



NEGARAKU

COMPILATION AND ESTIMATION OF ISLAMIC FINANCE STATISTICS: THE MALAYSIA'S EXPERIENCE

Workshop on Islamic Finance in the National Accounts

Beirut, Lebanon

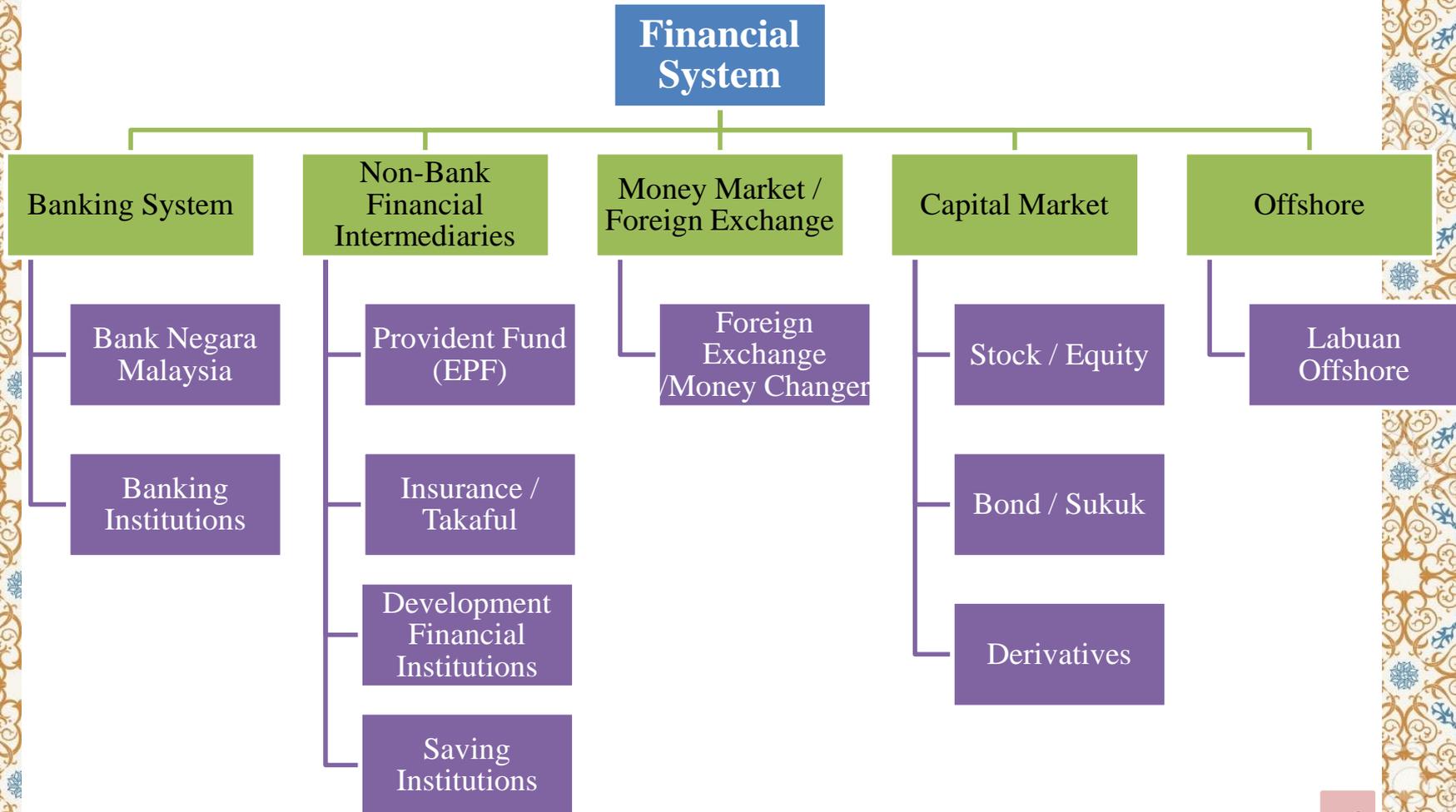
24 – 26 October 2017

Department of Statistics Malaysia

Outline

- Introduction
- Development of Islamic Finance in Malaysia
- Islamic Banking and Takaful Statistics in Malaysia
- The Compilation of Islamic Finance Value Added: The Malaysian Experience
- Issues and Challenges
- Conclusion

Malaysia Financial System & Structure



Malaysia Industrial Classification of Financial Sector

FINANCIAL SERVICE ACTIVITIES, EXCEPT INSURANCE/TAKAFUL AND PENSION FUNDING

This division includes the activities of obtaining and redistributing funds other than for the purpose of insurance/takaful or pension funding or compulsory social security.

GROUP 641 Monetary intermediation

This group includes the obtaining of funds in the form of transferable deposits, i.e. funds that are fixed in money terms, and obtained on a day-to-day basis and, apart from central banking, obtained from non-financial sources.

GROUP 642 Activities of holding companies

This group includes the activities of holding companies, i.e. units that hold the assets (owning controlling-levels of equity) of a group of subsidiary corporations and whose principal activity owns the group. The holding companies in this group do not provide any other service to the businesses in which the equity is held, i.e. they do not administer or manage other units.

GROUP 643 Trusts, funds and similar financial entities

This group includes legal entities organized to pool securities or other financial assets, without managing, on behalf of shareholders or beneficiaries. The portfolios are customized to achieve specific investment characteristics, such as diversification, risk, rate of return, and price volatility. These entities earn interest, dividends, and other property income, but have little or no employment and no revenue from the sale of services.

GROUP 649 Other financial service activities, except insurance/takaful and pension funding activities

This group includes financial service activities other than those conducted by monetary institutions.

Malaysia Industrial Classification of Financial Sector

ACTIVITIES AUXILIARY TO FINANCIAL SERVICE AND INSURANCE/ TAKAFUL ACTIVITIES

This division includes the provision of services involved in or closely related to financial service activities, but not themselves providing financial services. The primary breakdown of this division is according to the type of financial transaction or funding served.

GROUP 661 Activities auxiliary to financial service activities, except insurance/takaful and pension funding

This group includes the furnishing of physical or electronic marketplaces for the purpose of facilitating the buying and selling of stocks, stock options, bonds or commodity contracts.

GROUP 662 Activities auxiliary to insurance/takaful and pension funding

This group includes acting as agents (i.e. brokers) in selling annuities and insurance policies/takaful certificates or providing other employee benefits and insurance/takaful and pension related services such as claims adjustment and third party administration.

GROUP 663 Fund management activities

This group includes portfolio and fund management activities on a fee or contract basis, for individuals, businesses and others.

Malaysia Industrial Classification of Financial Sector

INSURANCE/TAKAFUL, REINSURANCE/RETAKAFUL AND PENSION FUNDING, EXCEPT COMPULSORY SOCIAL SECURITY

This division includes the underwriting annuities and insurance policies/takaful certificates and investing premiums/contributions to build up a portfolio of financial assets to be used against future claims. Provision of direct insurance/takaful and reinsurance/retakaful are included.

GROUP 651 Insurance/Takaful

This group includes life insurance/family takaful and life reinsurance/family retakaful with or without a substantial savings element and other non-life insurance/non-family takaful.

GROUP 652 Reinsurance/Retakaful

This group includes the activities of assuming all or part of the risk associated with existing insurance policies/takaful certificates originally underwritten by other insurance/takaful carriers.

GROUP 653 Pension funding and provident funding

This group includes legal entities (i.e. funds, plans and/or programmed) organized to provide retirement income benefits exclusively for the sponsor's employees or members. This includes pension plans with defined benefits, as well as individual plans where benefits are simply defined through the member's contribution.

Islamic Banking Governance

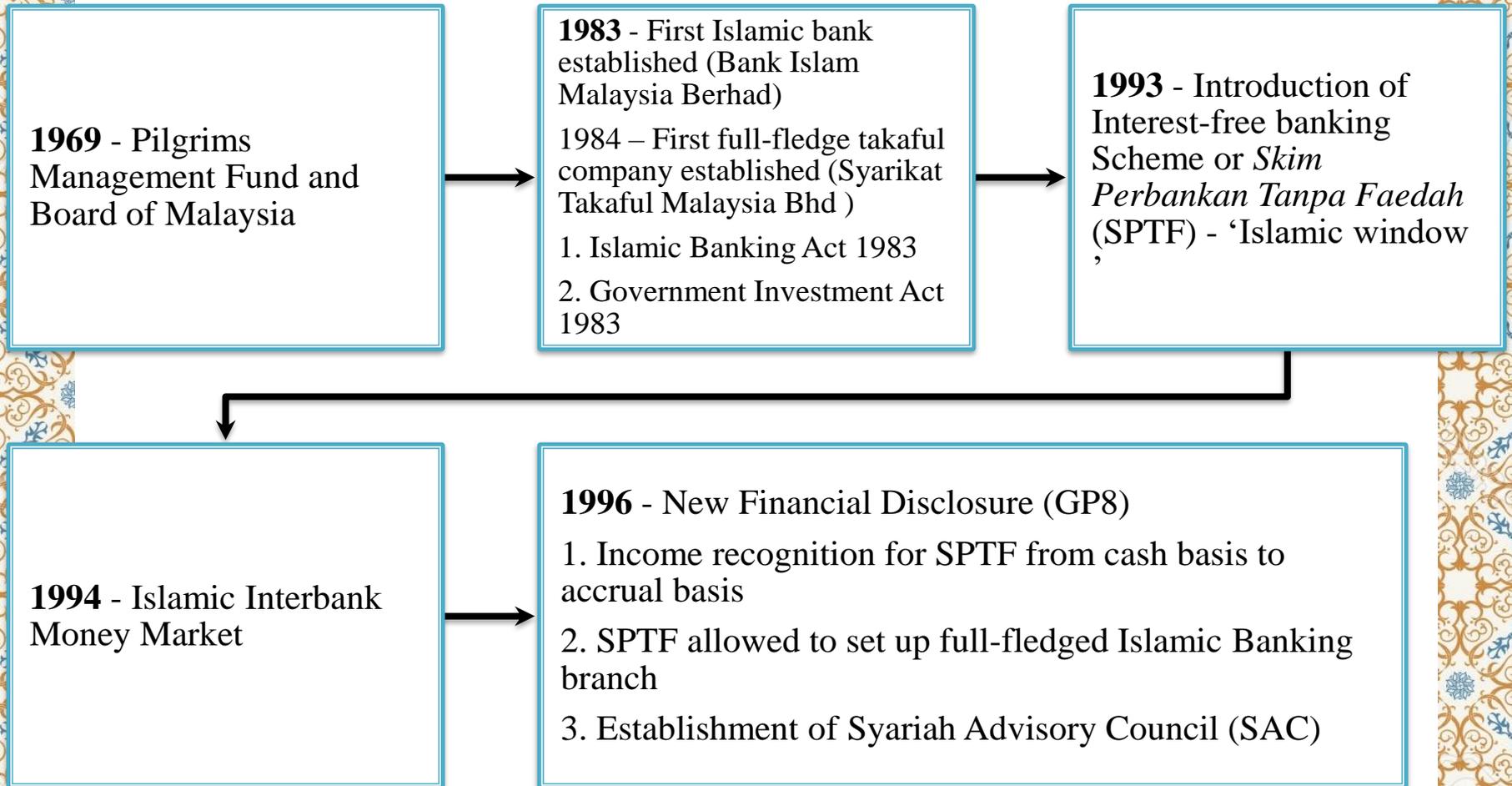
Islamic Banking Act 1983

- “Islamic banking business” means banking business whose aims and operations do not involve any element which is not approved by the Religion of Islam;

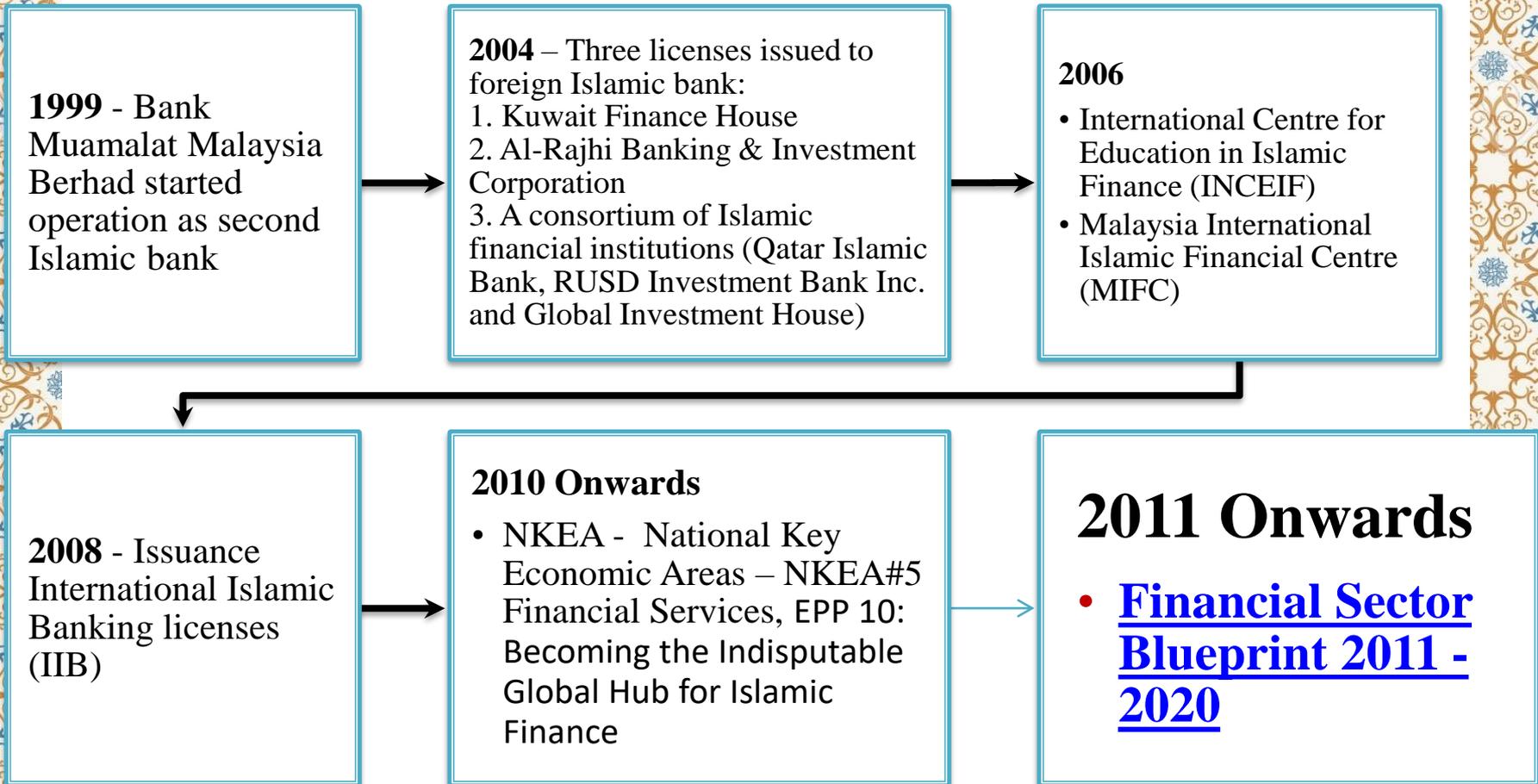
Islamic Financial Services Act 2013

- An institution shall at all times ensure that its aims and operations, business, affairs and activities are in compliance with Shariah.
- [Securities Commission \(Amendment\) Act 2015 And Capital Markets And Services \(Amendment\) Act 2015](#)
- [Capital Markets and Services Act 2007](#)
- [Securities Commission Malaysia Act 1993](#)
- [Securities Industry \(Central Depositories\) Act 1991](#)
- [Demutualisation \(Kuala Lumpur Stock Exchange\) Act 2003 \(pdf\)](#)
- [Securities Industry Act 1983](#)
- [Futures Industry Act 1993](#)
- [Comparison Between the Securities Industry Act 1983 and the Capital Markets and Services Act 2007](#)
- http://www.bnm.gov.my/index.php?ch=en_policy&pg=en_policy_banking

Malaysia Islamic Banking - Development



Malaysia Islamic Banking - Development



SHARE OF FINANCE TO MALAYSIA GDP

Share of Finance and Insurance to GDP at Constant prices 2010

YEAR	2010	2011	2012	2013	2014	2015	2016
FINANCE	5.8	5.9	5.9	5.7	5.5	5.2	5.0
INSURANCE	1.7	1.7	1.9	1.9	1.8	1.7	1.7
TOTAL FINANCE & INSURANCE	7.5	7.6	7.8	7.6	7.3	6.9	6.8

Islamic Banking Statistics

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Number of Institutions	43	42	47	54	54	55	56	56	55	54	54	54
Commercial Bank	27	22	22	22	22	23	25	27	27	27	27	27
Merchant/Investment Bank	10	10	14	15	15	15	15	13	12	11	11	11
Islamic Bank	6	10	11	17	17	17	16	16	16	16	16	16

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Office Network	2,244	2,139	2,245	2,271	2,298	2,312	2,435	2,481	2,479	2,494	2,500	2,498
Commercial Bank	2,072	1,952	1,968	1,979	1,999	2,006	2,050	2,056	2,029	2,045	2,048	2,019
Merchant/Investment Bank	19	19	120	131	131	133	133	148	135	135	119	130
Islamic Bank¹	766	1,167	1,272	2,039	2,087	2,102	2,147	2,171	2,177	2,192	2,206	2,197

¹ Includes Islamic bank branches that are shared with conventional bank branches

^p Preliminary

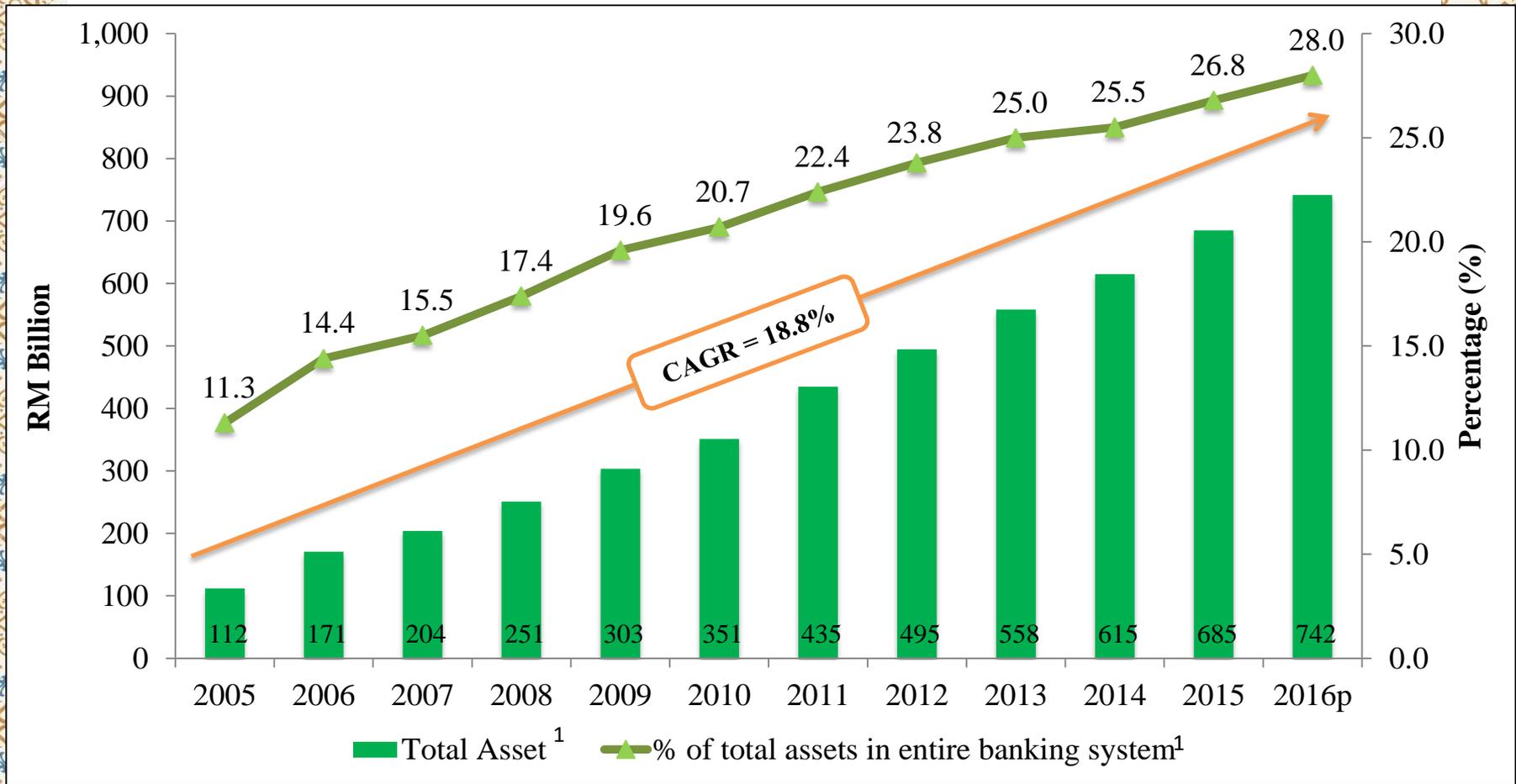
source : Bank Negara Malaysia

Islamic Banking Statistics



source: Bank Negara Malaysia

Islamic Banking Statistics – Asset

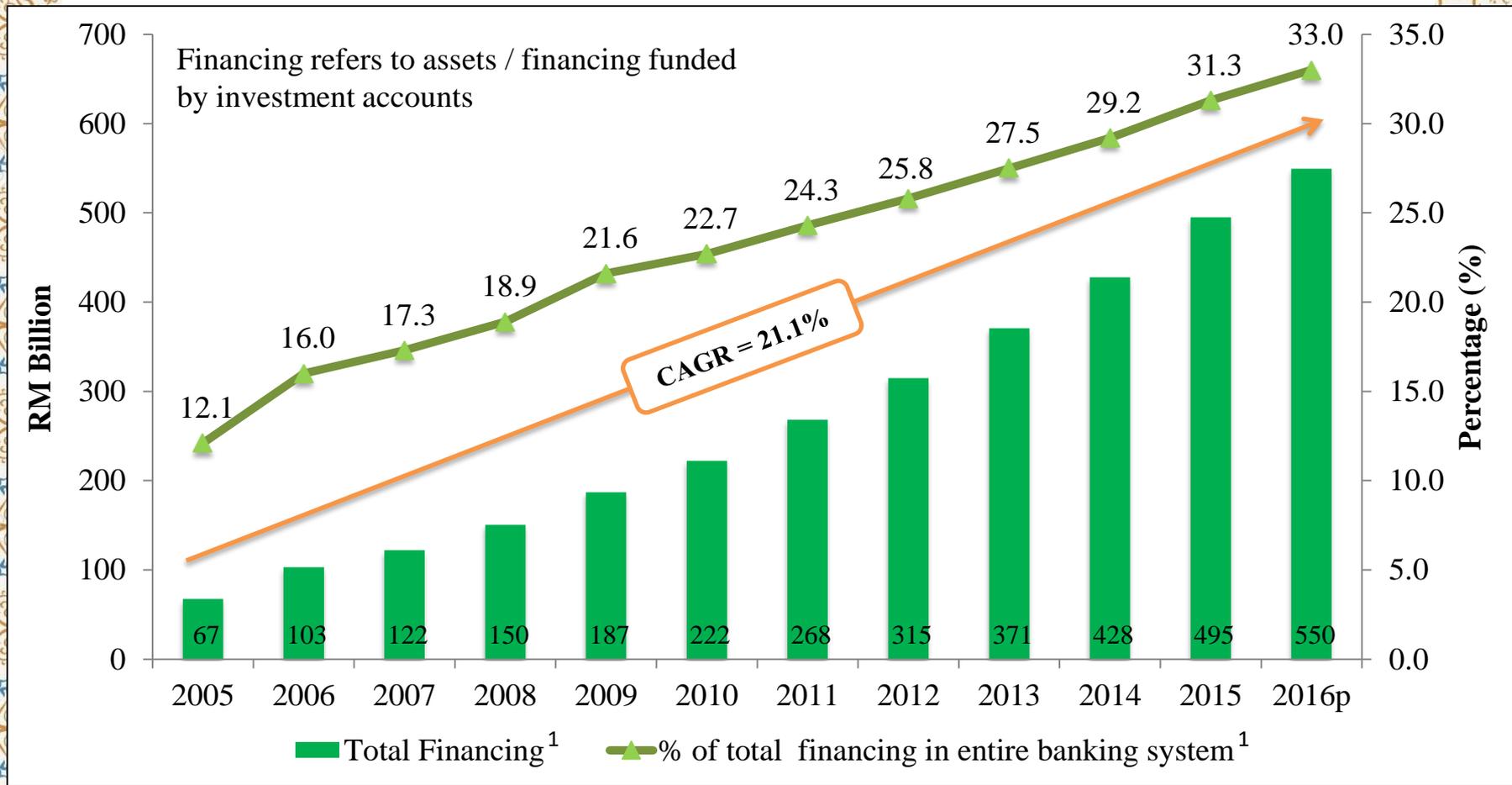


¹ Including development financial institutions under the Development Financial Institutions Act 2002

^p Preliminary

source: Bank Negara Malaysia

Islamic Banking Statistics - Financing

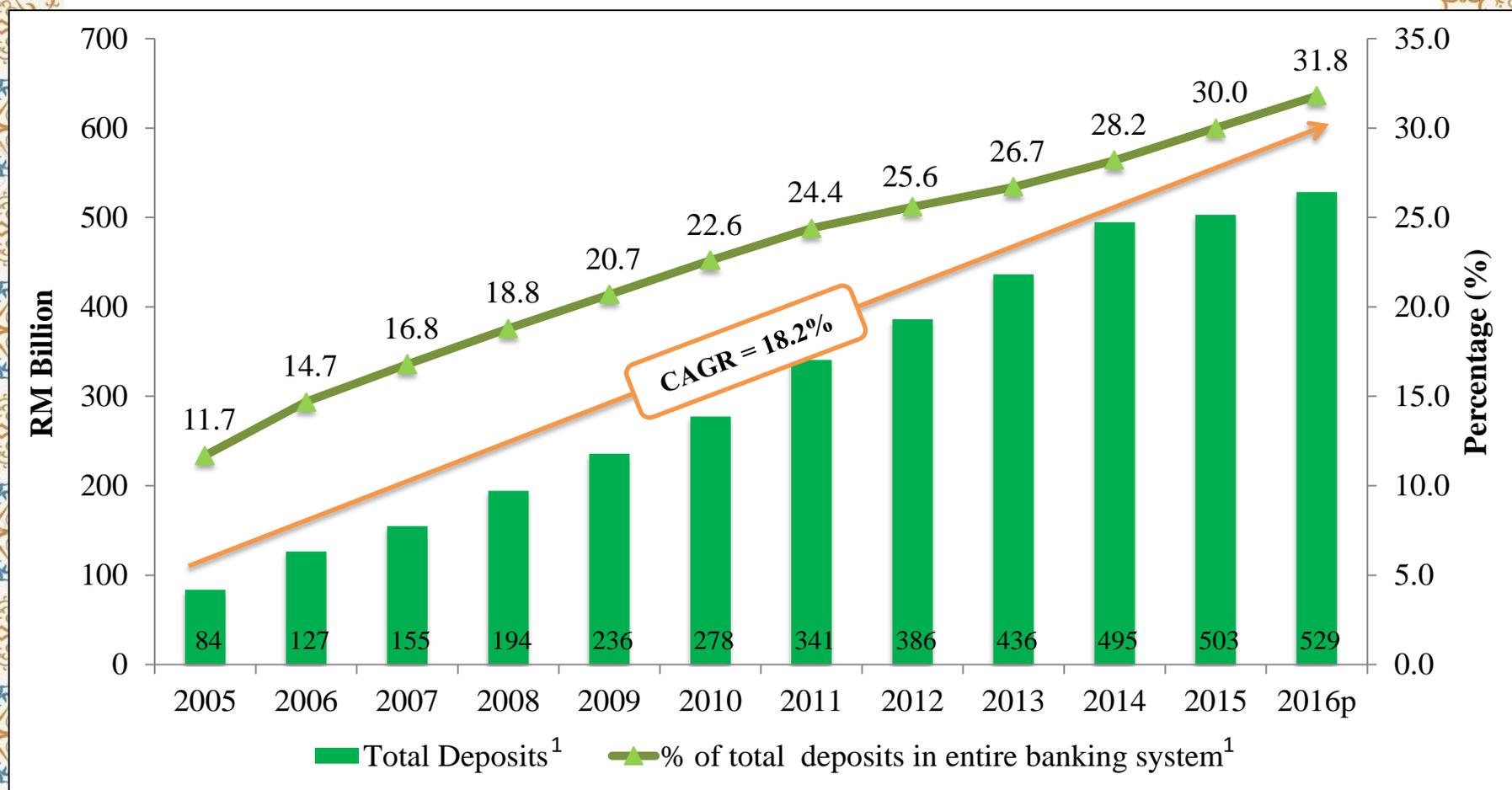


¹ Including development financial institutions under the Development Financial Institutions Act 2002

^p Preliminary

source: Bank Negara Malaysia

Islamic Banking Statistics - Deposits



¹ Including development financial institutions under the Development Financial Institutions Act 2002

^p Preliminary

source: Bank Negara Malaysia

Islamic Banking Statistics

Pre-tax Profit	For the Calendar year										
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016p
	RM million										
Banking System ¹	12,949	17,702	19,170	16,991	22,959	26,196	29,219	29,758	31,929	28,996	32,221
Commercial Bank ¹	12,083	15,655	18,489	15,759	22,207	25,095	28,199	28,766	30,756	28,263	31,451
Investment bank	866	2,046	681	1,232	752	1,101	1,020	992	1,173	733	770
Islamic Bank	1,612	1,894	1,811	2,641	3,199	3,027	4,852	4,913	5,112	5,034	5,576

Total Capital Ratio	As at end										
	Ratio										
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016p
Banking System	13.5	13.2	12.6	15.4	14.8	15.7	15.7	14.9	15.9	16.6	16.5
Islamic bank	17.0	15.8	14.0	15.6	15.5	15.0	14.5	15.1	16.2	16.1	16.6

Total capital ratio refers to the ratio of a bank's capital to its risk

¹ Includes Islamic Banks

^p Preliminary

source : Bank Negara Malaysia

List of Banking Institutions with Islamic Business as at August 2017

Commercial Banks



BNP PARIBAS

citibank

Deutsche Bank



Islamic Banks

 **Hong Leong**
Islamic Bank

AFFIN ISLAMIC

HSBC  **AMANA**
Islamic Finance for Life

RHB 
RHB Islamic Bank Berhad

 **CIMB ISLAMIC**

 **Bank Muamalat**
بنك معاملات

 **Maybank**
Islamic

بيت التمويل الكويتي
Kuwait Finance House 

BANK ISLAM

 **ALLIANCE ISLAMIC BANK**

 **OCBC Al-Amin**

 **PUBLIC ISLAMIC BANK**
WHOLLY-OWNED SUBSIDIARY OF PUBLIC BANK

 **ASIAN FINANCE BANK**

Standard Chartered
saadiq 


AmIslamic

Al Rajhi Bank مصرف الراجحي 

Investment Banks

 **ALLIANCE INVESTMENT BANK**

 **Maybank**
Investment Bank



AmInvest

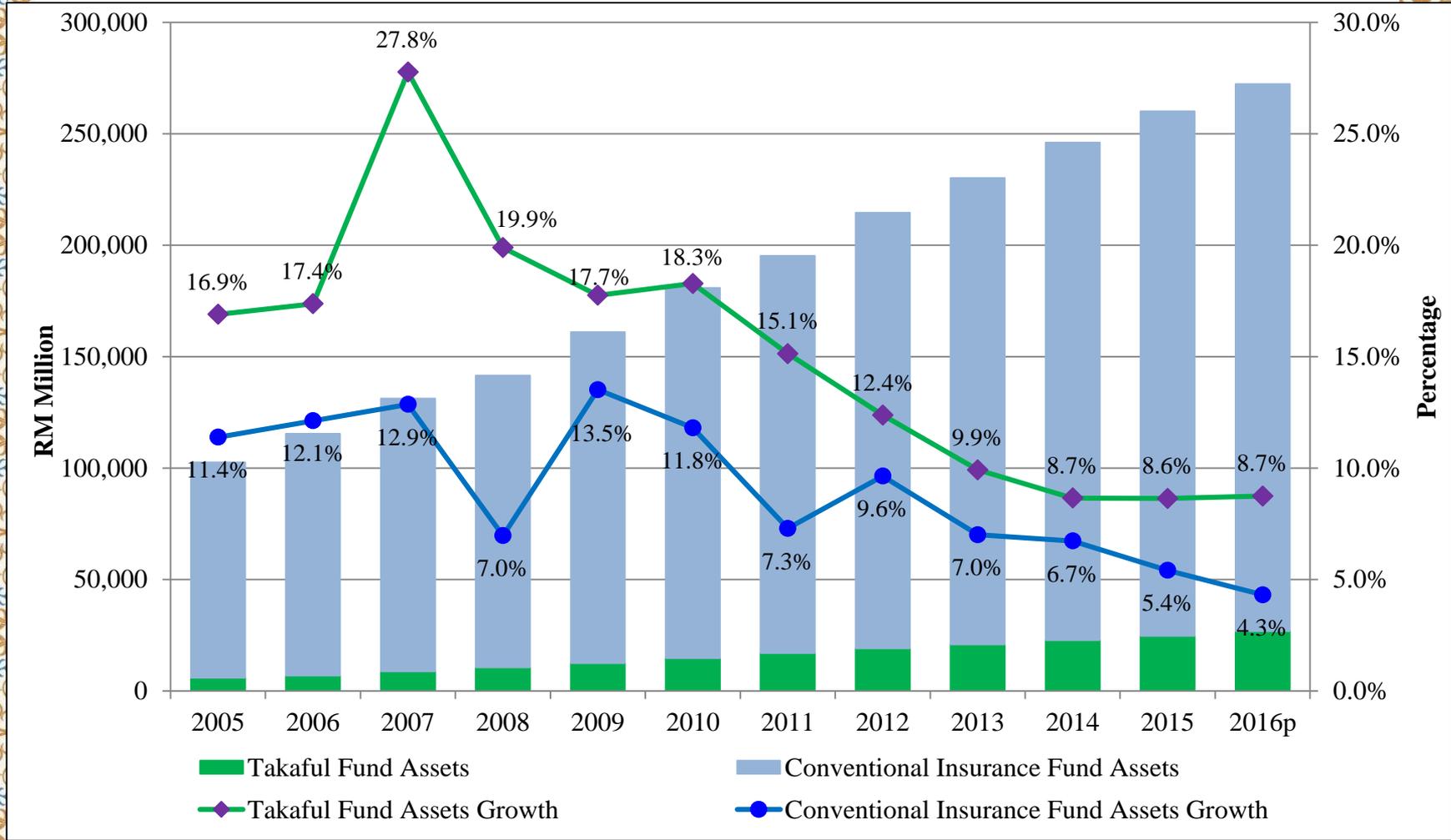
 **CIMB**

midf 
AMANA

 **KENANGA INVESTMENT BANK BERHAD**

 **KIF**
INVESTMENT BANK BERHAD

Islamic Banking Statistics - Takaful and Conventional Insurance



Islamic Banking Statistics - Takaful

	As at end											
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
No. of Registered Takaful Operator	5	8	8	8	8	9	11	12	12	11	11	11
No. of Agents	14,059	15,194	43,843	60,197	88,895	74,089	100,308	105,552	77,804	64,106	65,387	64,200
Family	11,781	11,188	32,987	44,222	55,898	42,698	66,338	68,009	58,984	50,529	50,334	49,836
General	2,278	4,006	10,856	15,975	32,997	31,391	33,970	37,543	18,820	13,577	15,053	14,364
No. of Office	147	151	146	157	104	197	207	213	215	129	112	87
No. of Employees	2,670	2,967	2,846	2,411	2,499	2,713	2,846	2,758	3,162	2,720	2,896	3,766

Takaful









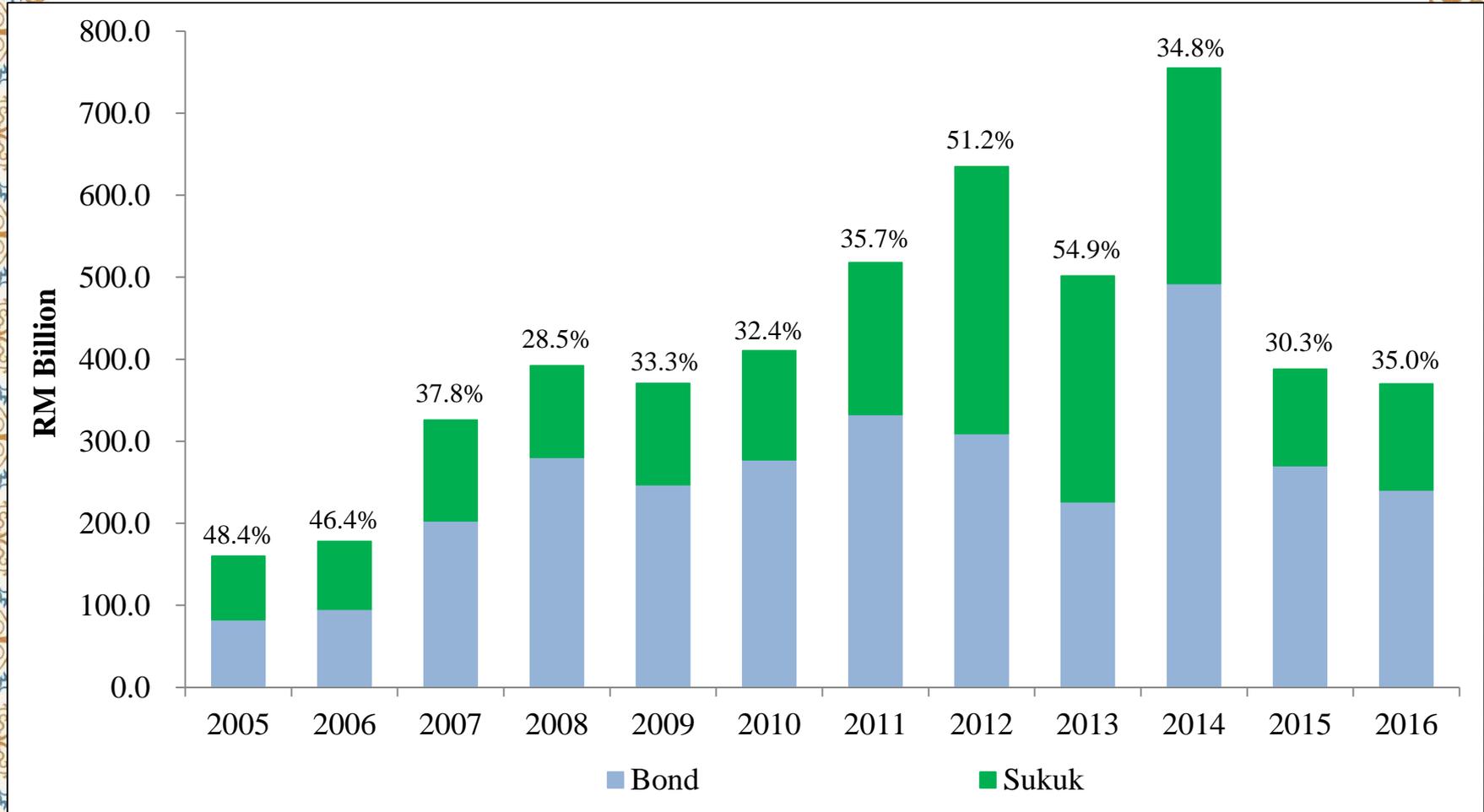




Islamic Capital Market

- Islamic Capital Market activities:
 - Stock broking
 - Unit Trust
 - Other financial activities
- In 2010, MIFC, BNM, SC, Labuan FSA, Bursa Malaysia and DOSM work together in estimate value added Islamic capital market activities .

Islamic Banking Statistics - Debt Securities Issuance in Malaysia

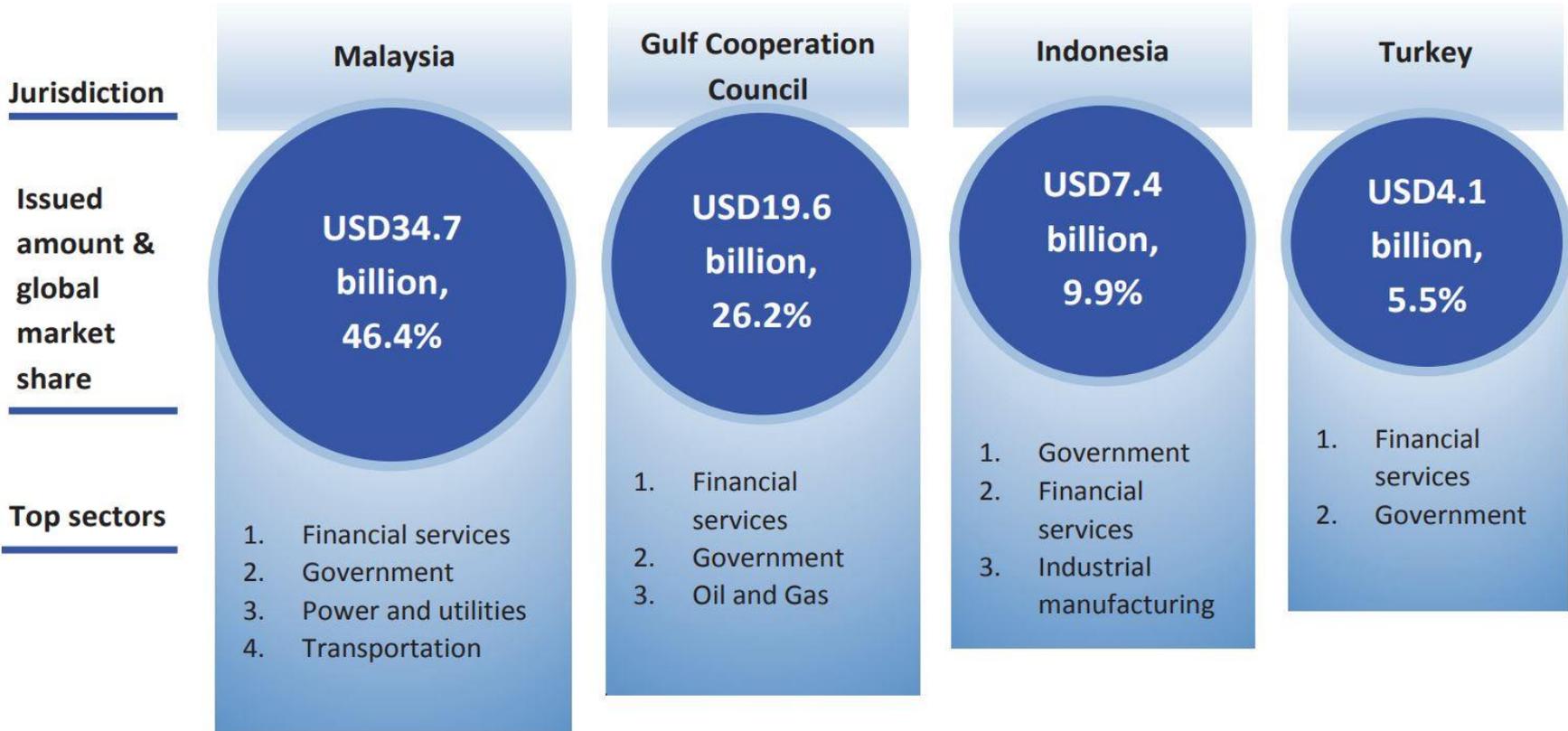


Notes: Refers to those of all tenors, i.e. both short-term and long-term securities listed on FAST, BNM. Reflects nominal value as at time of issue.

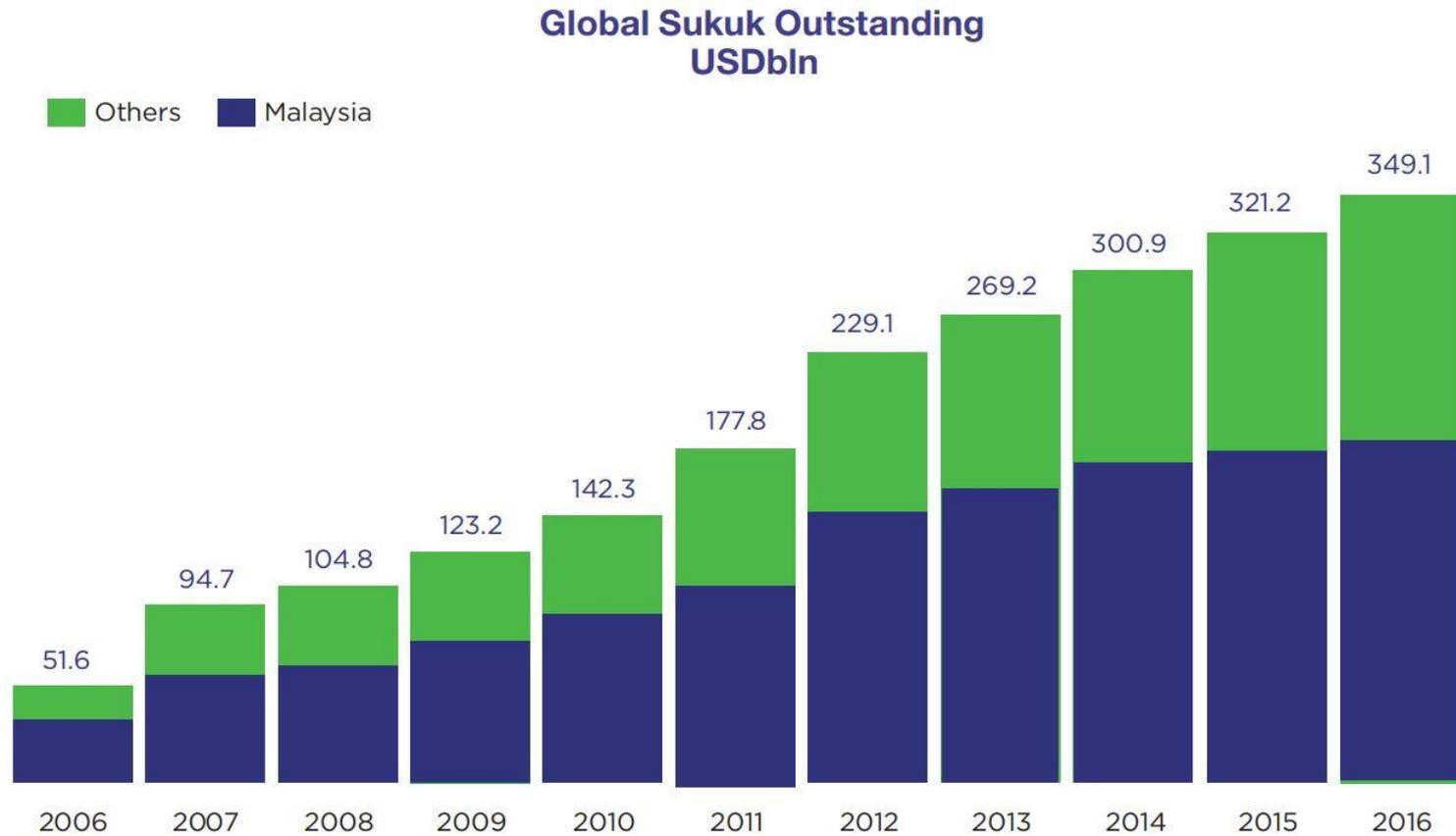
source : Bank Negara Malaysia

Global Sukuk

Top Sukuk Markets in 2016



Global Sukuk



Islamic Banking Development

Additional Shariah Standards and Operational Requirements were issued in 2016 to be implemented in Islamic financial products and services.

Key Elements and Intended Outcomes of Shariah Contracts

Effective Date	1 January 2018	1 July 2018	31 July 2018	1 August 2018
Shariah Contract	<i>Kafalah</i>	<i>Wakalah</i>	<i>Wadi'ah</i> <i>Hibah</i> <i>Qard</i>	<i>Ijarah</i>
Application	Bank guarantee, standby letter of credit and other forms of guarantee	Investment accounts, financing, letter of credit	Islamic deposits, credit card-i and financing	Financing
Key Elements	<ul style="list-style-type: none"> Greater clarity on the distinction between the rights and obligations of guarantors and beneficiaries 	<ul style="list-style-type: none"> Greater clarity on the Islamic banks' capacity as an agent for asset acquisition or investment manager 	<ul style="list-style-type: none"> Prohibition of granting contractual benefits and disclosure of indicative <i>hibah</i> rate for <i>qard</i>-based Islamic deposits 	<ul style="list-style-type: none"> Greater clarity on ownership of the asset during the leasing period and respective rights and liabilities under <i>ijarah</i> contract
Intended Outcomes	<p style="text-align: center;"></p> <ul style="list-style-type: none"> Strengthened protection for guarantors 	<p style="text-align: center;"></p> <ul style="list-style-type: none"> Strengthened governance and fiduciary accountabilities of Islamic banks 	<p style="text-align: center;"></p> <ul style="list-style-type: none"> Strengthened business and market practices of <i>qard</i> borrowers and lenders 	<p style="text-align: center;"></p> <ul style="list-style-type: none"> Safeguard interest of lessee and lessor

Islamic Banking-Value added Calculation

- DOSM as official statistics provider.
- DOSM produce wide range social and economy statistics.
- Islamic banking and Takaful Value Added was calculated separately since 2000 (1993 SNA).
- System of National Accounts 2008 (and SNA1993) recommended FISIM framework in estimating output for Financial Intermediation activity and it has been applied in Malaysian GDP since 2005, fully replacing the IBSC (SNA1968).

Data availability - IBs

TOTAL ASSETS
Cash and Cash Equivalents
Deposits Placed and Reverse Repurchase Agreement
Statutory Deposits with Bank Negara Malaysia
Pledged Securities under Repurchase Agreement
Financial Assets Designated as Fair Value Through Profit or Loss
Financial Assets Held for Trading
Held to Maturity Investments
Available for Sale Financial Assets
Loans/Financing and Receivables (Net of Provision)
Loans/Financing and Advances
Trade and Other Receivables
Amount Due from Designated Financial Institutions
Overdrawn Vostro Accounts
Nostro Accounts
Interbank Placements
Surplus in SPICK
Other Amount Due from Designated Financial Institutions
Derivatives Financial Assets
Fair Value Changes of the Hedged Items in Portfolio Hedge of Interest Rate Risk/Profit Rate Risk (Assets)
Other Assets
Investment Properties
Inventories
Prepaid Lease Payment
Investment at Cost
Investment Accounted for Using Equity Method
Property, Plant and Equipment
Land
Buildings
IT Equipment
Fixtures and Fittings
Office Equipment
Motor Vehicles
Other Property, Plant and Equipment
(-) Depreciation and Impairment of Property, Plant and Equipment
Goodwill
Intangible Assets Other Than Goodwill
Tax Assets
Non Current Assets or Disposal Groups Classified as Held for Sale

TOTAL EQUITY AND LIABILITIES
TOTAL EQUITY
TOTAL LIABILITIES
Deposits Accepted and Repurchase Agreement
Deposits Accepted
Repurchase Agreement
Financial Liabilities Designated as Fair Value Through Profit or Loss
Financial Liabilities Held for Trading
Amount Due to Government
Amount Due to Designated Financial Institutions
Vostro Account Balances
Overdrawn Nostro Accounts
Deficit in SPICK
Interbank Borrowings
Other Amount Due to Designated Financial Institutions
Derivatives Financial Liabilities
Fair Value Changes of the Hedged Items in Portfolio Hedge of Interest Rate Risk/Profit Rate Risk (Liabilities)
Trade and Other Payables
Staff Employment Benefits
Other Provisions
Borrowed Funds
Debt Certificates Issued/Sukuk Issued
Other Liabilities
Tax Liabilities
Liabilities Included in Disposal Groups Classified as Held for Sale
TOTAL COMMITMENTS AND CONTINGENCIES

Data availability IBs

Deposits Accepted
Demand Deposits Accepted
Savings Deposits Accepted
Fixed Deposits Accepted
Specific Investment Accounts Accepted
General Investment Account Accepted
Commodity Murabahah Deposits Accepted
Call Deposits Accepted
Negotiable Instruments Deposits Issued
Special Deposits Accepted
Housing Development Account Deposits Accepted
Short Term Deposits Accepted
Investment-Linked to Derivatives Offered
Eligible Liabilities Exempt Deposits Accepted
Other Deposits Accepted
Repurchase Agreement

Net Interest/Finance
Interest/Finance Income
Interest/Finance Income from Loans/Financing and Advances
Interest/Finance Income from Amount Due from Financial Institutions
Interest/Finance Income from Financial Assets Held for Trading
Interest/Finance Income from Held to Maturity Investments
Interest/Finance Income from Available for Sale Financial Assets
Through Profit or Loss
Other Interest/Finance Income
Accretion of Discount on Securities
Miscellaneous Other Interest/Finance Income
(-) Interest/Finance Expense
Interest/Finance Expense on Deposits Accepted
Interest/Finance Expense on Amount Due to Financial Institutions
Interest/Finance Expense on Amount Due to Government
Interest/Finance Expense on Subordinated Liabilities
Interest/Finance Expense on Financial Liabilities Designated as Fair Value
Interest/Finance Expense on Finance Expense on Converted Funds
Other Interest/Finance Expense
Net Fee and Commission
Fee and Commission Income
Fees and Commission Income Securities Issuances and Management
Underwriting Fees
Brokerage Fees
Portfolio Management Fees
Other Fees Relating to Securities Issuances and Management
Fees and Commission Income for Corporate Advisory
Fees and Commission Income Assets Management
Fees and Commission Income Credit Commitments
Commitments Fees
Processing Fees
Syndication Fees
Guarantee Fees
Service Charges & Fees
Acceptance Fees
Other Fees Relating to Credit Commitments
Fees and Commission Income Payments Services
Other Fees and Commission Income
(-) Fee and Commission Expenses
Brokerage Expenses
Other Fee and Commissions Expenses

Data availability - IBs

Dividend Income	Losses on Derecognition of Other Non Current Assets Not Held for Sale
Dividend Income Subsidiaries	Finance Cost
Dividend Income Associates	Finance Cost on Subordinated Term Loans/Financing
Dividend Income Joint Ventures	Finance Cost on Finance Leases/Hire Purchase Interest
Dividend Income from Other Companies	Finance Cost on Financing Instruments
Other Dividend Income	Amortisation of Premium on Debt Securities Held
Net Gains/(Losses) on Financial Instruments	Other Finance Costs
Gains on Financial Instruments	Administration Costs
Gains on Financial Assets Held for Trading	Employee Expenses
Gains on Held to Maturity Investments	Establishment Expenses
Gains on Available for Sale Financial Assets	Marketing Expenses
Gains on Financial Instruments Designated as Fair Value Through Profit or Loss	Administration and General Expenses
Gains on Exchange Difference Revaluation	Net Provisions
Gains on Financial Instruments Due to Fair Value Adjustments in Hedge	Provision Made During the Period
Other Gains on Financial Instruments	(-)Reversal of Provisions During the Period
(-) Losses on Financial Instruments	Net Impairment Reversal/(Losses)
Losses on Financial Assets Held for Trading	Impairment Reversals
Losses on Held to Maturity Investments	Impairment Reversals Financial Instruments, Held-To-Maturity Investments
Losses on Available for Sale Financial Assets	Impairment Reversals Financial Instruments, Loans/Financing and Receivables
Losses on Financial Instruments Designated as Fair Value Through Profit or Loss	Impairment Reversals Financial Instruments, Available for Sale Financial Assets
Losses on Exchange Difference Revaluation	Impairment Reversals Tangible and Intangible Assets
Losses on Financial Instruments Due to Fair Value Adjustments in Hedge	Other Impairment Reversals
Other Losses on Financial Instruments	(-) Impairment Losses
Net Gains/(Losses) on Derecognition of Non-Current Assets Not Held for Sale	Impairment Losses Financial Instruments, Held to Maturity Investments
Gains on Derecognition of Non-Current Assets Not Held for Sale	Impairment Losses Financial Instruments, Loans/Financing and Receivables
Gain on Derecognition of Property Plant and Equipment	Impairment Losses for Loans/Financing
Gain on Derecognition of Investment Property	Individual Impairment Losses
Gain on Derecognition of Identifiable Intangible Assets	Collective Impairment Losses
Gain on Derecognition of Investments in Subsidiaries, Associates and Joint Ventures	Impaired Loan/Financing Written Off
Gain from Derecognition of Shares in Subsidiaries	Impairment Losses for Trade Receivables
Gain from Derecognition of Shares in Associates	Impairment Losses Financial Instruments, Available for Sale Financial Assets
Gain from Derecognition of Shares in Joint Ventures	Impairment Losses Tangible and Intangible Assets
Gain on Disposal of Foreclosed Properties	Other Impairment Losses
Gain on Derecognition of Other Non Current Assets Not Held for Sale	Net Miscellaneous Income/(Expenses)
(-) Losses on Derecognition of Non-Current Assets Not Held for Sale	Miscellaneous Income
Losses on Derecognition of Property Plant and Equipment	Rental Income
Losses on Derecognition of Investment Property	Other Miscellaneous Income
Losses on Derecognition of Identifiable Intangible Assets	(-) Miscellaneous Expenses
Losses on Derecognition of Investments in Subsidiaries, Associates and Joint Ventures	Profit (Loss) Before Taxation
Losses from Sale of Shares in Subsidiaries	Income Tax Expenses
Losses from Sale of Shares in Associates	Zakat
Losses from Sale of Shares in Joint Ventures	Profit (Loss) for the Year

Data availability - Insurance (Takaful)

Total liabilities

Takaful fund and reserves

Participants' fund c/f

Investment-linked fund c/f

Unearned contribution reserves (EOY)

Surplus attributable to participants (EOY)

Other reserves (EOY)

Provision for outstanding claims (EOY)

Other liabilities

Provision for outstanding claims (EOY)

Amount due to clients/ intermediaries

Amount due to retakaful/ ceding companies

Retakaful deposits

Deposit contributions

Dividend payables

Provision for taxation

Bank cashline/ financing

Benevolent loan

Deferred taxation

Staff retirement benefits

Sundry creditors and other liabilities

Amount due to income statement/ takaful funds

Provision for tax on unrealised capital gains

Revaluation reserves for Takaful funds

Total assets

Property, plant and equipment

Self-occupied properties

Other property, plant and equipment

Work-in-progress

Office renovation

Motor vehicles

Computer hardware & software

Office equipment

Furniture, fixtures & fittings

Investment properties

Financing

Secured financing

Unsecured financing

Staff financing

Investments

Government Islamic papers

Malaysian Government guaranteed financing

Islamic debt securities

Syariah-approved equities

Investment in other linked funds of the takaful company

Other investments

Foreign assets

Cash & deposits

Investment accounts/ Islamic money market

Cash & bank balances

Other assets

Outstanding contributions & agents' balances/Amount due from ceding companies/brokers (net)

Amount due from retakaful/ceding companies (net)

Retakaful deposits

Profits, dividends & rent receivables

Sundry debtors & other assets

Data availability - Insurance (Takaful)

Total Income
Net contributions
Earned Contribution Income
Fire
MAT
Aviation
Cargo
Marine Hull
Offshore Oil-related
Motor
Motor Act
Motor Others
Miscellaneous
Bonds
Contractors' All Risks & Engineering
Liabilities
Medical and Health
Personal Accident
Workmen's Compensation & Employers' Liability
Others
Net investment income
Income
Investment accounts/ Islamic money market
Financing
Others
Gross dividends
Rent
Others (including net investment income for investment-linked fund)
Less : Investment expenses
Unrealised capital gains
Other Income
Profit on disposal
Bad debts recovery
Accretion of discounts on securities
Others

Total Outgo
Net certificate benefits
Net claims incurred
Fire
MAT
Aviation
Cargo
Marine Hull
Offshore Oil-related
Motor
Motor Act
Motor Others
Miscellaneous
Bonds
Contractors' All Risks & Engineering
Liabilities
Medical and Health
Personal Accident
Workmen's Compensation & Employers' Liability
Others
Net Commission (including wakalah)
Management expenses
Management expenses (Wakalah Fee)
Salaries
Bonus
Staff benefits
Marketing bonus
Directors' remuneration and related expenses
Syariah supervisory council members' remuneration & related expenses
Entertainment
Training expenses
Auditors' fees
Legal expenses
Management fees
Rent and rates
Repairs and maintenance
Motor vehicle expenses
EDP expenses
Depreciation
Miscellaneous expenses
Travelling expenses
Advertising
Printing & stationery
Electricity & water
Postage/ telephone/ telex/ telefax
TGSF levy
Others
Unrealised capital loss
Other Outgo
Loss on disposal
Bad and doubtful debts
Amortisation of premium on securities
Diminution in value of
Provision for tax on unrealised capital gains
Investment charge
Taxation
Finance Cost
Others
Excess of Income over Outgo

Measurement of FISIM in Malaysia

- **Estimation of FISIM - Conventional**

FISIM is calculated using the following formula:

$$\text{FISIM} = \text{FISIM on Loans} + \text{FISIM on Deposits}$$

FISIM on Loans

$$= \text{Stock of Loans} * [\text{Lending Rate} - \text{Reference Rate}]$$

FISIM on Deposits

$$= \text{Stock of Deposits} * [\text{Reference Rate} - \text{Deposits Rate}]$$

- **Reference Rate: Midpoint** between the loan and deposit rate

- less volatile
- FISIM values with greater transparency

Measurement of FISIM in Malaysia – Islamic Finance segment

- **Estimation of FISIM – Islamic Finance**

FISIM is calculated using the following formula:

$$\text{FISIM} = \text{FISIM on Loans} + \text{FISIM on Deposits}$$

FISIM on Loans

= **Stock of Financing * [Financing Rate – Reference Rate]**

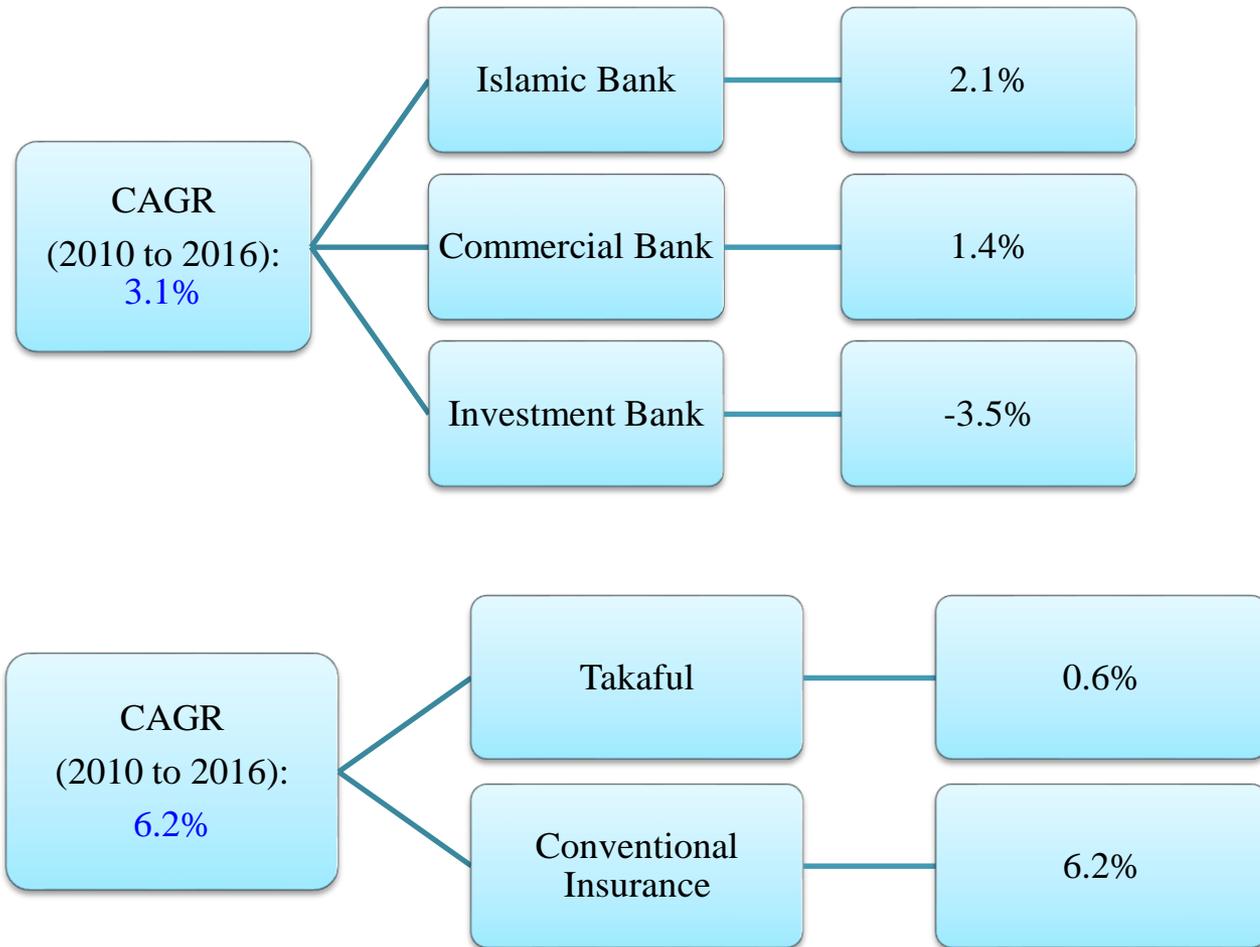
FISIM on Deposits

= **Stock of Deposits * [Reference Rate – Profit Rate]**

- **Reference Rate: Midpoint** between the Financing and deposit rate

- less volatile
- FISIM values with greater transparency
- Detailed data / statistics permits the calculation of FISIM for IBs

Islamic Banking & Takaful-Value added



Based on Constant 2010 prices

Issues & Challenges

- While estimation of VA of Islamic Banking by industry is very clear, estimation and contribution by Islamic Finance product is a challenge due to complexity of data and ability to split between the conventional and Islamic product.
- Islamic Capital Market: Single enterprise offering both Islamic and conventional products.
- Development of Services Producer Price Index (SPPI) for banking activities

Potential and Advantages

- Fully coverage through Economic Census
- Well regulated financial sector (Central Bank, Securities Commissions, Bursa Malaysia)
- Depth and breadth in Capital Market
- Advisory board and promotion agency (MIFC)
- Nurturing talents and experts in Islamic Finance e.g INCEIF
- Structured development plan e.g Financial Sector Master Plan 2011-2020.

Conclusions & recommendation

1. Islamic banking and finance in Malaysia has become one of the most progressive and innovative in providing Islamic banking services and products.
2. In line with development in Islamic banking and finance, DOSM from time to time continuously evaluating the methodology used in compiling the value added in Islamic banking and Islamic capital market.
3. DOSM continuously engaging and collaborate with regulators such as BNM, SC, Bursa Malaysia and Labuan FSA in compiling the statistics.
4. Moving forward, a universal guidelines is needed to make the estimate of Islamic banking and finance more comparable among countries. Malaysia willing to share the experience and involve actively in any efforts undertaken by international bodies.
5. To form National Accounts Experts Group on Islamic Finance

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For Your Attention

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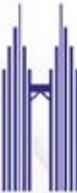


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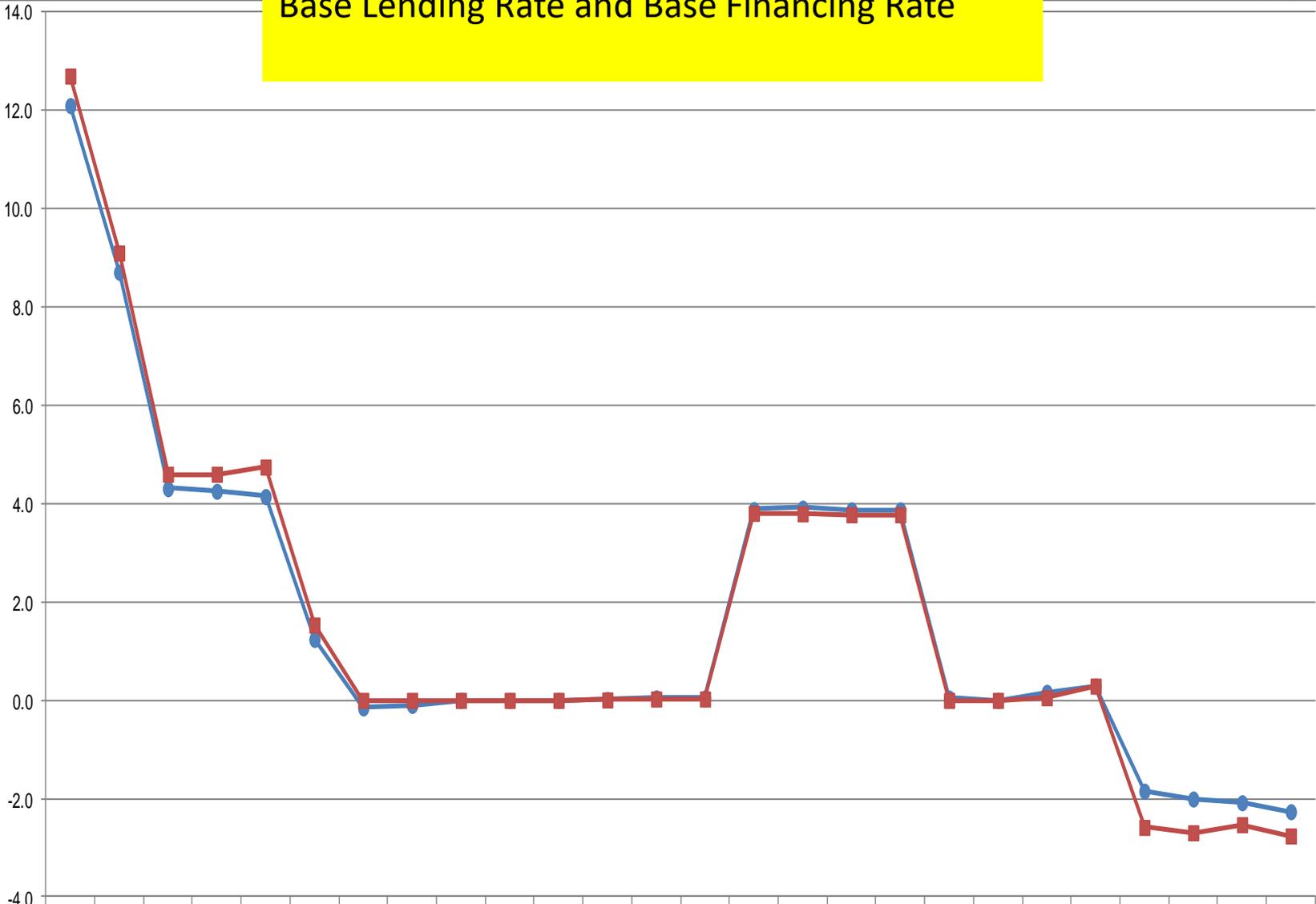
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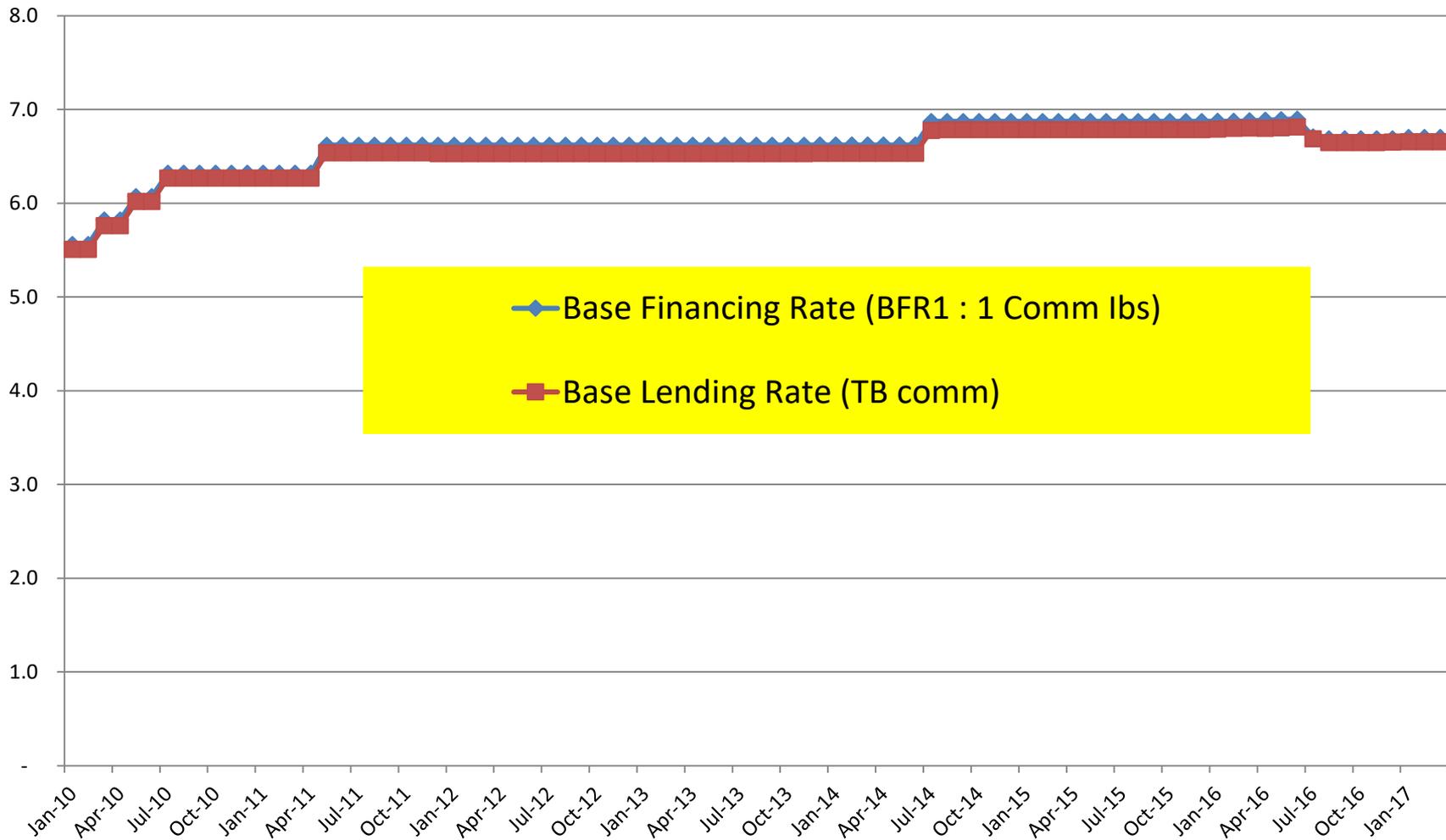
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Base Lending Rate and Base Financing Rate

Growth YoY (%)



	Q111	Q211	Q311	Q411	Q112	Q212	Q312	Q412	Q113	Q213	Q313	Q413	Q114	Q214	Q314	Q414	Q115	Q215	Q315	Q415	Q116	Q216	Q316	Q416	Q117	Q217
Base Lending Rate	12.1	8.7	4.3	4.3	4.1	1.2	-0.2	-0.1	0.0	0.0	0.0	0.0	0.1	0.1	3.9	3.9	3.9	3.9	0.0	0.0	0.2	0.3	-1.8	-2.0	-2.1	-2.3
Base Financing Rate	12.7	9.1	4.6	4.6	4.7	1.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.8	3.8	3.8	3.8	0.0	0.0	0.1	0.3	-2.6	-2.7	-2.5	-2.8



(xx) Changes in accounting policies and disclosures

On 1 January 2016, the Bank adopted the following amendments to MFRS and annual improvements to MFRSs:

Description	Effective for annual periods beginning on or after
MFRS 10 Consolidated Financial Statements - Investment Entities: Applying the Consolidation Exception (Amendments to MFRS 10)	1 January 2016
MFRS 11 Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations (Amendments to MFRS 11)	1 January 2016
MFRS 14 Regulatory Deferral Accounts	1 January 2016
MFRS 101 Presentation of Financial Statements - Disclosure Initiative (Amendments to MFRS 101)	1 January 2016
MFRS 127 Separate Financial Statements - Equity Method in Separate Financial Statements (Amendments to MFRS 127)	1 January 2016
MFRS 128 Investments in Associates and Joint Ventures - Investment Entities: Applying the Consolidation Exception (Amendments to MFRS 128)	1 January 2016
Annual Improvements to MFRSs 2012 - 2014 Cycle	1 January 2016

Adoption of the above amendments to MFRS and annual improvements to MFRSs did not have any effect on the financial performance or position of the Bank.

Islamic Bank Reporting – Example of Maybank Islamic Berhad Annual Report FY2016

787435-M

Maybank Islamic Berhad
(Incorporated in Malaysia)

8. Financing and advances

(i) By type and Shariah concepts

	Bai [^] RM'000	Murabahah RM'000	Musharakah RM'000	Al-Ijarah Thumma Al-Bai (AITAB) RM'000	Ijarah RM'000	Istisna' RM'000	Others RM'000	Total financing and advances RM'000
31.12.2016								
Cashline	-	4,844,236	-	-	-	157	-	4,844,393
Term financing								
- House financing	19,101,421	59,662,500	2,563,623	-	-	-	-	81,327,544
- Syndicated financing	-	785,260	-	-	-	-	-	785,260
- Hire purchase receivables	-	-	-	36,148,172	-	-	-	36,148,172
- Other term financing	27,660,430	69,777,874	1,339,766	-	118,178	148,079	54,879	99,099,206
Bills receivable	-	793	-	-	-	-	379	1,172
Trust receipts	-	153,310	-	-	-	-	-	153,310
Claims on customers under acceptance credits	-	4,838,297	-	-	-	-	-	4,838,297
Staff financing	737,996	1,372,550	10,546	150,323	-	-	44,793	2,316,208
Credit card receivables	-	-	-	-	-	-	825,661	825,661
Revolving credit	-	16,508,748	-	-	-	-	-	16,508,748
	47,499,847	157,943,568	3,913,935	36,298,495	118,178	148,236	925,712	246,847,971
Unearned income								(96,954,485)
Gross financing and advances ^{^^}								149,893,486
Allowances for impaired financing and advances:								
- individual								(617,350)
- collective								(752,826)
Net financing and advances								148,523,310

[^] Bai[^] comprises of Bai-Bithaman Ajil, Bai Al-Inah and Bai-Al-Dayn

^{^^} Included in financing and advances are the underlying assets under the Restricted Profit Sharing Investment Account ("RPSIA") and Investment Accounts of Customers ("IA").