



Workshop on Islamic Finance in the National Accounts



THE PROJECT ON DEVELOPING ISLAMIC FINANCE INDUSTRY DATABASE FOR OIC MEMBER COUNTRIES

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Beirut, Lebanon



OUTLINE

- Brief Introduction of SESRIC
- OIC Islamic Finance Industry Database Project
 - Background
 - Objective and Rationale
 - What has been done so far?
 - Project Document
 - Preliminary Results of the Survey
 - The Way Forward



INTRODUCTION

The basic mandate of SESRIC given by OIC is threefold:

STATISTICS

Collate, process and disseminate socioeconomic statistics and information

RESEARCH

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

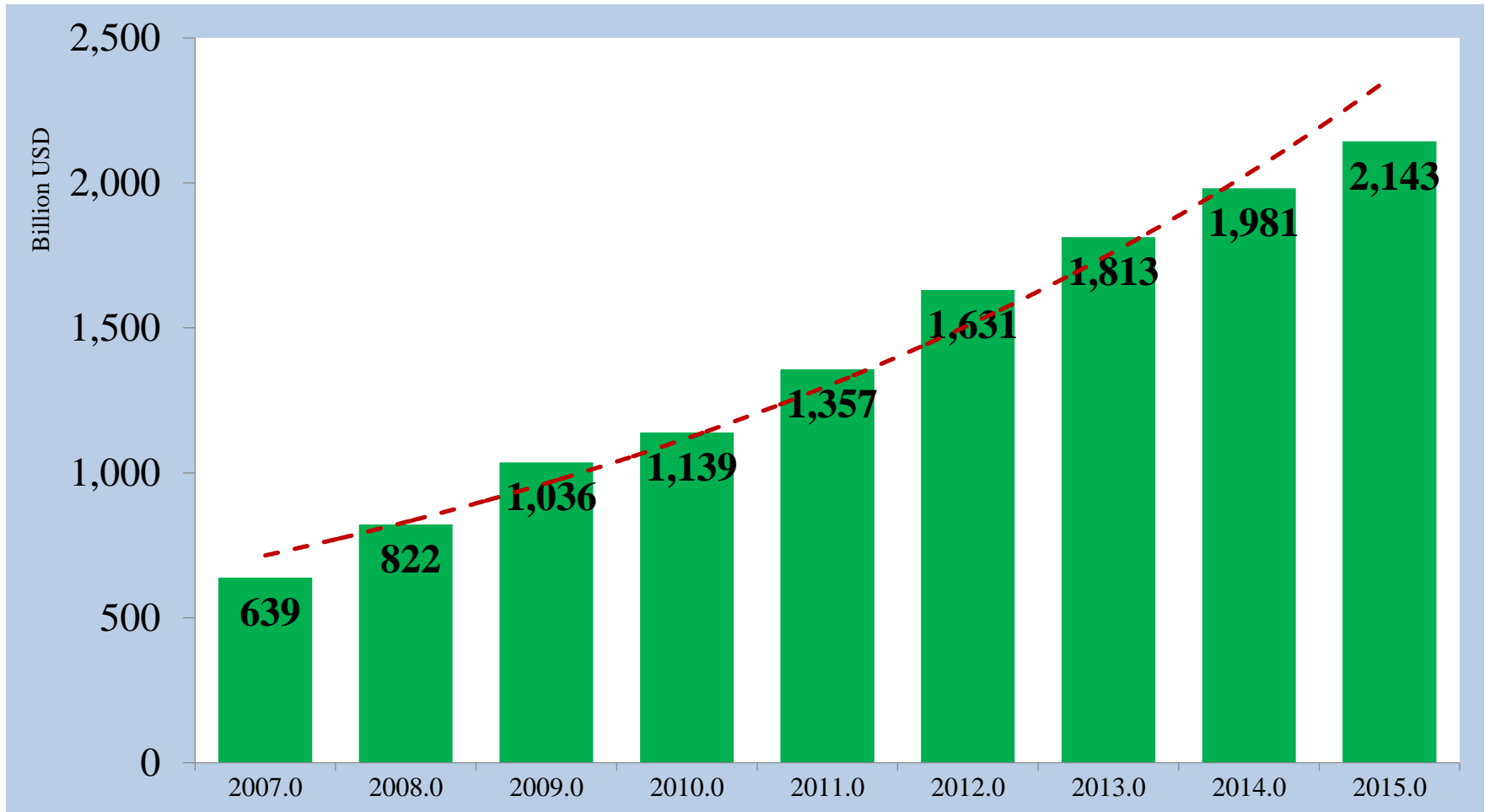
TRAINING & TECHNICAL COOPERATION

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



OVERVIEW of ISLAMIC FINANCE ACTIVITIES in OIC COUNTRIES

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

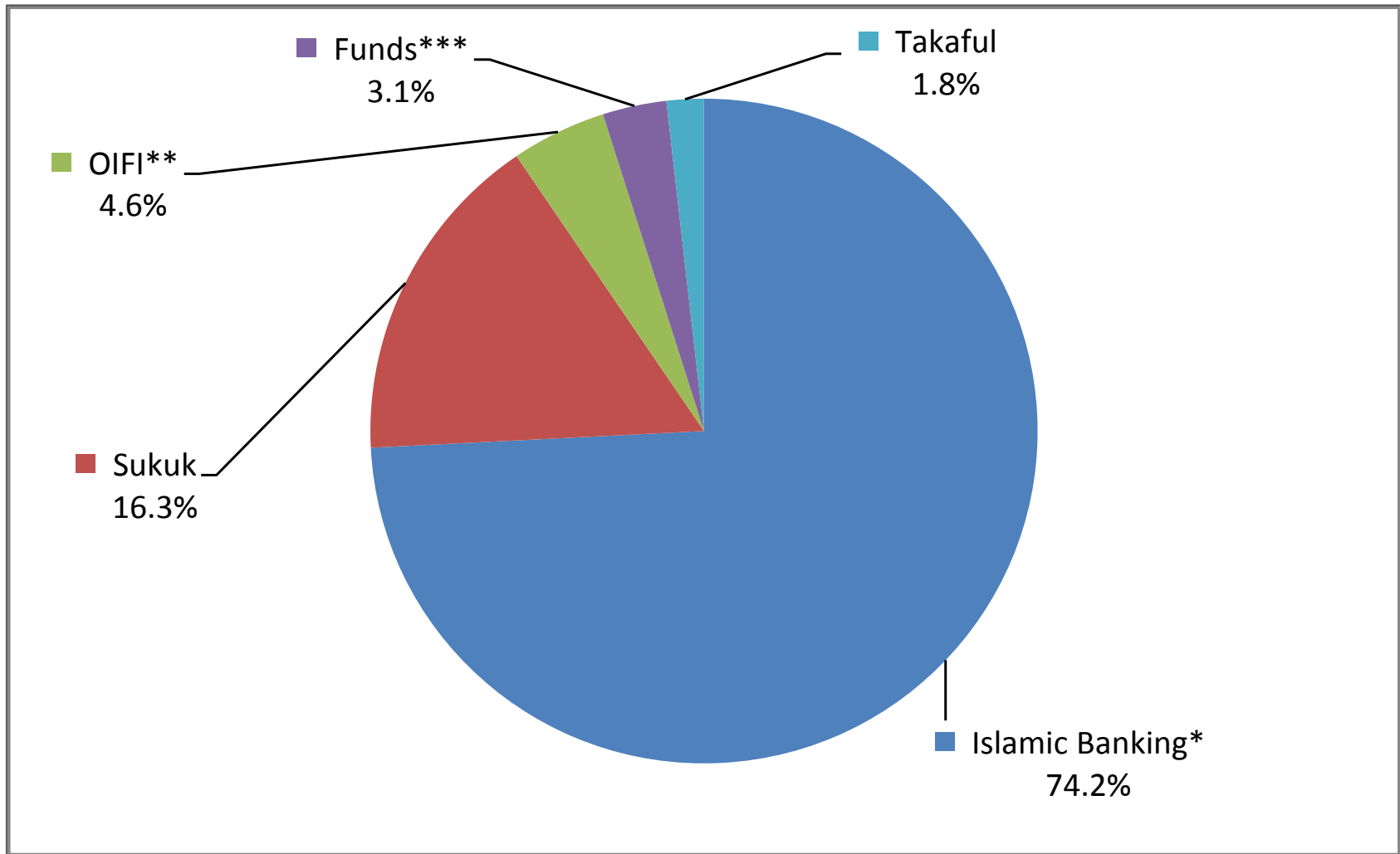


Source: *Global Islamic Finance Report, 2016*



OVERVIEW of ISLAMIC FINANCE ACTIVITIES in OIC COUNTRIES

Distribution of Islamic Finance Assets by Sector (2014)

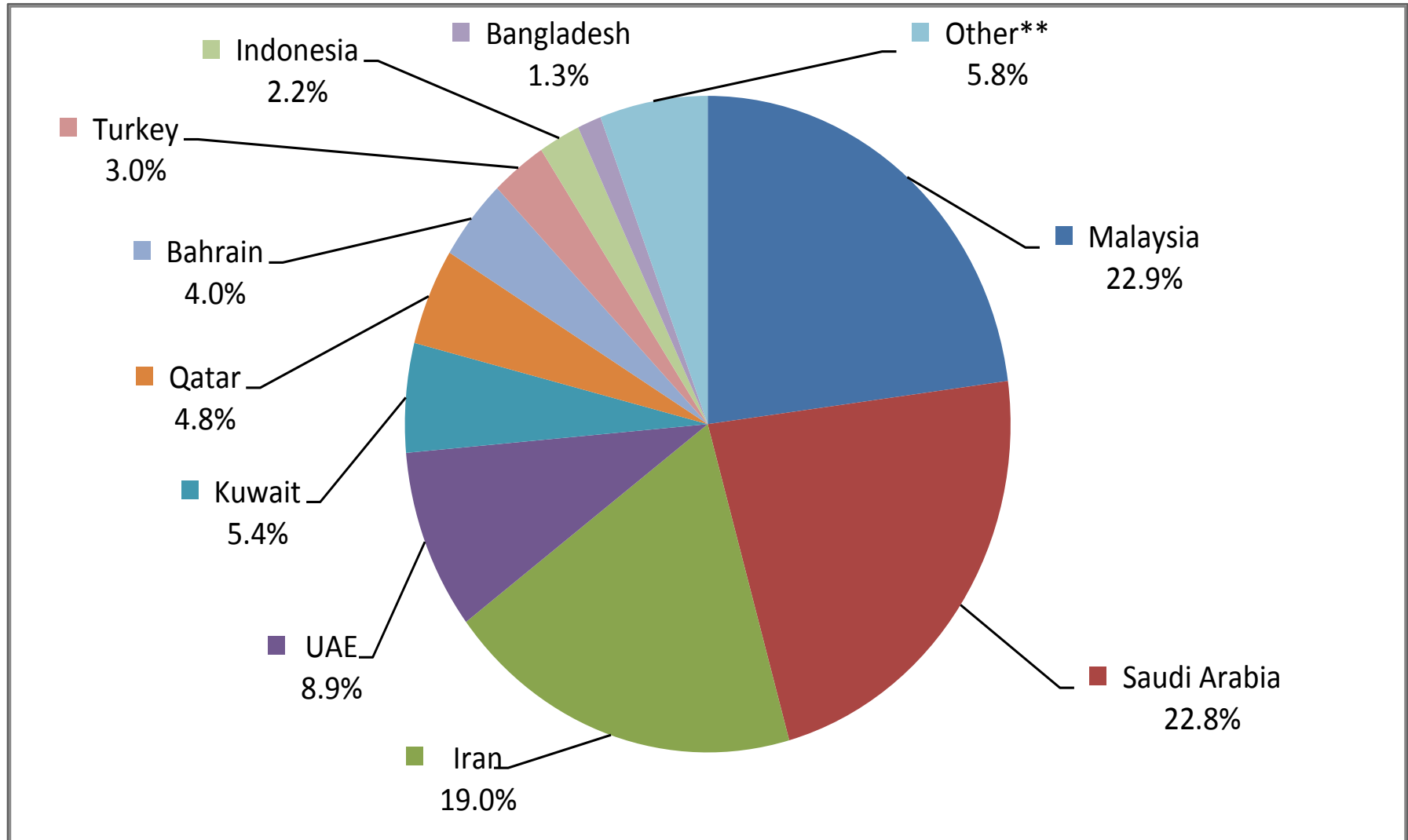


Source: ICD Thomson Reuters Islamic Finance Development Report , 2015



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

2010

- **March:** The Meeting of NSOs of OIC MCs called for EGM on '*Islamic Statistics*'.
- **December:** The EGM identified the *needs and requirements for the domains of Islamic Statistics*.

2011

- **April:** 1st Session of OIC-StatCom '*Islamic Statistics*' was presented.

2012

- **May:** 2nd Session of OIC-StatCom has given Islamic Banking and Finance Statistics (IBFStat) high priority

A vertical timeline diagram consisting of two large circular arrows. The top arrow is orange and contains the year '2013'. The bottom arrow is grey and contains the year '2014'. An arrowhead points from the 2013 circle down to the 2014 circle, indicating a chronological sequence.

2013

- **April:** The Technical Committee of IBFStat was *called for Expert Group Meeting (EGM)*

2014

- **March:** EGM on ‘*Islamic Banking and Finance Statistics*’
- Participated by 13 OIC MCs, IRTI and other relevant stakeholders.



RATIONALE OF THE PROJECT

- **OICStat Database**
- 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



OBJECTIVES OF THE PROJECT

- Conduct of a Survey of Islamic Finance Practices of OIC countries
- Build Global Islamic Banking Database
- Construct Global Islamic Capital Markets, Sukuk & Syndicated Lending Database
- Develop Non-Bank Islamic Finance Institutions (NBFIs) Database
- Form Islamic Insurance (Takaful) Sector Database



WHAT HAS BEEN DONE SO FAR?

1. A Stakeholders Meeting was organized at World Bank – IMF Meetings in October 2016
2. A Project Document (existing data practices of some major OIC countries) was prepared
3. Project Governance Mechanism and a list of possible variables for inclusion in the Database were selected.
4. A Survey was designed and distributed among OIC countries to get insight about Islamic finance data collection practices
5. A Consultative Meeting organized in September 2017



STAKEHOLDERS MEETING

In order to discuss the project fundamentals, a stakeholders meeting was organized in Washington DC, during the IMF – World Bank Annual Meetings, in October 2016.



- Relevance and the context of the project
- Project feasibility and methodology
- Indicators that should be included within the database
- Existing data collection and compilation practices in OIC countries
- How to proceed given existing issues and challenges





RECOMMENDATIONS of STAKEHOLDER MEETING

- *SESRIC* is a relevant party to lead this project within OIC being the main statistical
- More reasonable to start with *banking sector*
- Need to persuade *national authorities* in each respective sector of Islamic finance industry
- Need for the development of a *conceptual framework* and a template as one of the ultimate goal of the project
- Information in three respective headings; *monetary, stability, and development indicators*
- To reach at least the *policy level data* at the national level



- **A Project Document** to be prepared:

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



CONSULTATIVE MEETING

Consultative Meeting on Developing Islamic Finance Industry Database Project *Bodrum, Muğla Turkey 24 September 2017*



السوق المالية
الإسلامية الدولية
International Islamic
Financial Market



United Nations
Statistics Division

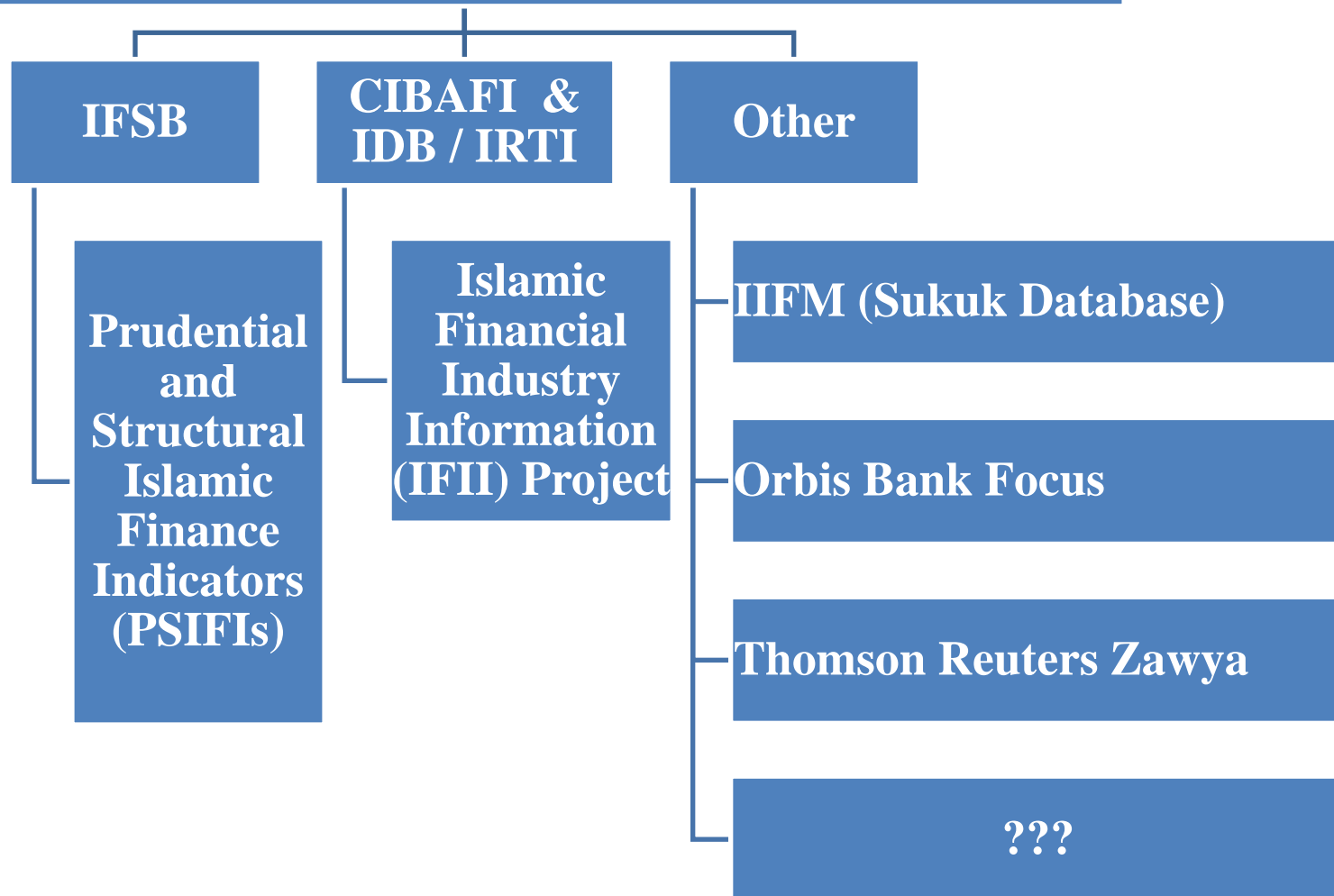


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PROJECT DOCUMENT: Existing Databases

Existing Databases on Islamic Finance





PROJECT DOCUMENT: Methodology

- 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



PROJECT DOCUMENT: Financial Regulation and Supervision Institutions in Selected OIC Countries

	Country	Banking	Takaful	Capital Markets	Finance Companies
1	Bahrain	Central Bank of Bahrain	Central Bank of Bahrain	Central Bank of Bahrain	Central Bank of Bahrain
2	Bangladesh	Central Bank of Bangladesh	Insurance Development and Regulatory Authority	Securities and Exchange Commission Bangladesh	Central Bank of Bangladesh
3	Indonesia	Bank Indonesia and OJK	Indonesian Financial Services Authority (OJK)	Indonesian Financial Services Authority (OJK)	Indonesian Financial Services Authority (OJK)
4	Iran	Central Bank of the Islamic Republic of Iran	Bimeh Markazi Iran (The Central Insurance of Iran)	The Securities and Exchange Organization (SEO)	Central Bank of the Islamic Republic of Iran
5	Kuwait	Central Bank of Kuwait	The Ministry of Commerce and Industry	Capital Markets Authority	Central Bank of Kuwait
6	Malaysia	Bank Negara Malaysia	Bank Negara Malaysia	Securities Commission Malaysia	Bank Negara Malaysia
7	Qatar	Qatar Central Bank and Qatar Financial Center Regulatory Authority	Qatar Central Bank and Qatar Financial Center Regulatory Authority	Qatar Financial Markets Authority (QFMA) and Qatar Stock Exchange	Qatar Central Bank and Qatar Financial Center Regulatory Authority
8	Saudi Arabia	Saudi Arabian Monetary Agency	Saudi Arabian Monetary Agency	Capital Markets Authority of Saudi Arabia	Saudi Arabian Monetary Agency
	Turkey	Banking Regulation and Supervision Agency and Central Bank of the Republic of Turkey	General Directory of Insurance of Undersecretariat of Treasury	Capital Markets Board of Turkey	Banking Regulation and Supervision Agency
9	UAE	Central Bank of the UAE	Insurance Authority	Securities and Commodities Authority	Central Bank of the UAE



PROJECT DOCUMENT: Islamic Banking

1. *List and Number of Islamic Banks*
2. *Total Assets of Islamic Banking Sector*
3. *Total Loans extended by Islamic Banking Sector*
4. *Distribution of Loans by type, sector, contract type and maturity*
5. *Total Deposits of Islamic Banking Sector*
6. *Distribution of Deposits by type and maturity*
7. *Total Restricted and Unrestricted Investment Accounts*
8. *Total Revenues of Islamic Banking Sector*
9. *Amount Paid to Depositors and Investment Account Holders*
10. *Gross Income*
11. *Operating Expenses*
12. *Total Net Operating Income*
13. *Net Income*
14. *Risk-weighted Capital Ratio / Capital Adequacy Ratio*
15. *Total Non-Performing Loans by sector*
16. *Sectoral Balance Sheet of Islamic Banks*
17. *Sectoral Income Statement of Islamic Banks*



PROJECT DOCUMENT: Islamic Banking

- **Malaysia** as the benchmark case (providing all variables)
- **Turkey and Indonesia** are also disclosing most of the information related to the Islamic banking sectors
- **Qatar, Bahrain, and Bangladesh** are other good examples
- In some other countries the data publicized by the regulatory institutions does not differentiate between conventional and Islamic banking activities (**Kuwait, Saudi Arabia, and UAE**)
- In some other countries, the data placed at the website of the regulatory institutions is very restricted and the format is quite different as compared to other practices (Iran)



PROJECT DOCUMENT: Islamic Capital Markets

1. *Total Number of Sukuk Issued*
2. *Total Amount of Sukuk Issued*
3. *Total Amount of Outstanding Sukuk*
4. *Number of Sharia compliant securities*
5. *Market Capitalization of Sharia Compliant Securities*
6. *Number of Sharia Compliant Funds*
7. *Assets under Management of Islamic Funds*

- **Malaysia and Indonesia** are 2 good examples for the disclosure of the data on Islamic capital market activities.
- As for **Turkey**, the data disclosure practice seems to be satisfactory.
- **Saudi Arabia** provides data on the Sukuk market
- The data disclosure practices are much more satisfactory as compared to Takaful sector



PROJECT DOCUMENT: Takaful

1. *Number of Takaful Operators*
 2. *Total Assets of Takaful Operators*
 3. *Total Liabilities of Takaful Operators*
 4. *Gross Contributions*
 5. *Gross Contribution by the type of Takaful*
 6. *Gross Claims Paid*
 7. *Net Claims Paid*
 8. *Total Amount of Investments*
 9. *Total Expenses*
 10. *Claims Ratio*
 11. *Retention Ratio*
- **Malaysia** together with **Bahrain** emerges again as a benchmark model
 - Some information is available in case of **UAE**
 - Almost no information is available for other countries



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*

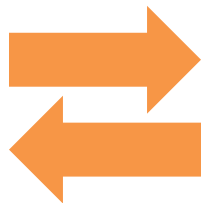


STRATEGIC ROADMAP PROPOSAL

PROJECT GOVERNANCE

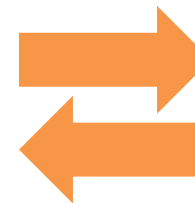
DATA PROVIDERS OF ISLAMIC FINANCE ACTIVITIES IN OIC COUNTRIES

- Central Banks
- Capital Market Regulators
- Stock Exchanges
- Insurance Market Regulators
- National Statistical Offices (NSOs)



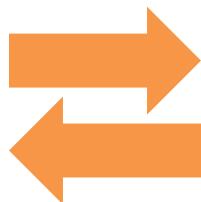
ADVISORY BOARD

- (At least) Three senior people from international institutions, private sector, or academia with expertise on Islamic Finance



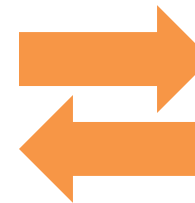
USERS OF ISLAMIC FINANCE DATA

- Policy Makers
- International Institutions
- Private Sector
- Researchers



TECHNICAL TEAM(S)

- (At least) Three people with expertise on Islamic finance, economics, statistics, and database practices of other (inter)national institutions



STAKEHOLDERS

- OIC and SESRIC
- AAOIFI, CIBAFI, IDB, IFSB, IMF, IRTI, UNSD, World Bank

PROJECT EXECUTION

FINALIZATION OF PROJECT AFTER CM & SURVEY



DESIGN OF PROJECT DATABASE TEMPLATE



STARTING OF DATA COLLECTION

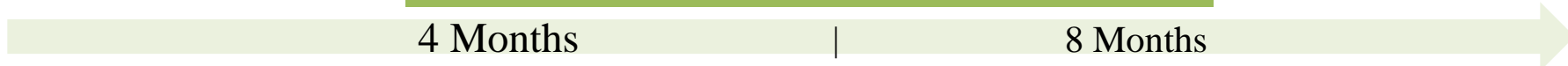
Strong interaction with the Advisory Board
Technical work

Interactions with data providers and other stakeholders
Statistical outreach activities

EXPECTED TIME SCHEDULE

4 Months

8 Months





PROPOSED SET OF PRIORITY INDICATORS

	<i>Sectoral Development Indicators</i>	<i>Monetary Indicators</i>	<i>Stability Indicators</i>
<i>Islamic Banking</i>	16	29	21
<i>Sukuk</i>	24	20	-
<i>Islamic Asset Management</i>	22	5	-
<i>Takaful Sector</i>	5	9	3
<i>Other IF Institutions</i>	9	-	-



SURVEY ON IBFSTAT: PART I

Country Diagnostics – 20 questions in total

- *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*

Data collection, compilation and disclosure practices in OIC countries – 30 questions in total

Following questions are asked related to Islamic banking, Islamic capital markets, Asset management, Takaful, Islamic non-bank financial institution

- *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*
- *The level of data – institutional or sectoral*

Needs assessment of capacity building on Islamic finance industry statistics – 21 questions in total

Following questions are asked related to Islamic Banking, Islamic capital markets, asset management, Takaful, Islamic non-bank financial institution

- *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 capacity building on various Islamic finance sectors*



COMPLETION STATUS OF SURVEY

<i>Status</i>	<i>#</i>	<i>Countries (27)</i>		
Responded	32	NSOs (12)	CBs & MAs (15)	Other (5)
Complete	10	<i>Chad, Egypt, Gabon, Indonesia</i>	<i>Brunei, Kuwait, Malaysia, Pakistan, Saudi Arabia</i>	<i>Pakistan</i>
Incomplete	22	<i>Bangladesh, Iraq, Jordan, Kuwait, Morocco, Nigeria, Palestine, UAE</i>	<i>Bahrain, Guinea, Indonesia, Jordan, Kyrgyzstan, Lebanon, Maldives, Qatar, Suriname, Turkey</i>	<i>Cote d'Ivoire, Jordan, Oman, Senegal</i>



PRELIMINARY RESULTS: PART I

	# YES	# NO
OIC countries that collect, compile, and disseminate data on Islamic Banking and Finance Statistics	19	8

YES: *Bahrain, Bangladesh, Brunei, Cote d'Ivoire, Jordan, Indonesia, Iraq, Kuwait, Kyrgyzstan, Lebanon, Malaysia, Oman, Pakistan, Palestine, Qatar, Saudi Arabia, Senegal, Turkey and UAE.*

NO: *Chad, Egypt, Gabon, Guinea, Maldives, Morocco, Nigeria, **Suriname***



Responsible Agencies for collecting, compiling/processing, and disseminating data on:

Islamic Banking

- *Main responsible body is the Central Bank or the Monetary Authority in the country*
- *In Bangladesh, Iraq, Jordan and Palestine, NSOs are also responsible for the relevant processes.*
- *In Cote d'Ivoire and Senegal, the Ministries are also responsible*
- *In Kuwait, private sector is also collecting the data.*



PRELIMINARY RESULTS: PART I

Responsible Agencies for collecting, compiling/processing, and disseminating data on:

ISLAMIC BANKING	CB & MA	RSA	NSO	Min.	Priv. Sector
<i>Collecting</i>	17	2	3	2	1
<i>Compiling/ Processing</i>	15	2	4	2	1
<i>Disseminating</i>	15	2	4	2	1

Responsible Agencies for collecting, compiling/processing, and disseminating data on:

Islamic Capital Markets

- *Main responsible body is mostly the Capital Market Authorities. However, CBs & MAs stated also that they also collect and process the data.*
- *Indonesia (OJK) and Jordan (NSO) stated that they collect, compile the ICM statistics*
- *In Cote d'Ivoire and Senegal, Ministries are also responsible for the process.*



PRELIMINARY RESULTS: PART I

**Responsible Agencies for collecting,
compiling/processing, and disseminating data on:**

ISLAMIC CAPITAL MARKETS	CMA	CB & MA	RSA	NSO	Min.	Oth
<i>Collecting</i>	8	5	1	1	2	1
<i>Compiling/ Processing</i>	7	5	1	1	2	1
<i>Disseminating</i>	7	5	1	-	2	1



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***



PRELIMINARY RESULTS: PART I

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

<i>Response</i>	<i>Number of Countries</i>	<i>Percentage</i>
YES	25	83 %
NO	5	17%
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 *Islamic banks and Islamic banking windows*?

<i>Response</i>	<i>Number of Countries</i>	<i>Percentage</i>
YES	9	35 %
NO 1	16	61 %
NO 2	1	4 %
TOTAL	26	100%



PRELIMINARY RESULTS: PART II

Does your country have a specific formal financial accounting and reporting framework for *Islamic asset management companies*?

<i>Response</i>	<i>Number of Countries</i>	<i>Percentage</i>
YES	6	32 %
NO 1	12	63%
NO 2	1	5 %
TOTAL	19	100%



PRELIMINARY RESULTS: PART II

Does your country have a specific formal financial accounting and reporting framework for *Takaful (Islamic Insurance) companies*?

<i>Response</i>	<i>Number of Countries</i>	<i>Percentage</i>
YES	6	29 %
NO	15	61 %
TOTAL	21	100%



PRELIMINARY RESULTS: PART III

Does your country/institution need capacity building on Islamic Finance sectors?

<i>Response</i>	<i>Number of Countries</i>	<i>Percentage</i>
YES, in all sectors	10 countries	38 %
YES, in some sectors	10 countries	38 %
NO	6 countries	23 %
Total	26 countries	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 training topic regarding Islamic finance statistics for all sectors



PRELIMINARY RESULTS: PART III

Cooperation 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



THANK YOU

**Statistical, Economic and Social Research and
Training Centre for Islamic Countries**

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