



Recent Developments on Islamic Finance



SESRIC INITIATIVES ON ISLAMIC FINANCE

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İstanbul, Turkey



INTRODUCTION

Being the subsidiary organ of OIC, the basic mandates of SESRIC :

STATISTICS

Collate, process and disseminate socioeconomic statistics and information

RESEARCH

Study and evaluate the economic and social developments towards generating proposals and policy recommendations

TRAINING & TECHNICAL COOPERATION

Organise training programmes geared to the needs of the MCs as well as general objectives of the OIC

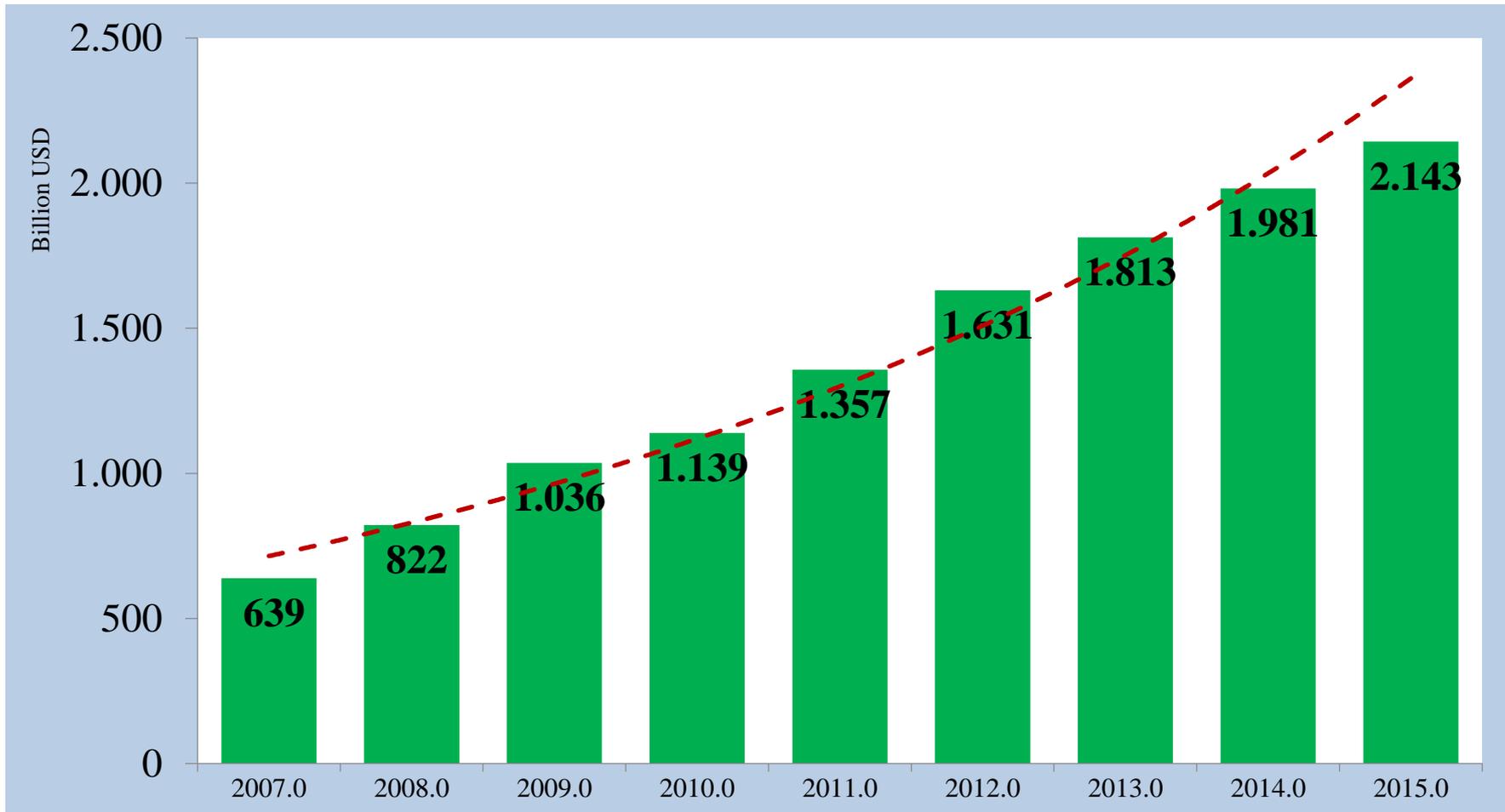


- **OIC Outlook** titled *“Islamic Finance in OIC Member Countries”*
- *“International Forum on Financial Systems (IFFS)”*, which was held in September 2013 in Istanbul, Turkey.
- **9th International Conference on Islamic Economics and Finance (9ICIEF)** in Istanbul in September 2013
- Training courses, seminars and workshops as well as the series of **International Islamic Economics and Finance Summer School**
- A quarterly periodical, **Journal of Economic Cooperation and Development**,



OVERVIEW of ISLAMIC FINANCE ACTIVITIES in OIC COUNTRIES

Size of Global Islamic Financial Assets (2007-2015, Billion USD)

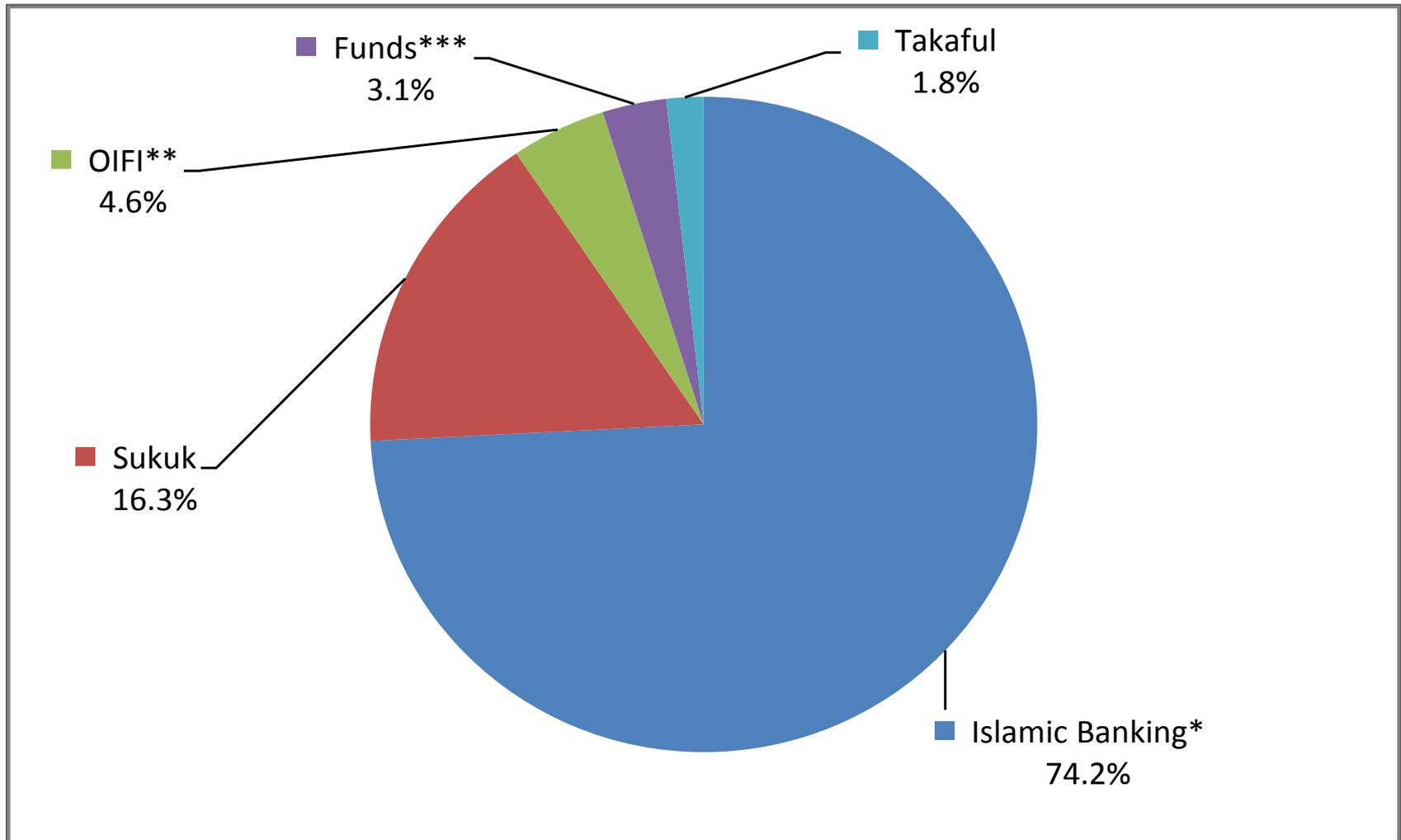


Source: Global Islamic Finance Report, 2016



OVERVIEW of ISLAMIC FINANCE ACTIVITIES in OIC COUNTRIES

Distribution of Islamic Finance Assets by Sector

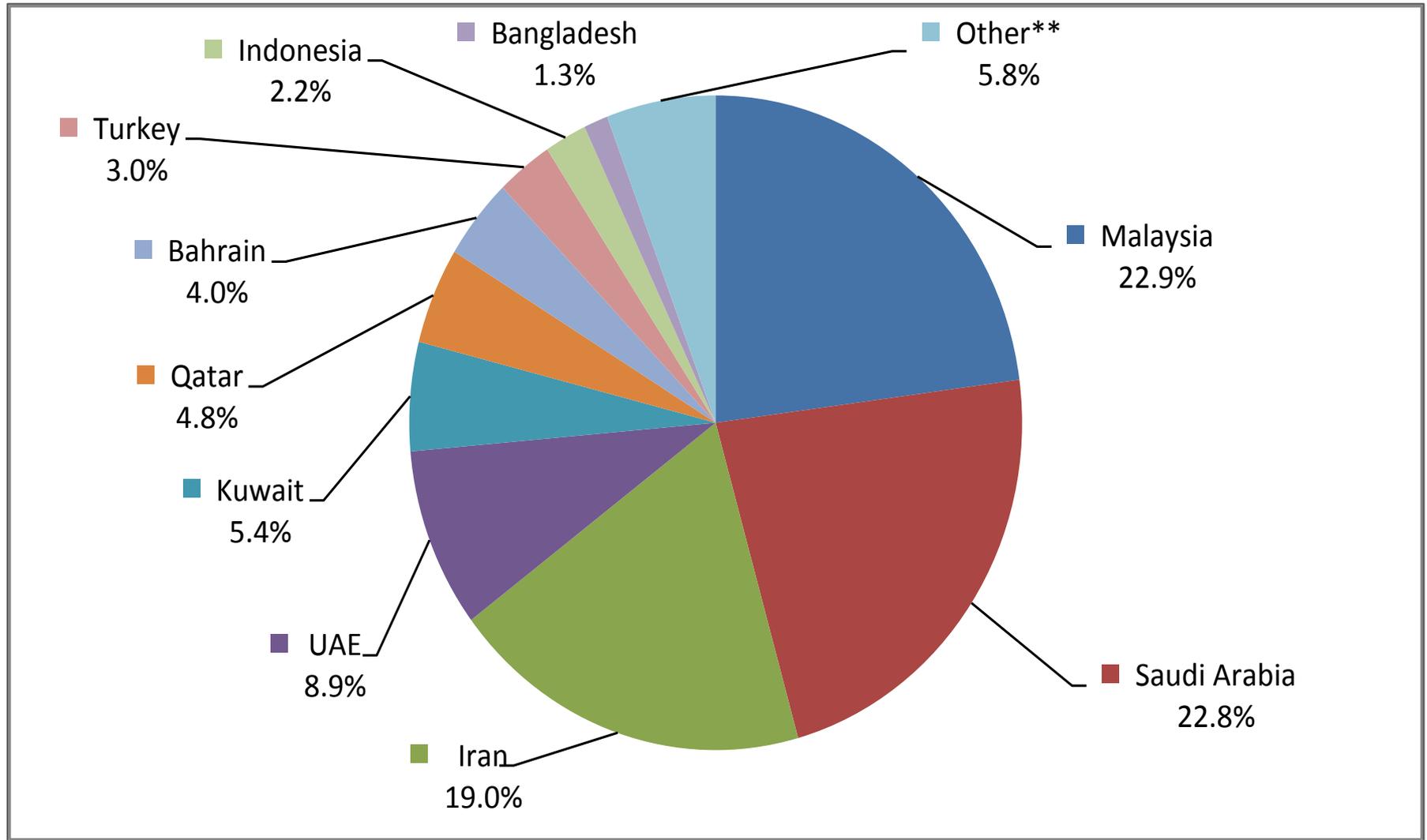


Source: ICD Thomson Reuters Islamic Finance Development Report , 2015



OVERVIEW of ISLAMIC FINANCE ACTIVITIES in OIC COUNTRIES

Distribution of Islamic Finance Assets (2014)

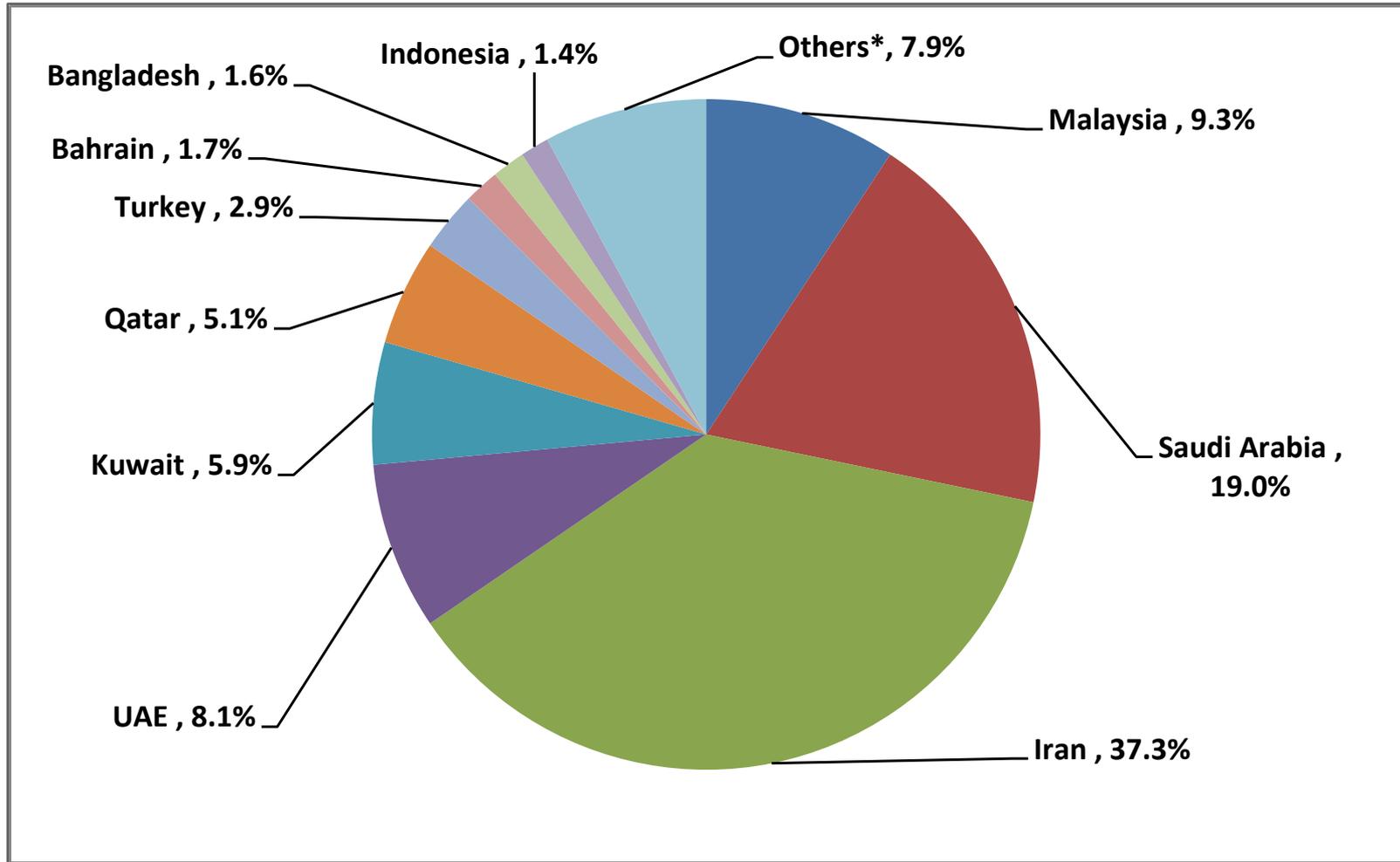


Source: ICD Thomson Reuters Islamic Finance Development Report 2015 and IFSB Islamic Financial Services Industry Stability Report 2016



OVERVIEW of ISLAMIC FINANCE ACTIVITIES in OIC COUNTRIES

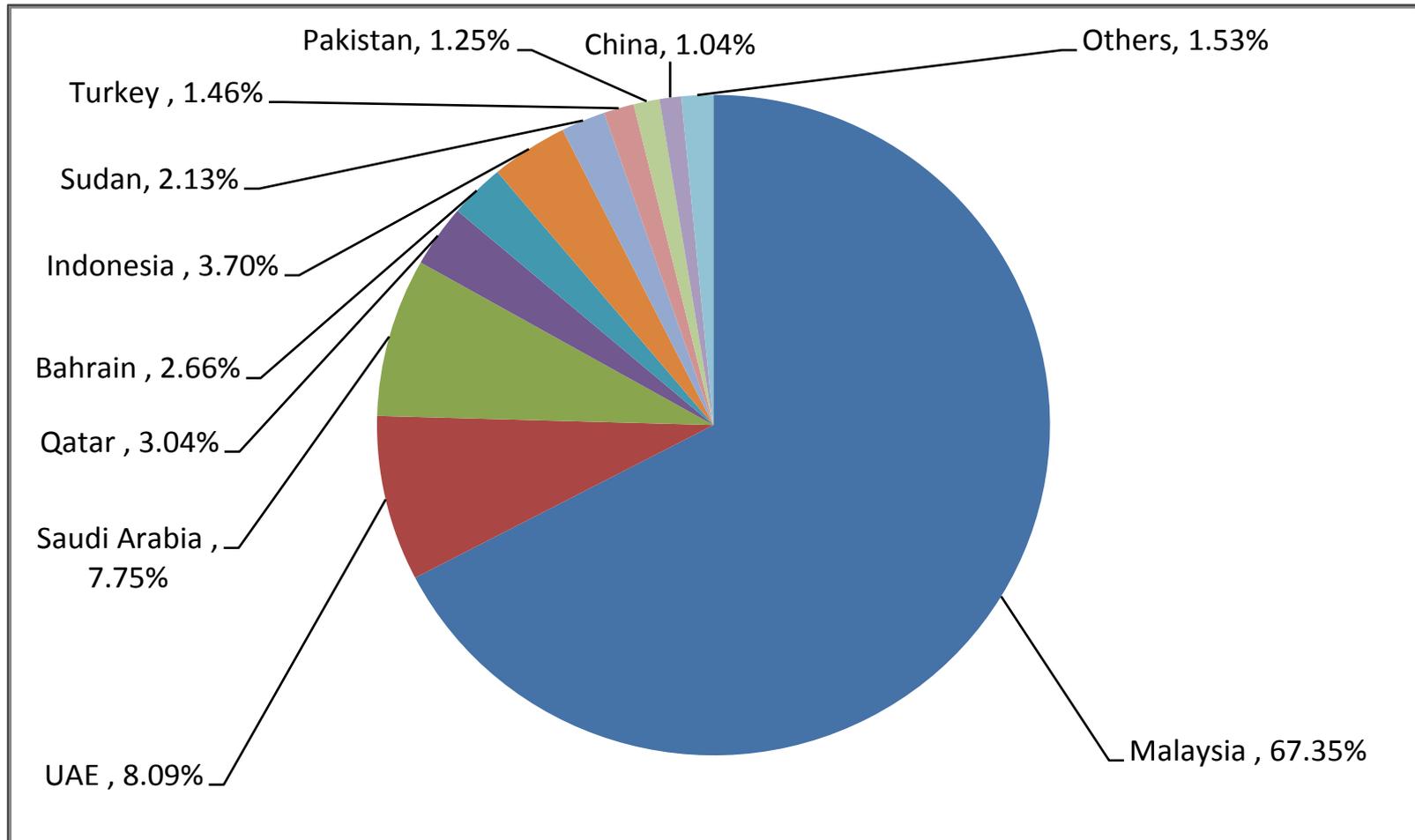
Distribution of Islamic Banking Assets (2015)



Source: ICD, IFSB Islamic Financial Services Industry Stability Report 2016



Global Sukuk Issuances by Country (All Tenors, 2001 - 2015)



Source: IIFM, Sukuk Report 5th Ed. 2016



Islamic Finance Industry Database Project

RATIONALE OF THE PROJECT

- Issues related to existing databases: limited coverage, lack of consistency, gap in time series
- Lack of coordination and harmonization on Islamic finance indicators
- Need for data that is readily accessible, user-friendly, consistent and comparable across countries for research, policy formation and decision making and strategy development
- Islamic finance is both the concern and challenge of Muslim communities in the World; hence the problems of data issues of this niche area should be prioritized and handled especially by Muslim countries and OIC
- **OICStat Database**



OBJECTIVES OF THE PROJECT

- ❖ Conduct of a Tendency Survey of Islamic Finance Practices of OIC countries
- ❖ Build an Islamic Finance Industry Database covering
 - *Contact Information of Data Providers of Islamic Finance in OIC Countries*
 - *Islamic Banking Database*
 - *Islamic Capital Markets, Sukuk & Syndicated Lending Database*
 - *Islamic Insurance (Takaful) Sector Database*
 - *Non-Bank Islamic Finance Institutions (NBFIs) Database*



WHAT HAS BEEN DONE SO FAR?

- ✓ A **Stakeholders Meeting** was organized at World Bank – IMF Meetings in October 2016
- ✓ A **Consultative Meeting** organized in September 2017
- ✓ A **Project Document** (existing data practices of some major OIC countries) was prepared including project governance mechanism.
- ✓ The **List of Possible Variables** for inclusion in the SESRIC IBFSTAT Database were selected.
- ✓ A **Tendency Survey** was designed and distributed among OIC countries to get insight about Islamic finance data collection practices



MEETINGS CONDUCTED

STAKEHOLDERS MEETING

Washington DC, USA 9 October 2016

AIM: To receive advises and discuss the project fundamentals and cooperation opportunities with relevant stakeholders

CONSULTATIVE MEETING

Bodrum, Turkey 24 September 2017



السوق المالية
الإسلامية الدولية
International Islamic
Financial Market



- **The Project Document** aimed:

to determine the gaps in the existing Islamic finance databases, data collection and dissemination practices

to analyze the strategy to follow to establish the conceptual framework and the proper governance structure for the project

to determine a proposed set of priority variables under the monetary, stability, and development indicator categories

- ❖ The analysis covers ten selected OIC countries holding more than 94% of Islamic finance assets, namely;
Bangladesh, Bahrain, Indonesia, Iran, Kuwait, Malaysia, Qatar, Saudi Arabia, Turkey, and UAE
- ❖ Existing publicly available data and documents are analyzed. The information on the websites and reports are used for analysis provided by regulatory and supervisory authorities of Islamic finance sector
- ❖ A checklist is composed including the availability of certain data regarding each sector of Islamic finance industry and the main variables for which data is available either in national currency and USD terms



POSSIBLE CHALLENGES

1. *Lack of **awareness** on the necessity of a country-level Islamic finance database across OIC countries*
2. *Differences in the **level of development** of Islamic finance activities and its various sectors across OIC countries*
3. ***Capacity gaps and lack of uniformity** in terms of Islamic finance data compilation and disclosure practices and formats*
4. ***Legal constraints** in data disclosure and sharing of OIC countries*
5. *Difficulties in establishing and sustaining the **communication and collaboration** with local regulatory and supervisory authorities*
6. ***Technical issues** considering the periodicity and currency unit for the database*
7. ***Longevity** of the project and **sustainability** of resources*
8. *Inadequate level of **coordination and collaboration** with international institutions relevant to the project*



TENDENCY SURVEY ON IBFSTAT

PART	TITLE	Q	QUESTIONS
I	Country Diagnostics	20	<ul style="list-style-type: none">✓ Does your country collect, compile, and disseminate any data on Islamic Banking and Finance Statistics?✓ Names of relevant agencies or institutions✓ Challenging and/or preventing factors (8 Likert scale questions)✓ Some questions on the size of the Islamic banking, capital market and takaful sectors✓ Some questions to gather opinions regarding the importance of various aspects of Islamic finance data collection practices✓ Listing of recent developments in Islamic finance sector
II	Data Collection, Compilation and Disclosure Practices	11	<ul style="list-style-type: none">✓ Availability a specific formal financial accounting and reporting framework for the specific Islamic finance sector and its level of compliance with international standards✓ Availability of a specific institution that collects information on the specific Islamic finance sector✓ Whether the data is disseminated publicly✓ The level of data – institutional or sectoral
III	Needs Assessment of Capacity Building	3	<ul style="list-style-type: none">✓ The availability of training/capacity building being taken from regional/international organizations in terms of Islamic finance statistics✓ The availability of any need for capacity building on statistics related to Islamic finance sectors✓ The internal capacity of the institution or country to provide



Challenging and preventing factors faced while producing Islamic Banking and Finance data

- *Lack of methodological knowledge of human resources in terms of **Islamic finance statistical framework** (QUALITYWISE)*
- *Lack of or insufficient number of human resources in terms of **collection, compilation & reporting** (QUANTITYWISE)*
- *Lack of or inappropriate **IT infrastructure***

Do you think that there is a need for the development of a country-level aggregated database of Islamic finance sector among OIC countries?

RESPONSE	Number of Countries	%
YES	25	83.3
NO	5	16.7
TOTAL	30	100



PRELIMINARY RESULTS: PART I

Legal Status of Islamic Financial Institutions	Number of Countries
A Specific law applied for IF Institutions	7
The same law and regulations with conventional financial institutions applied	10
The same law with conventional financial institutions applied <i>but there are different regulations for IF institutions</i>	13
Other legal statuses not mentioned above	2



PRELIMINARY RESULTS: PART II

Does your country have a specific formal financial accounting and reporting framework for...

RESPONSE	ISLAMIC BANKS and WINDOWS	%	ASSET MANGMT COMP.	%	TAKAFUL COMP.	%
YES	9	34.6	6	31.6	6	28.6
NO1	16	61.5	12	63.2	15	71.4
NO2	1	3.9	1	5.2		
TOTAL	26	100	19	100	21	100



PRELIMINARY RESULTS: PART III

Does your country/institution need capacity building on Islamic Finance sectors?	# of Countries	%
YES, in all sectors	10	38.5
YES, in some sectors	10	38.5
NO	6	23.0
Total	26	100

MOSTLY NEEDED TOPICS

1. Islamic Banking Accounts
2. Statistical Framework for Islamic Finance and Data Management Practices
3. Operation of Islamic Banking and other sectors
4. Islamic Banking equivalents to conventional banking
5. Risk management, regulatory and supervisory practices
6. Any topic regarding Islamic Finance Statistics for all sectors



PRELIMINARY RESULTS: PART III

Did you cooperate with and/or receive consultation/capacity building/ training from regional/international organizations?	YES	NO
Islamic Banking	15	13
Islamic Capital Markets	5	14
Islamic Asset Management	6	15
Takaful (Islamic Insurance)	6	16
Islamic Non-Bank Financial Institutions	4	16

Cooperation in the Islamic Banking sector: Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) , Arab Monetary Fund (AMF) , International Monetary Fund (IMF) , Islamic Development Bank (IDB) , Islamic Financial Services Board (IFSB) , Islamic Research Training Institute (IRTI) . South East Asian Central Banks (SEACEN) , Statistical Economic and Social Research and Training Centre for Islamic Countries (SESRIC) , United Nations (UN) , World Bank (WB)

Cooperation in other sectors: Association of National Development Finance Institutions in Member Countries of the Islamic Development (ADFIMI) Committee for Economic and Commercial Cooperation of the Organization of the Islamic Cooperation (COMCEC) International Shari'ah Research Academy for Islamic Finance (ISRA) International Association of Insurance Supervisors (IAIS)

- 1. Comprehensive analysis of the survey results after taking responses from more countries and institutions*
- 2. Operationalisation of the governance mechanism of the OIC Islamic Finance Industry Database that will be hosted by SESRIC*
- 3. Determination of sectoral priorities based on the level of accessibility of data (Islamic Banking, Islamic Capital Markets, Takaful, etc.)*
- 4. Design of the preliminary database format including templates and metadata of priority indicators concerning each Islamic finance sector*
- 5. Collection of data from relevant national and international sources*
- 6. Conducting statistical capacity building programs for countries where there is a need for collecting, compiling and dissemination Islamic finance data*



THANK YOU

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Training Centre for Islamic Countries**

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