

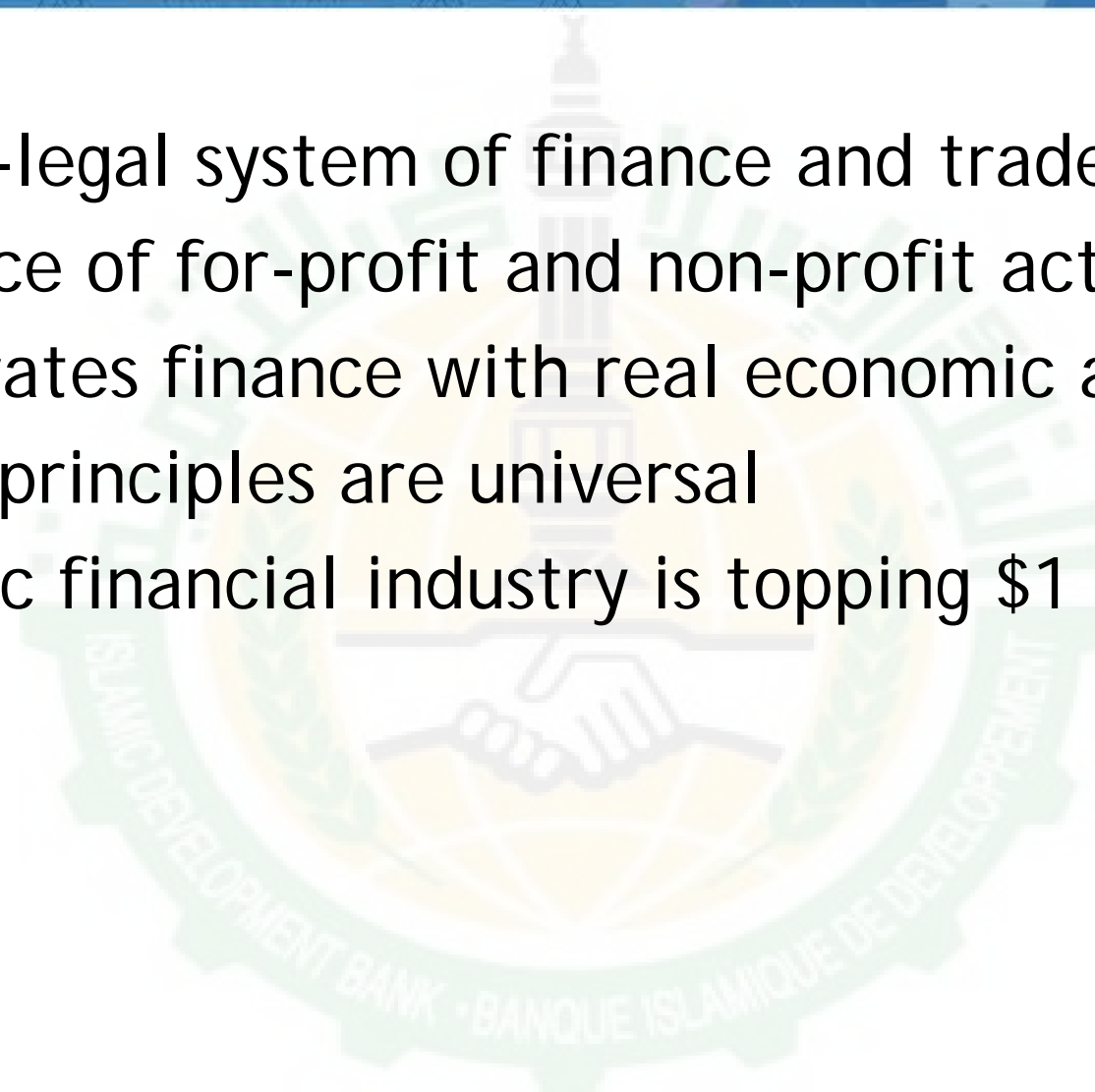


Role of the  
**Islamic Development Bank Group**  
in supporting  
**Islamic Financial Industry**

Sami Al-Suwailem  
Islamic Development Bank  
**COMCEC Capital Market Forum**  
Istanbul, Turkey: 26-27 September 2012

# Islamic Finance

- ❖ Moral-legal system of finance and trade
- ❖ Balance of for-profit and non-profit activities
- ❖ Integrates finance with real economic activities
- ❖ Basic principles are universal
- ❖ Islamic financial industry is topping \$1 trillion



# Islamic Financial Industry

**Market size estimate in 2011 - circa. US\$ 1.3 trillion (in terms of Assets) in over 500 institutions**

**Presence in over 75 countries. Growth rate of over 20% for the past decade**

**Expected growth rate of 15-20% p.a. in foreseeable future**

**Major Islamic banks spread across Middle East and East Asia. Emergence of multinational banks with Islamic windows/subsidiaries in new jurisdictions**

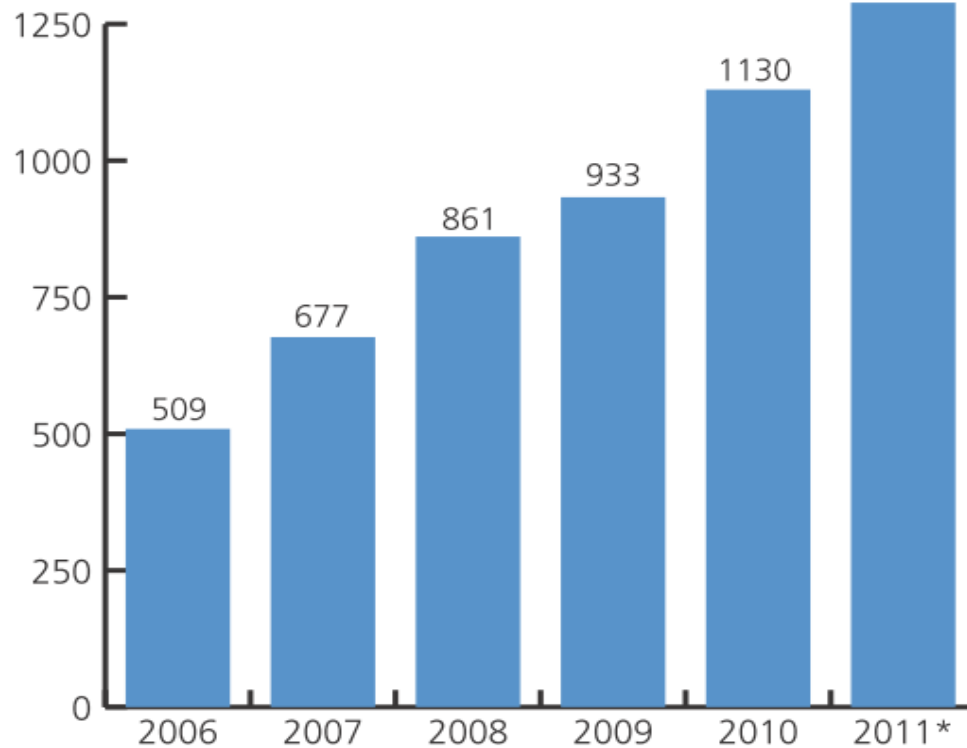
**Wide ranging products: Simple retail to structured wholesale**

# Expansion of Islamic Assets

**Chart 1**

*Global assets of Islamic finance*

\$bn, assets end-year



\*UKIFS estimate

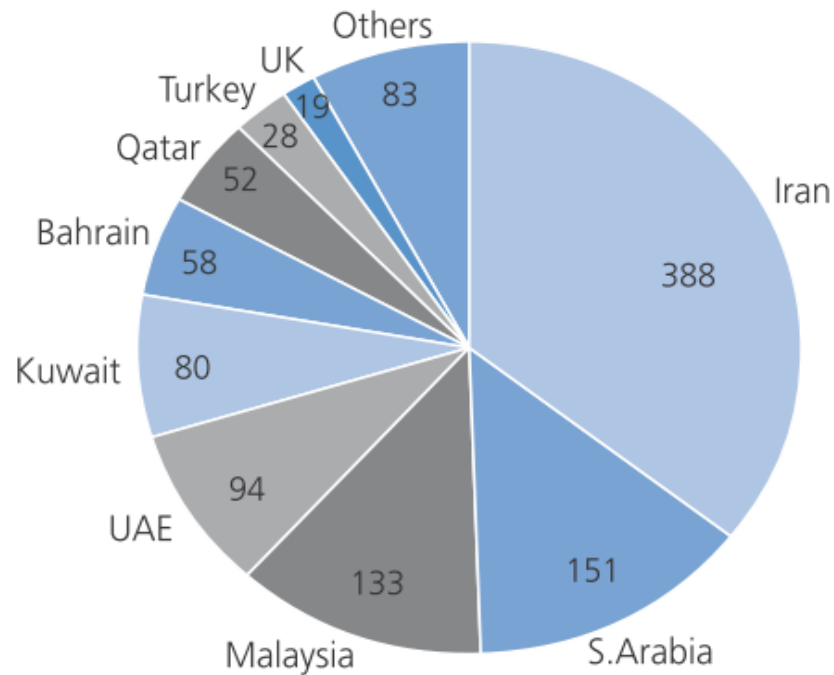
Source: The Banker, Ernst & Young

# Country Distribution

**Chart 2**

*Islamic Finance by country*

Banking, takaful & fund assets, \$bn, end-2010



**Banking, takaful & fund assets end-2010 \$1,086bn**

Source: The Banker

# Industry Distribution

	2008	2009	2010	2011*
Banks	800	863	1048	1200
Funds	51	54	58	60
Takaful	8	13	21	25
Other	1	3	3	4
Total	861	933	1130	1289

\* estimated

# Comparison

- ❖ Global financial assets (2010): \$200+ trillion
- ❖ Global Sustainable & Responsible Investment (SRI) (2009): \$10+ trillion
  - USA: \$3 tr.
  - Europe: \$7 tr.
  - Canada: \$0.5 tr.
  - Australia: \$16 billion
  - Asia: \$2.5 billion



# **ISLAMIC DEVELOPMENT BANK GROUP**

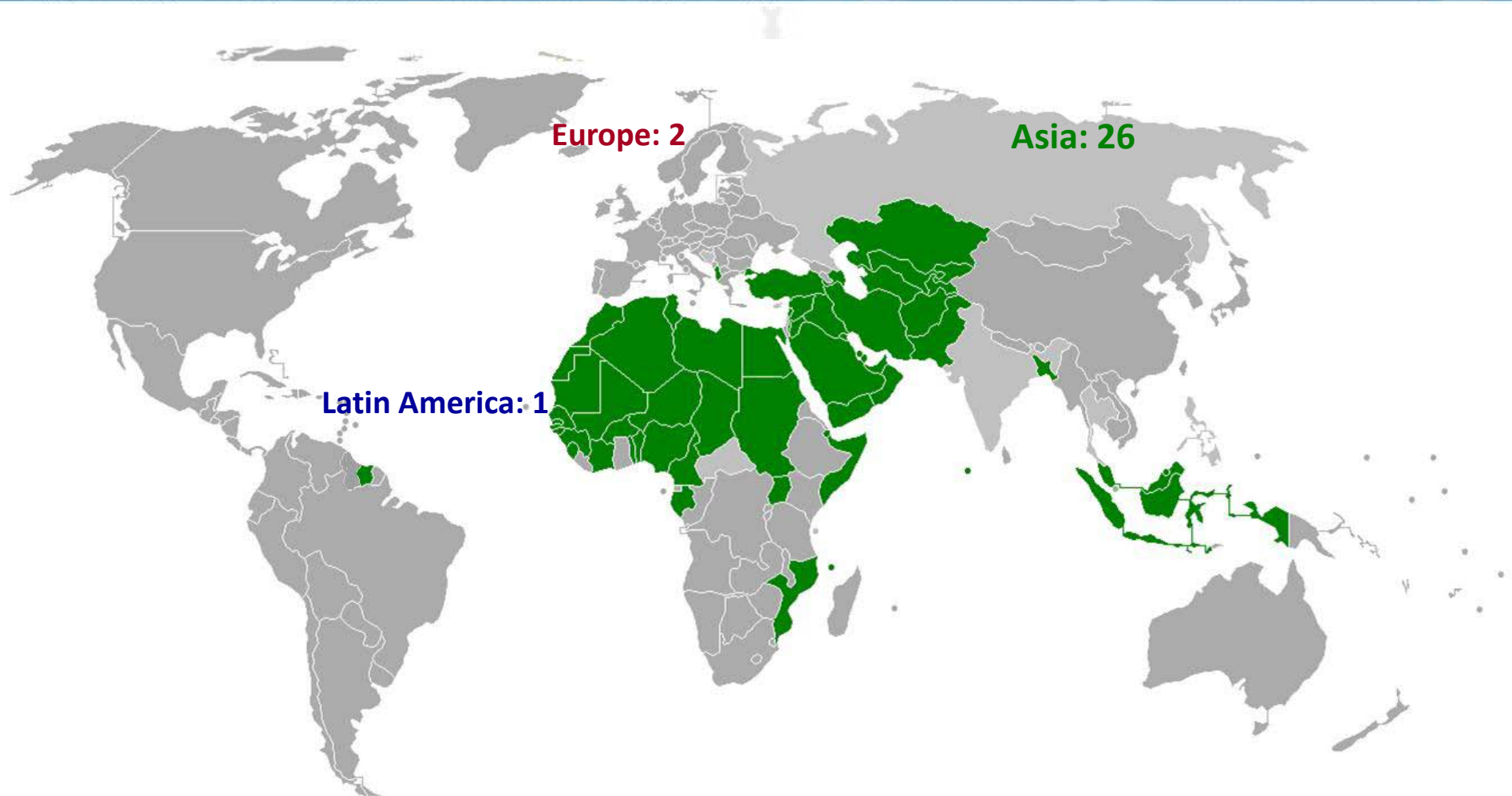




# Quick Overview

- ❖ Established in 1975 to foster socio-economic development in member countries
- ❖ Adheres to Islamic Shari'ah in all its transactions
- ❖ Authorized capital of \$45.78 billion
- ❖ Subscribed capital of \$27.46 billion
- ❖ Paid-up capital of \$6.04 billion
- ❖ AAA-rated by S&P, Moody's, Fitch

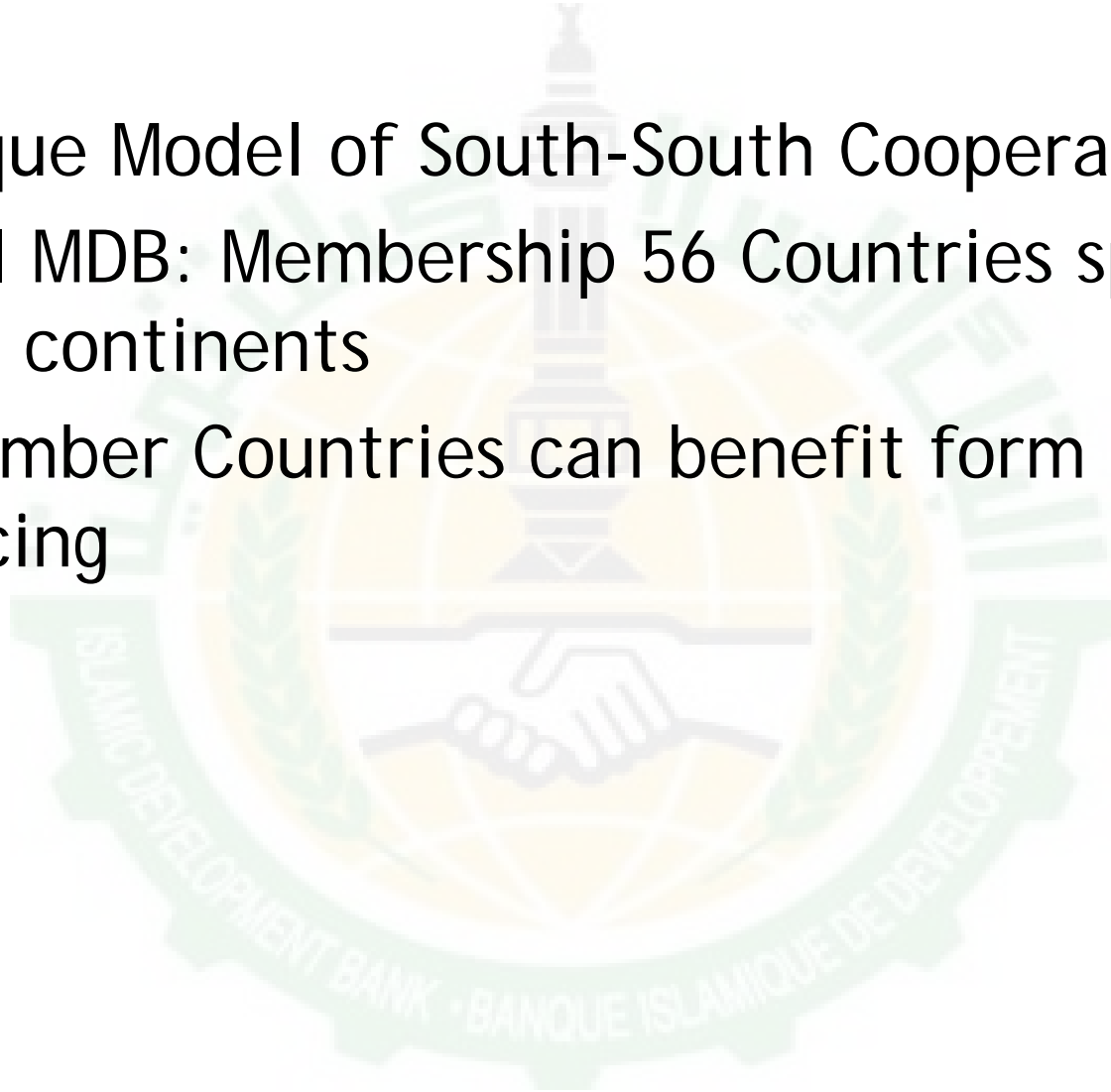
# Member Countries



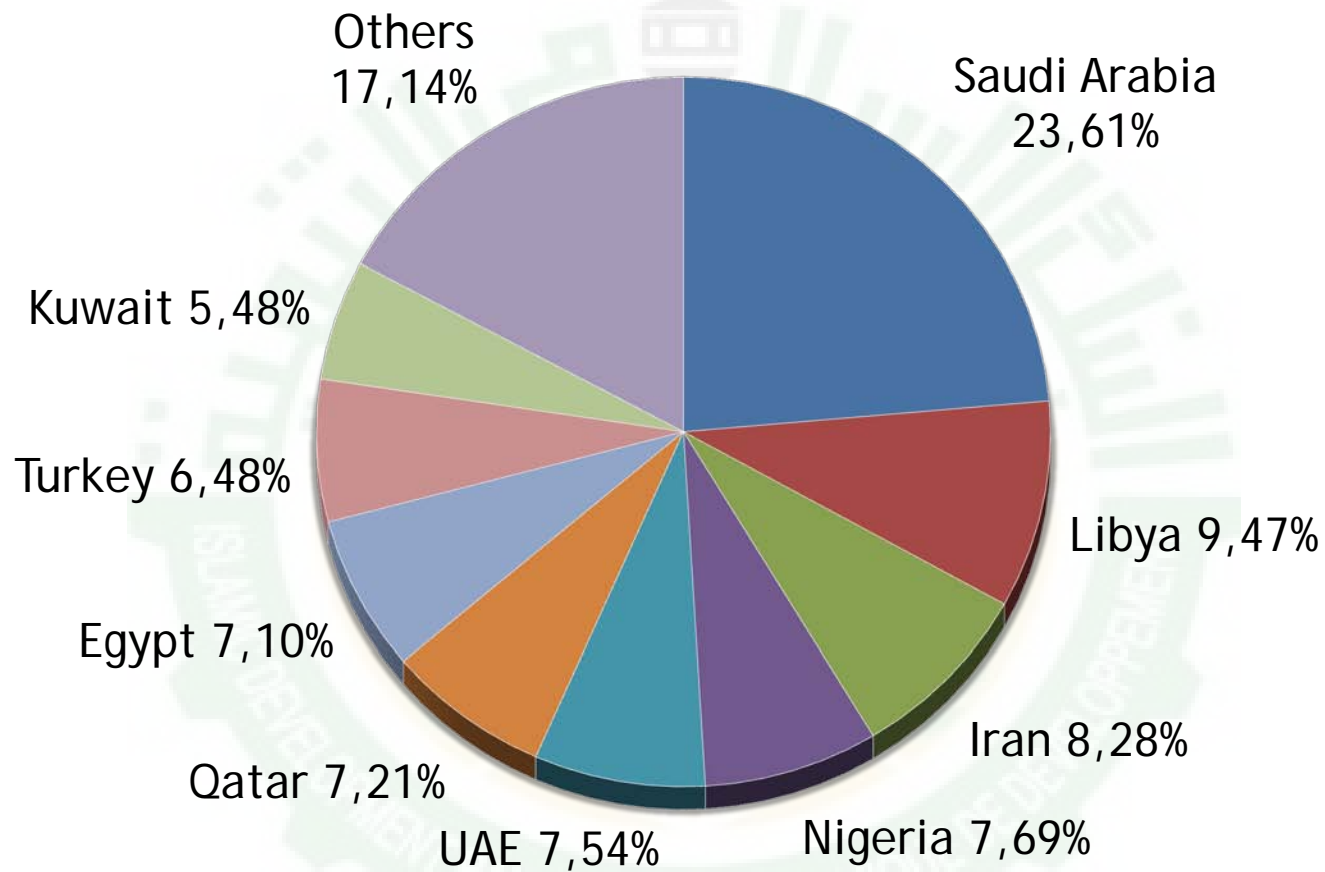
Membership growth:  
22 countries in 1975 → 56 countries in 2008

# IsDB Model

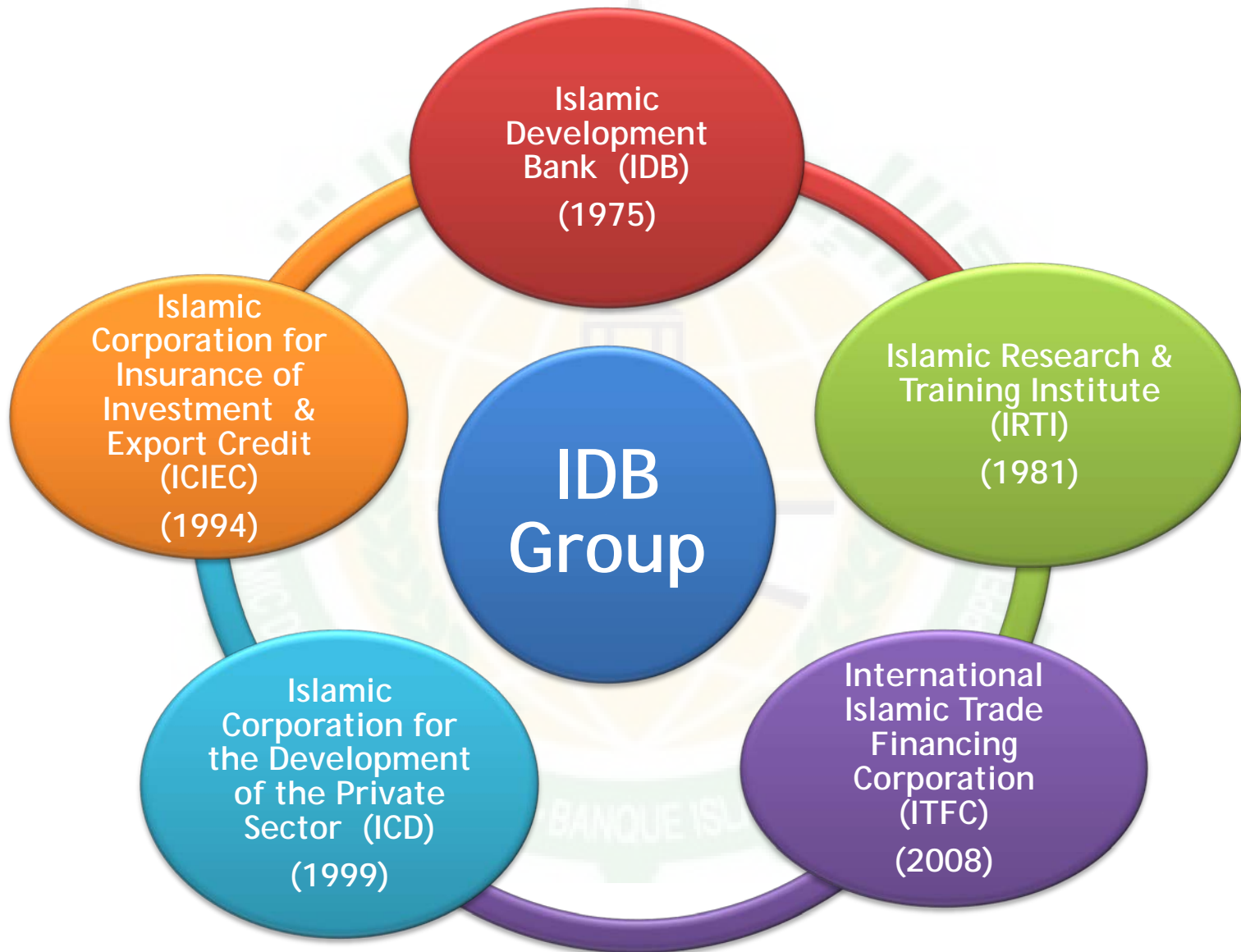
- ❖ A Unique Model of South-South Cooperation
- ❖ Global MDB: Membership 56 Countries spreading over 4 continents
- ❖ All Member Countries can benefit from IDB Financing



# Major Shareholders



# IsDB Group Entities





# **ISDB GROUP AND ISLAMIC FINANCE**



# Mission & Strategic Thrust

- ❖ “To promote comprehensive human development, with a focus on the priority areas of alleviating poverty, improving health, promoting education, improving governance and prospering the people”
- ❖ Expansion of the Islamic financial industry is one of the nine key strategic thrusts of IDB

# Range of Support

- ❖ Knowledge creation and dissemination
- ❖ Support infrastructure institutions of the Islamic financial industry
- ❖ Support various segments of the industry
  - Capital markets
  - Investment in Islamic banks and other IFIs
  - Mega Bank
  - Awqaf sector development



# Islamic Research & Training Institute

- ❖ IRTI was established in 1981 to undertake research in Islamic Economics and Finance
- ❖ Main activities includes:
  - Seminars & Conferences
  - Publications and databases
  - Training & capacity building
  - IDB Prize in Islamic Economics & Islamic Banking
  - IRTI Scholarship for Ph.D. in Islamic Banking
  - E-learning MA in Islamic finance with Insaniah University, Malaysia

# Advisory Support

- ❖ Advisory Services, capacity development and technical assistance for Islamic Financial Institutions
- ❖ Developing the architectural foundation of the Islamic financial Industry, by establishing and supporting crucial institutions



# Financial Product Development

- ❖ A focal point for the IDB Group for the development of new financial instruments
- ❖ Strategic objectives:
  - Product development process (Process)
  - Product developers (People)
  - Design of innovative products (Products)
- ❖ Examples:
  - Develop a product based on OIC-capital markets
  - Develop new flexible Sukuk structures

# Infrastructure Institutions

- ❖ Accounting & Auditing Organization for Islamic Financial Institutions (AAOIFI)
  - Bahrain, 1991
- ❖ General Council for Islamic Banks and Financial Institutions (CIBAFI)
  - Bahrain, 2001
- ❖ International Islamic Financial Market (IIFM)
  - Bahrain, 2002
- ❖ Islamic Financial Services Board (IFSB)
  - Malaysia, 2002

# Infrastructure Institutions ... cont.

- ❖ Liquidity Management Centre (LMC)
  - Bahrain, 2002
- ❖ International Islamic Rating Agency (IIRA)
  - Bahrain, 2002
- ❖ International Islamic Centre for Reconciliation & Arbitration (IICRA)
  - UAE, 2005
- ❖ International Islamic Liquidity Management Corporation
  - Malaysia, 2011

# Capital Markets

- ❖ IsDB pioneered development of Sukuk globally
- ❖ IsDB is committed to Sukuk market with successive issuances in 2009, 2010, 2011, 2012
- ❖ Undertake issuance in or linked to different currencies
- ❖ IsDB has increased its Sukuk Program limit to US\$ 6.5bn in 2012
- ❖ Support Islamic capital markets
- ❖ Reach out to new markets and investors

# IsDB Sukuk Issues (\$)

Year	Size (\$m)	Maturity
2003	400	2008
2005	500	2010
2009	850	2014
2010	500	2015
2011	750	2016
2012	800	2017



# Equity Investments

- ❖ Total investments of IsDB in companies is \$540 million with a market value > \$1.2 bn
- ❖ 60% of investments are in Islamic financial institutions:
  - 28 companies
  - \$324 million investments



# Islamic Mega Bank

- ❖ In the process of establishment
- ❖ Proposed capital of \$1 billion
- ❖ Activities include:
  - issuance of short, medium and long term Sukuk that are tradable,
  - facilitate liquidity management by Islamic financial institutions.
  - financing, through direct investment and/or syndicated financing, of infrastructure projects in IDB member-countries

# Awqaf Development Fund

- ❖ Paid-up capital of \$72 million funded by 15 participants
- ❖ IDB Line of Financing for Awqaf of US\$ 100 million
- ❖ Successful financing for 39 projects worth US\$846 million in 18 countries

# Conclusion

- ❖ Support of Islamic financial industry is a major thrust of IsDB strategy
- ❖ IsDB takes a partnership and collaborative approach with industry leaders and market players
- ❖ While the IFI is growing rapidly it is still small and less diversified
- ❖ This is a good time to plan ahead for the future of the industry so it might reach maturity in a balanced and fruitful manner



**Thank You**