

Intersectorial Working Group on National Accounts (ISWGNA) Task Force on Islamic Banking Webex Meeting

0800H-1000H, 8 June 2017, New York time

Participants: Ibrahim Akoum (Ras Al Khaimah Center for Statistics and Studies at the United Arab Emirates), Russell Krueger (independent consultant), Ragheed I. Moghrabi (Rafik Hariri University), Malik Bani Hani (Central Bank of Jordan), Siew Koon Goh (BIS), Ahmed Al Farid (GCC-Stat), Tigran Gurgun Terlemezian (GCC-Stat), Artak Harutyunyan (IMF), Marco Marini (IMF), Atilla Karaman (SESRIC), Zehra Zumrut Selcuk (SESRIC), Wafa AboulHosn (UNESCWA), Omar Hakouz (UNESCWA), Majed Skaini (UNESCWA), Benson Sim (UNSD)

1. A meeting among regional and international organizations and individual experts was organized to discuss the possible work streams of the Task Force, inputs for papers from the participants, possible dates and venue for a physical meeting of the Task Force and any other matters. The summary of the meeting is as follows:

Determination of the work streams of the Task Force

2. The following four broad topics were initially proposed:
 - (a) Classification of Islamic financial institutions within the subsectors of the financial corporations sector in the 2008 SNA framework.
 - (b) Classification of Islamic instruments according to the breakdown of the financial account of the 2008 SNA.
 - (c) Calculation and allocation of output of financial services in nominal and volume terms and the recording of the output and related transactions such as property income within the 2008 SNA framework.
 - (d) Impact on reporting to international organizations such as BIS and IMF
3. Participants generally agreed with the proposed topics, but noted the following:
 - (a) Some flexibility can be considered so that other topics, particularly if they are relevant to providing guidance on the statistical treatment of Islamic finance in the national accounts, can be included.
 - (b) The sectoral classification of Islamic financial institutions should take into account the positions in the terms of references of the Task Force on whether Islamic financial institutions provide conventional-type banking services or not and distinction between a fully-fledged Islamic financial institution and a financial institution with an Islamic window.
 - (c) It will be useful to conduct a detailed analysis of the financial assets and liabilities of Islamic financial institutions in order to properly classify these financial instruments within the 2008 SNA. In this regards, Annex 4.3 of the IMF's Monetary and Financial Statistics Manual and Compilation Guide will be a helpful reference.
 - (d) The classification of assets can also make a distinction between those which are productive (for example, equipment) and those which are non-productive (for example, real estate).
 - (e) An assessment of whether the 2008 SNA's breakdown of property income and classification of financial instruments will need to be modified to accommodate the

property income transactions in Islamic finance and Islamic financial instruments may need to be conducted.

- (f) It will be useful to work with Islamic financial institutions to obtain the necessary data to calculate the output and value added of these institutions, especially those with a mixture of Islamic banking and non-Islamic banking operations.
- (g) The Task Force should assess the impact on macroeconomic aggregates such as money supply when developing its recommendations, especially in the sectorization of Islamic financial institutions.
- (h) The Task Force should ask for inputs from central banks when developing its recommendations.
- (i) UNSD will develop and host a webpage on the work of the Task Force and relevant reference materials. In the meantime, UNSD will circulate any reference materials to the Task Force members. One document to be circulated is the paper by Russell Krueger (Some Notes on Islamic Finance in the National Accounts) after he has incorporated some changes.
- (j) It may be preferable for the Task Force not to discuss the impact on reporting to international organizations.

Inputs from each organization/individual experts

- 4. Participants discussed the following papers they could consider contributing to the work of the Task Force, taking into account the proposed above work streams and their areas of expertise.
 - (a) Ibrahim Akoum – relationship between Islamic finance and value added.
 - (b) IMF – Classification of Islamic financial institutions and Islamic financial instruments based on annex 4.3 of the Monetary and Financial Statistics Manual and Compilation Guide and provide comments on Russell Krueger's approach for the calculation of FISIM and possible other contributions on the calculation of output from members of the Task Force.
 - (c) Ragheed and UNESCWA – interplay between financial instruments and impact on the economy.
 - (d) SESRIC – results of survey on existing data collection, compilation and dissemination concerning Islamic finance practices in OIC Member Countries.
 - (e) BIS – reporting practices of BIS reporting countries that have Islamic finance activities.
 - (f) GCC-Stat – experience of some GCC-Stat member countries in calculating output and value added of Islamic financial services.
 - (g) Russell Krueger – Methods to separately identify Islamic windows in financial institutions.
- 5. Russell Krueger's paper (Some Notes on Islamic Finance in the National Accounts) will provide a useful starting reference for a number of papers to be prepared.

6. As these papers will be discussed at a physical meeting of the Task Force, the due date for submitting the final version of the papers will be around six weeks before the meeting.
7. UNESCWA and UNSD will follow up with each organization and individual expert to determine the title and scope of their paper to avoid duplication of work.

Physical meeting of the Task Force

8. The physical meeting will involve all members of the Task Force. It will discuss the papers which will be prepared by the organizations/individual experts as well as representatives of countries in the Task Force. The recommendations arising from the discussions at this meeting will be discussed at the meeting of the Advisory Expert Group (AEG) on national accounts in December 2017.
9. Participants expressed a preference for the meeting to be organized in the second half of October 2017. Possible venues for the physical meeting include Ankara (Turkey), Beirut (Lebanon) and Abu Dhabi (United Arab Emirates). UNESCWA and UNSD will discuss further the dates and venue for the physical meeting and then update members.

Any other matters

10. SESRIC invited participants to consider attending an expert group meeting on its project to construct an Islamic Finance Industry Database for Organisation of Islamic Cooperation (OIC) Member Countries in August 2017.
11. A number of participants underscored the need to involve the Islamic Financial Services Board (IFSB) in the work of the Task Force. Russell Krueger and UNSD will follow up with the IFSB and update the participants on the outcome.
12. An editor will be appointed to coordinate the work of the organizations/individual experts in the preparation of the papers and prepare the recommendations for discussion at the meeting of the AEG on national accounts in December 2017.