Takāful Segment) (CPIFR-Takāful) will be used by jurisdictions as a benchmark for assessing the quality of their regulatory and supervisory systems, and for identifying future work to achieve a baseline level of sound regulations and practices for takāful. Furthermore, the Core Principle may also assist IFSB member jurisdictions in:

- Self-assessment;
- Financial sector assessment programme (FSAP) by the International Monetary Fund (IMF) and the World Bank;
- Reviews conducted by private third parties; and
- Peer reviews conducted, for instance, within regional groupings of takāful sector RSAs.

## **IFSB-28: Revised Solvency Requirements for Takāful /Retakāful Undertakings**

The Revised Solvency Requirements for Takāful /Retakāful Undertakings (TU) aims to achieve the following objectives:

- To protect the interests of takāful participants by setting a high probability that a TU would be able to meet all its contractual obligations and commitments;
- To encourage early warning systems permitting proportionate supervisory intervention and corrective action, and avoiding procyclical effects; and
- To foster confidence among the general public – in particular, takāful participants – in the financial stability of the takāful sector.

The standard applies to both TUs and retakāful undertakings, whether operating under general, family or composite licences. It is applicable also, mutatis mutandis, to takāful “window” operations where such operations exist. Regulatory and supervisory authorities may wish to apply the provisions of this standard in a modified manner to TUs providing microtakāful cover (to facilitate the provision of Shari'ah-compliant cover to facilitate financial inclusion and other related objectives), and other types of business including branches, captives subject always to the aim of protecting financial stability and managing risk to takāful participants.



## The IFSB Council Appoints Executive Committee Members for the term 2022-2024

The Islamic Financial Services Board (IFSB) Council in its 41st meeting resolved to approve the appointment of a new Executive Committee Members for a two-year term from December 2022 to December 2024.

The main responsibility of the IFSB Executive Committee is to advise and make recommendations to the Council on business strategies, as well as administrative and operational matters of the IFSB.

As per the IFSB Articles of Agreement (amended November 2018), the Executive Committee shall consist of at least five (5) members of the IFSB Council including the Chairman of the Committee. The new appointments of the IFSB Executive Committee will take immediate effect on 15 December 2022.

The Members of the Executive Committee are as follows:



H.E. Dr. Sami AlSuwailm  
Acting Director-General of  
IsDB Institute and IsDB Group  
Chief Economist  
Islamic Development Bank



H.E. Abu Farrah Md. Nasser  
Deputy Governor  
Bangladesh Bank



Mr. Mardini Eddie  
Assistant Managing Director  
(Monetary Operations)  
Brunei Darussalam Central  
Bank



H.E. Dr. Perry Warjiyo  
Governor  
Bank Indonesia



H.E. Dr. Ammar Hamad Khalaf  
Acting Deputy Governor  
Central Bank of Iraq



Mr. Husein Kofahy  
Executive Manager  
Banking Supervision Dept.  
Central Bank of Jordan



H.E. Harvesh Seegolam  
Governor  
Bank of Mauritius



H.E. Shaikh Abdul Rasheed bin  
Abdul Ghaffour  
Deputy Governor  
Bank Negara Malaysia



H.E. Aishah Ndanusa Ahmad  
Deputy Governor  
Central Bank of Nigeria



Mr. Malik Abdulla Said Al  
Mahrooqi  
Advisor to the Executive  
President  
Central Bank of Oman



Mr. Syed Samar Husnain  
Executive Director  
State Bank of Pakistan



H.E. Dr. Fahad Alshathri  
Deputy Governor  
Saudi Central Bank



H.E. Salaheldin Sheikh Khidir  
Bakhit  
Deputy Governor  
Central Bank of Sudan



H.E. Dr. Yakup Asarkaya  
Second Chairman  
Banking Regulation and  
Supervision Agency



H.E. Ebrahim Al Zaabi  
Assistant Governor, Monetary  
Policy and Financial Stability  
Central Bank of the United  
Arab Emirates

The 41st meeting of the IFSB Council hosted by State Bank of Pakistan was held on 15 December 2022. The Council meeting chaired by H.E. Jameel Ahmad, Governor of State Bank of Pakistan and Chairman of the IFSB for 2022, attended by the Central Bank Governors, Deputy Governors, Heads of regulatory and supervisory authorities, senior representatives from among the Council and Full members of the IFSB, representing 19 countries and Islamic Development Bank.



## STRATEGIC COLLABORATIONS

### **The IFSB Solidified Collaboration with Tanzania**

Secretary-General of the Islamic Financial Services Board (IFSB) Dr. Bello Lawal Danbatta visited Tanzania in early August as part of IFSB's strategic plan to enhance the global visibility and impact of the IFSB.

Echoing to the growing Islamic finance interest in Tanzania, the 2-day visit laid down avenues for IFSB to discuss potential collaborations with several notable key government agencies. Dr. Bello met with Mr. Othman Masoud Othman, First Vice President of Zanzibar, Dr. Saada Mikuya Salum, Minister of State of the President's Office Finance and Planning, Ms Sauda Msemu, Deputy Governor Bank of Tanzania, Mr. Nicodemus D. Mkama, Chief Executive Officer of Capital Markets & Securities Authority, Dr. Muhsin Salim Masoud – Managing Director of the People's Bank of Zanzibar Limited, Prof. Mohammed H. Khalfan, Vice Chairman of Centre for Islamic Finance, Compliance and Advice (CIFCA) and Assoc. Prof. Nsubuga Haroonah, Deputy Vice-Chancellor Academic of Zanzibar University.

The trip yielded positive outcomes when the IFSB and CIFCA crystallised the promise of a strategic collaboration through the signing of a Memorandum of Understanding (MoU). The MoU aims to establish and implement a non-exclusive framework for the cooperation between both entities for contribution to economic development and financial inclusiveness, thus further solidifying and strengthening the global Islamic Financial Services Industry (IFSI) in the East African block of the continent.

The MoU was signed, between Dr. Bello Lawal Danbatta, Secretary General of the IFSB and Prof. Mohammed H. Khalfan, Vice Chairman of CIFCA on 5 August 2022. The scope of cooperation will focus on a number of specific areas that best fit respective organisations' mandates and strategies. These will include but are not limited to enhancing outreach to member organisations through joint-hosting of conferences/seminars, enhancing capacity building of market players through joint-organising of training programmes/workshops, and sharing of technical expertise to foster more effective efforts to facilitate implementations, among other things. The IFSB currently has 45 member organisations in Africa spanning 24 jurisdictions in the continent, which includes the Bank of Tanzania.

### **The IFSB Strengthen Collaboration with Qatar Financial Centre Authority via the 4th Innovation Forum Summit**

The Islamic Financial Services Board (IFSB) was honoured to receive our member, Qatar Financial Centre Authority (QFC), represented by Henk Jan Hoogendoorn and Ayman Doukali to strengthen bilateral ties between the IFSB and QFC in the field of Islamic finance.

The IFSB 14th Innovation Summit in Doha, Qatar on 14 September 2022, was hosted by Qatar Financial Centre Authority and Qatar Central Bank.



Henk Jan Hoogendoorn and Ayman Doukali with the IFSB Secretariats

### **The IFSB Congratulates the Newly Appointed Secretary-General of the Ministry of Foreign Affairs Malaysia**

The Secretary-General of the Islamic Financial Services Board Dr. Bello Danbatta paid a courtesy visit to YBhg. Dato' Amran Mohamed Zin - Secretary-General, Ministry of Foreign Affairs Malaysia. The visit aimed to introduce the IFSB to the newly appointed Secretary-General of the Ministry and to enhance the strategic collaboration between the IFSB and the Ministry in advancing growth and stability of Islamic Finance Industry in OIC Member Countries.



Dr. Bello Lawal Danbatta, Secretary-General, IFSB with Ybhg. Dato' Amran Mohamed Zin, Secretary-General, Ministry of Foreign Affairs Malaysia



The Islamic Financial Services Board (IFSB) Arabic Editing Committee (AEC) meeting was held in Kuala Lumpur from 7 to 9 November 2022. The committee reviewed the Arabic version of the upcoming standards.

The IFSB Management sincerely appreciates the AEC's role and contribution in the formulation of the IFSB standards and guidelines within the due processes to ensure that these documents are of high quality, understandable and implementable international standards or guidelines.

The meeting was attended by members of AEC from 6 institutions: Islamic Development Bank (IsDB), Saudi Central Bank – SAMA, Central Bank of Oman, Central Bank of Jordan, Central Bank of Sudan, AL SALAM BANK BAHRAIN B.S.C.



Dr. Bello Lawal Danbatta with the IFSB Arabic Editing Committee (AEC)

## EVENTS & IMPLEMENTATION OF IFSB STANDARDS

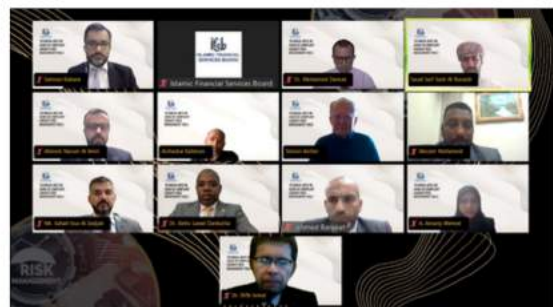
### Awareness Programmes

#### IFSB Roundtable on Exposure Draft TN-5 : Technical Note on Shariah-compliant Liquidity Risk Management Tools

The ED TN-5 seeks to enumerate, describe and evaluate the Shari'ah-compliant liquidity risk management tools available, or potentially available, to IIFS, and provide guidance on how to use them.

The specific objectives of the TN are to:

- Enumerate liquidity risk management tools and examine their Shari'ah compliance, and assess their regulatory and supervisory implications;
- Assess the needs of the IIFS and provide recommendations in dealing with liquidity risk management issues;
- Propose illustrative versions of Shari'ah-compliant tools to be used for liquidity risk management purposes; and
- Provide technical guidance on the modus operandi of the Shari'ah-compliant liquidity risk management tools.



The Participants of IFSB Roundtable on Exposure Draft TN-5 : Technical Note on Shariah-compliant Liquidity Risk Management Tools

#### The IFSB Public Lecture & Regional Seminar (Hybrid)

The Islamic Financial Services Board (IFSB) successfully organised its 14th Public Lecture and Regional Forum on Sustainability last week in Jakarta, Indonesia in conjunction with the 9th Indonesia Sharia Economic Festival (ISEF) organised by Bank Indonesia, brought together key stakeholders in the financial services industry to discuss current market developments and initiatives in the area of sustainability.



Dr. Rifki Ismail opening for 14th Public Lecture & Regional Forum



## 5th IFSB Executive Programme (ONLINE)

The Islamic Financial Services Board (IFSB) successfully conducted the 2-day 5th Executive Programme virtually last week. The programme is part of the IFSB's Effective #Riskmanagement series for Institutions offering Islamic Financial Services (IIFS) and intends to provide a platform for industry leaders, top management, & regulators to engage in high-level discussions and share industry experiences.

The series has previously covered modules: Oversight and Governance of Islamic Banks (Series I) and Implementing Effective Stress Testing and Financial Safety Nets in Islamic Banks (Series II).

3rd module of the series aims to focus on the revised capital adequacy requirements for IIFS, the high-level recovery and resolution (RR) frameworks, and the recovery planning process for IIFS, with insights from industry experts; Sheikh Mohammed Bin Ahmed Al-Thani of Qatar Central Bank, Shaima Al Busaidi of Central Bank of Oman, Nyimas Rohmah, of Bank Indonesia, Mohd Ekmal Zazi of CIMB.

## 4th Innovation Forum : Innovations in Sustainability and Regulation of Financial Services

The 4th IFSB innovation forum provides a platform for market players operating in the IFSI to showcase their most recent innovations and developments in the areas of sustainable finance, Fintech and banking supervision. It also sets the stage for regulators to discuss and share insight and experiences on the potential risks and opportunities arising from these developments and to discuss effective supervisory and regulatory approaches to ensure the stability of the IFSI, while continuously supporting the road toward innovation-driven Islamic finance solutions to address sustainability-related issues.

This Forum, which is conducted as a regular annual series, is an effort by the IFSB to bring together the Islamic finance stakeholders to focus on the promotion and development of innovative Islamic finance solutions, vital to creating the competitive edge needed to sustain the IFSI going forward. This is in line with the IFSB's Articles of Agreement 4(d), which sets out among the main objectives of the IFSB, the objective "to enhance and coordinate initiatives to develop instruments and procedures for efficient operations and risk management".

The Forum targets regulators, policymakers, institutions offering Islamic financial services, academic and research institutions, financial services providers, legal practitioners, Sharī'ah advisors and other interested stakeholders to enable an enriched discussion on enhancing the culture of innovative thinking and development in the IFSI. The audience will be able to interact with the presenters that are showcasing their innovative solutions and also discuss strategies for the widespread adoption and implementation of such solutions in different jurisdictional settings for the greater benefit of the industry.



Participants of the 5th IFSB Executive Programme



Dr. Bello Lawal Danbatta, Secretary-General of IFSB at the 4th Innovation Forum : Innovations in Sustainability and Regulation of Financial Services



Panelists of 4th Innovation Forum: Innovations in Sustainability and Regulation of Financial Services



## FSB-FIS Workshops

### Facilitating the implementation of the IFSB standards (FIS) workshop for Central Bank of Kuwait

The Islamic Financial Services Board (IFSB)'s FIS Workshop continues, this round focusing on standard IFSB-23 on Revised Capital Adequacy Standard for Institutions Offering Islamic Financial Services.

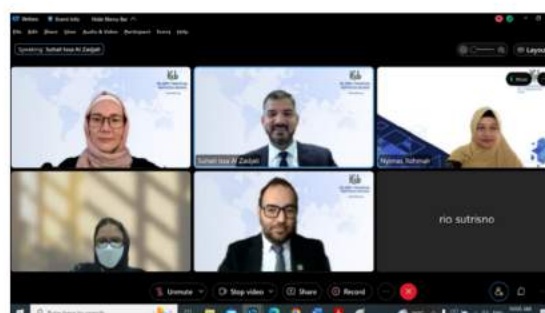
The virtual workshop which was specifically tailor-made for the Central Bank of Kuwait covers a wide range of topics that include the background of IFSB23 and its difference with IFSB-15, credit risk and exposures, credit risk mitigation, market risks, capital requirements for different types of contract, as well as guiding principles for Shariah governance.



Participants of the FIS Workshop with the Central Bank of Kuwait

### Facilitating the implementation of the IFSB standards (FIS) workshop for the Financial Services Authority of Indonesia (OJK)

This workshop is conducted upon the request of the Financial Services Authority of Indonesia (OJK) to introduce participants with the latest IFSB standard related to capital adequacy which is IFSB-23 (Revised Capital Adequacy Standard for Institutions Offering Islamic Financial Services (IIFS).



Participants of the FIS Workshop with the Financial Services Authority of Indonesia (OJK)

The 3-day workshop discussed topics like capital adequacy and macroprudential measures, regulatory capital, principles for minimum capital requirements based on credit, market risk and operational risks, and capital requirements for various Islamic financial contracts, among other aspects.

## MEETING AND TECHNICAL UPDATES

### 7th Task Force Meeting of Shariah Compliant Liquidity Risk Management Tools Technical Note

There are two main categories of Shariah Compliant Liquidity Risk Management Tools, (i) tools or mechanisms to use to manage, and minimise exposure to, ongoing liquidity risk; and (ii) tools or mechanisms to use in an emergency or "last resort" situations.

Liquidity risk in banking institutions, including Islamic banks, arises because they typically use an upward-sloping yield curve to earn a spread, by holding assets with longer maturities than their liabilities.

IIFS faced two main types of liquidity risk:

- Funding-liquidity risk: the risk that an IIFS cannot efficiently meet its expected and unexpected current and future cashflow and collateral needs without affecting its daily operations or its financial condition.
- Market-liquidity risk: the risk that an IIFS cannot easily offset or eliminate a position at the market price because of inadequate market depth or market disruption.



Participants of the Shariah Compliant Liquidity Risk Management Tools



## 1st and 2nd Task Force Meeting of the Technical Note on Macroprudential Tools for Islamic Banking

The paper finds focuses on:

- The overall macroprudential measures have a negative relationship with household credit growth even though not statistically significant
- Each of the indices in the subgroup category of macroprudential measures (e.g. all-credit targeted, demand-related vs. supply-side tools) shows a decline in household credit growth and statistically significant.

The analysis not only suggests the impact of macroprudential tools in dampening household credit growth, but also enables a comparison of the relative effects of different instruments. The overall analysis suggests that Islamic banks also respond appropriately to the implementation of macroprudential policy tools. This demonstrates the importance of macroprudential tools for managing potential risks associated with the high financing exposure of Islamic banks. Thus, a relatively high financing exposure of Islamic banks to household credit (the real sector), which could probably make them vulnerable to macroeconomic dynamics, can be effectively controlled.

## 4th and 5th Working Group Meeting on Revised Guiding Principles on Corporate Governance for Institutions offering Islamic Financial Services [Banking Segment]

The Revised IFSB Guiding Principles on Corporate Governance for the Banking Segment (RCG) project aims to revise IFSB-3, a Guiding Principles on Corporate Governance for Institutions offering Islamic Financial Services (excluding Islamic Insurance [Takaful] Institutions and Islamic Mutual Fund) that was issued in 2006. The document was intended to supplement the relevant conventional corporate governance standards by addressing only Islamic finance specificities. The RCG facilitates institutions offering Islamic financial services (IIFS) in identifying areas where governance structures and processes are required, and to recommend best practices in addressing these issues.

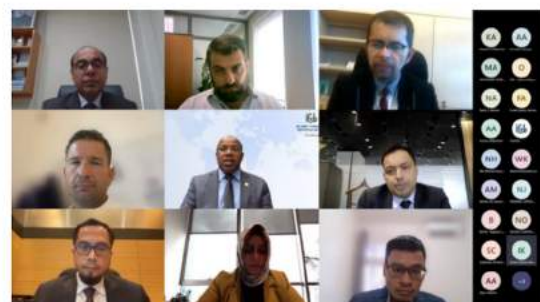
The document is not intended to establish a wholly new regulatory framework in contrast to the existing international standards nor national regulations; rather, they are intended to complement the prevailing relevant standards/regulations by:

- assisting Regulatory and Supervisory Authorities (RSAs) in assessing and refining the quality of corporate governance framework respective to IIFS, and
- facilitating IIFS in evaluating the adequacy of their existing corporate governance frameworks and improving any identified deficiencies.

The project has reached a final stage by completing its 6th working group meeting in January 2023.



2nd Task Force Meeting of the Technical Note on Macroprudential Tools for Islamic Banking



1st Task Force Meeting of the Technical Note on Macroprudential Tools for Islamic Banking



5th WG Meeting on Revised Guiding Principles on Corporate Governance for Institutions offering Islamic Financial Services [Banking Segment]



4th WG Meeting on Revised Guiding Principles on Corporate Governance for Institutions offering Islamic Financial Services [Banking Segment]



### 5th Working Group Meeting on Conduct of Business and its Prudential Supervision in Takaful Standard

The IFSB Council approved the development of the Conduct of Business Supervision in Takāful Undertakings (CBST) standard at its 37th Meeting in December 2020. The project was launched on September 1st, 2021, to provide guidance for RSAs on promoting fairness, consumer protection, and stability in takāful markets, while also addressing Shari'ah compliance, consumer education, digital distribution, and risk-based supervision. The CBST Working Group has held multiple meetings and has completed the 1st Shariah Board review. Currently, the project is waiting for Technical Committees' approval to issue an Exposure Draft for public consultation.



Participants of the 5th Working Group Meeting on Conduct of Business and its Prudential Supervision in Takaful Standard

### 18th Task Force Meeting on Prudential and Structural Islamic Financial Indicators (PSIFIs)

IFSB PSIFIs Project Enters Phase VI. Over time, the Prudential and Structural Islamic Financial Indicators (PSIFIs) database project has registered improved participation from more IFSB jurisdictions and coverage across the three key segments of the Islamic financial services industry (IFSI) vis. Islamic banking, Islamic capital markets, and Takaful. The database has become an important source for researchers, practitioners, and policymakers for assessing the stability and soundness of the IFSI. Internally, PSIFIs is the main data source for analysing the Islamic banking sector in the IFSB IFSI Stability Report. This is in addition to being used for the analysis in some IFSB working papers.



Participants of the 18th Task Force Meeting on Prudential and Structural Islamic Financial Indicators (PSIFIs)

The PSIFIs project enters phase VI in January 2023 based on a new Medium-Term Plan for 2023-25. The new MTP aims to further expand its sectoral and geographical coverages as well as enhance access, availability, and usage of the database, especially through automation. At present, 26 RSAs from the Islamic banking sector, nine RSAs from Takaful sector and seven RSAs from Takaful sector provide data on various Islamic financial indicators to the PSIFIs database. To date, the IFSB has made 25 disseminations of Islamic banking data, three for Takaful data, and two for the Islamic capital market sector data.

Furthermore, the IFSB PSIFIs Taskforce members drawn from the IFSB member RSAs meet twice a year with a view to providing guidance to the national compilers, maintaining data consistency across jurisdictions, and sharing experiences among members in these regards.



# THE IFSB FAMILY

## The IFSB Annual Dinner 2022

As the year draws to an end, the Islamic Financial Services Board (IFSB) secretariat along with their respective families gathered together for Annual Dinner last week to celebrate another fruitful year in the IFSB.

In his opening remarks, Secretary-General of the IFSB, Dr. Bello Danbatta welcomed all of the IFSB Secretariat, along with their family and emphasized his appreciation for the relentless hard work that every secretariat demonstrated as a team throughout the year in upholding the IFSB's mandate of promoting the stability & resilience of the #IslamicFinance.



Group photo of Dr. Bello Lawal Danbatta and IFSB Secretariats with family members.



Dr. Bello Lawal Danbatta greeted by Secretariat's family members

## The IFSB Planning and Budget Retreat

The Secretariat wrapped up the Islamic Financial Services Board (IFSB) 2-day Planning and Budget Retreat with the objective of streamlining and producing a comprehensive draft of the IFSB's Strategic Work Plan 2023 and budget for 2023, based on the SPP 2022-2024 framework.



IFSB Secretariats at the IFSB Planning and Budget Retreat



IFSB Secretariats at the IFSB Planning and Budget Retreat

## The IFSB Cultural Intelligence Training

Cultural Quotient indicates a team's ability to work efficiently internally within cultural diversity. It is also at the same time, extends the team's insights and understanding into interactions externally with clients and stakeholders.

At the IFSB, diversity is our strength, we choose to work with each other, promote a healthy workplace and also help members involved feel heard and respected and included. Mastery of cross-cultural communication skills is necessary to help any team to dive deeper into habits and thought processes to avoid unnecessary biases and prejudices and reach new levels of personal and professional growth - authentically.

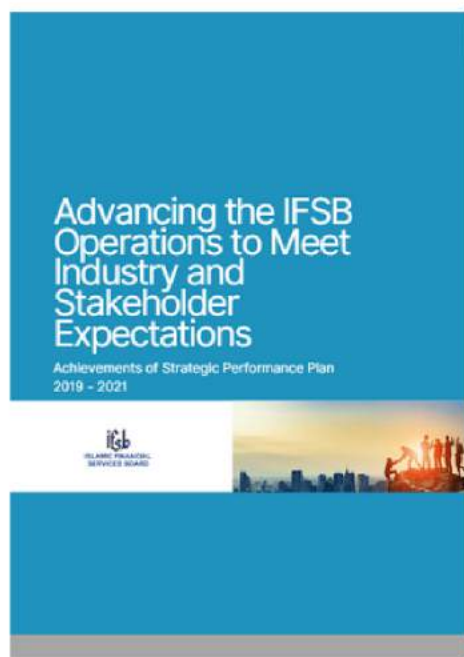


Dr. Bello Lawal Danbatta and IFSB Secretariats with Ms. Selvi Aldragen at the IFSB Cultural Intelligence Training



Dr. Bello Lawal Danbatta and IFSB Secretariats during the IFSB Cultural Intelligence Training





## **Advancing the IFSB Operations to Meet Industry and Stakeholder Expectation - Achievements of Strategic Performance Plan 2019-2021**

A Focus Strategy Paper was formulated in 2018 to strategically enhance the IFSB's operational framework. In essence, the paper deep-dived and analysed the dynamics of IFSB stakeholders' expectations and placed paramount importance on each to play a more substantial role based on the IFSB mandate. The paper formed the basis upon which the IFSB Strategic Performance Plan (SPP) 2019-2021 was later structured and cascaded into four Key Strategic Focus Areas (SKRA).

The SPP 2019-2021 was aimed at reflecting the strategic vision, enhancing operational efficiency, and ensuring the institutional resilience of the IFSB against challenges that were to come in the following years. These objectives were pursued with due cognisance to the dynamics of the global financial ecosystem, expectations, and satisfaction of stakeholders in the Islamic Finance Services Industry (IFSI), and activities of other international financial standard-setting organisations.

The 3-year period covered by the SPP witnessed some challenges including oil and commodity prices volatility, geopolitical sanctions, accelerated digital transformation, and notably the COVID-19 pandemic and its consequential effect on both lives and livelihoods on an unprecedented global scale. The IFSB, guided by its mandate, strategic farsightedness, and support from its various governance structures recalibrated its approaches to ensuring seamless organisational operations.



## **The 15th IFSB Summit Proceedings**

The IFSB Summit is a landmark event for the Islamic financial services industry. It constitutes a major high-level platform for key regulators, global market players, and leaders and thought leaders to discuss the regulatory direction of the industry to strengthen its resilience and stability further.

The theme of the IFSB 2021 Summit is "Islamic Finance and Digital Transformation: Balancing Innovation and Resilience". The Summit focuses on fostering innovation, technological adoption, accessibility, and sustainability in the Islamic financial system to boost its growth and development and the policy implications of rapid digital transformation. In addition, the summit highlights the work to be done moving forward to strengthen Islamic Finance Services' resilience and stability. The rise of technology shapes financial services across banking, capital markets, and takāful, giving rise to new modes of financial intermediation such as crowdfunding and blockchain solutions. These exciting changes and developments require authorities and jurisdictions to balance resilience and innovation, which the IFSB 2021 Summit explores throughout the sessions.

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# 16TH IFSB SUMMIT

## ISLAMIC FINANCE RESILIENCE IN A CHALLENGING GLOBAL ENVIRONMENT: NEW RISKS AND INNOVATION

### BRUNEI DARUSSALAM

The IFSB Summit is a platform designed to allow a higher-level interaction among the delegates to explore the implications of the IFSI from the evolving global economic and financial environment. In addition, the Summit seeks to raise awareness of the emerging challenges in the resilience and stability of the IFSI while discussing measures to reinvigorate growth momentum along with supportive policy reforms.

The IFSB Summit also seeks to explore the essence of connecting the triad: inclusiveness, technological innovation, and sustainability, as an important medium through which the global sustainable development objectives can be achieved and to steer the global financial ecosystem towards a new frontier of mainstreaming Islamic finance services.



Contact our secretariat at [natejah@ifsb.org](mailto:natejah@ifsb.org) for a potential partnership and sponsorship package.



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