



# Workshop on Islamic Finance in the National Accounts



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

*Statistics and Information Department*

2 November 2018

Ankara, Turkey



# OUTLINE

- Brief Introduction of SESRIC and OIC-StatCom
- 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

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



**Subsidiary Organ of the  
Organisation of Islamic Cooperation (OIC)**



**Operating in Ankara,  
Republic of Turkey  
since June 1978.**

**serving  
57 Member States**





# INTRODUCTION

The basic mandate of SESRIC 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

## **OIC Statistical Commission (OIC-StatCom)**

- Istanbul Declaration of the 2010 Meeting of the NSOs of Member States of the OIC
- SESRIC: Secretariat of the OIC-StatCom
- The Commission aims to create a platform for exchanging experiences and best practices among Member Countries to build effective statistical capacity building at the OIC level.
- 1<sup>st</sup> Session held in 2011 in Istanbul , Turkey

## OIC Statistical Commission (OIC-StatCom)

- New Strategic Vision of the OIC-StatCom after 2020
- 8th Session will be held in Q4 2019



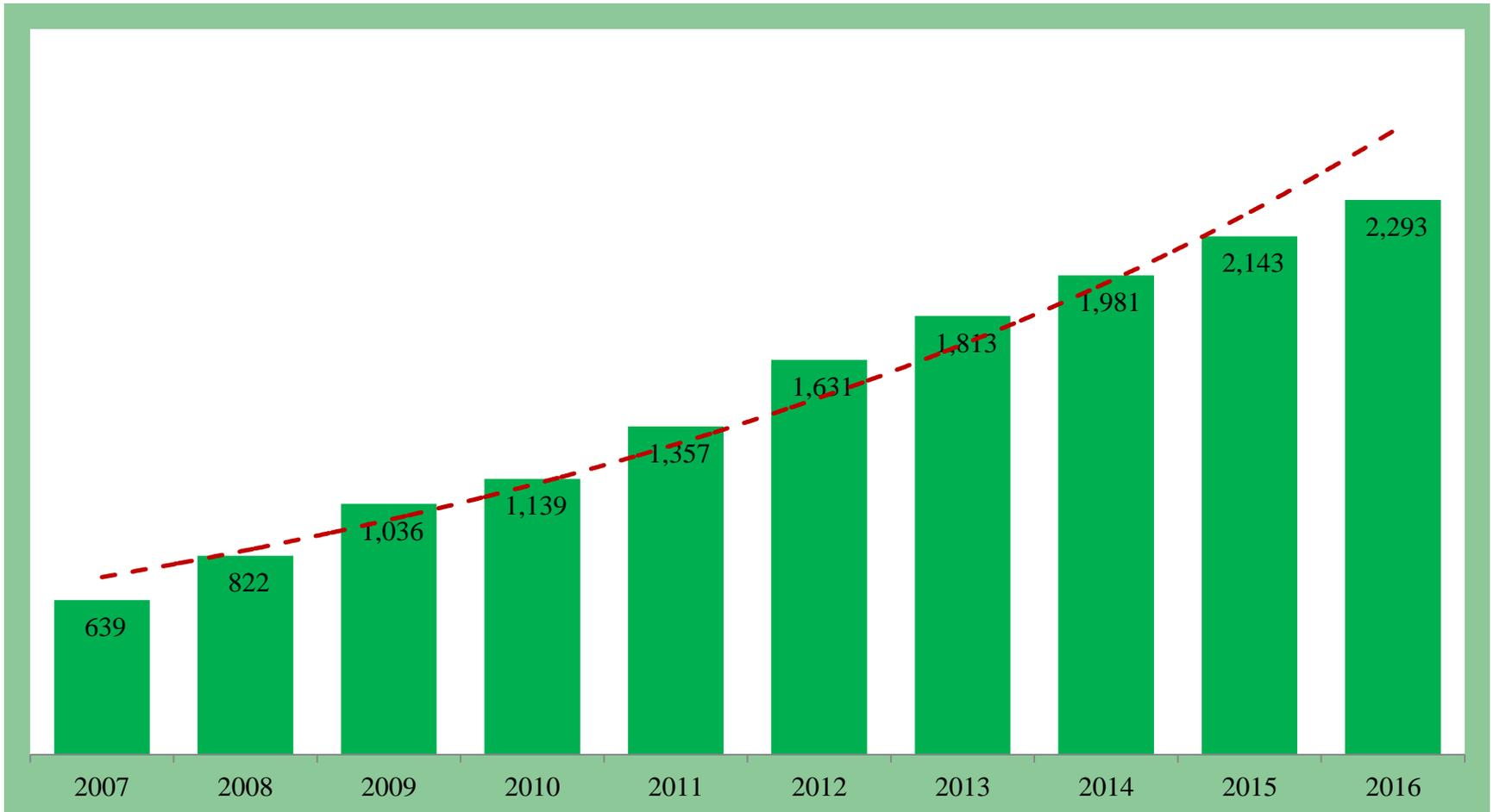
*7<sup>th</sup> Session 2-3 May 2018 in Ankara, Turkey*





# OVERVIEW of ISLAMIC FINANCE ACTIVITIES in OIC COUNTRIES

## Size of Global Islamic Financial Assets (2007-2016, Billion USD)

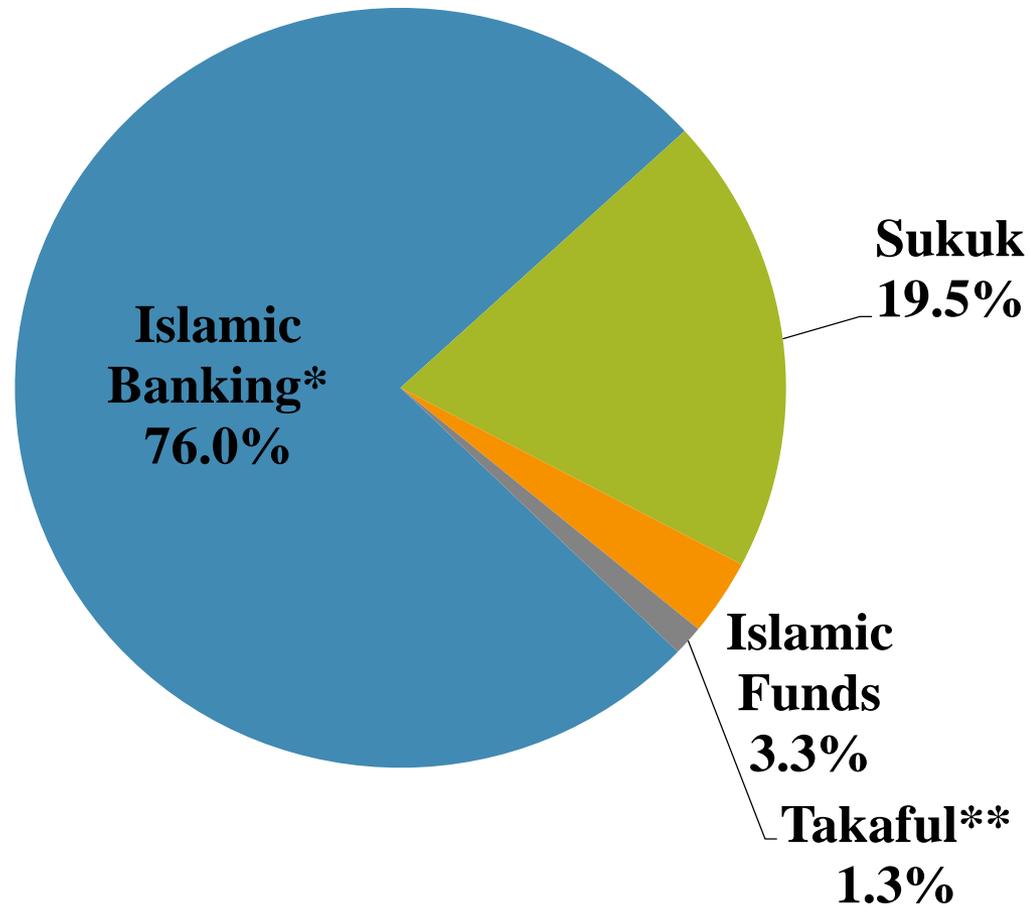


*Source: Global Islamic Finance Report, 2017*



# OVERVIEW of ISLAMIC FINANCE ACTIVITIES in OIC COUNTRIES

## Distribution of Islamic Finance Assets by Sector (2017\*)

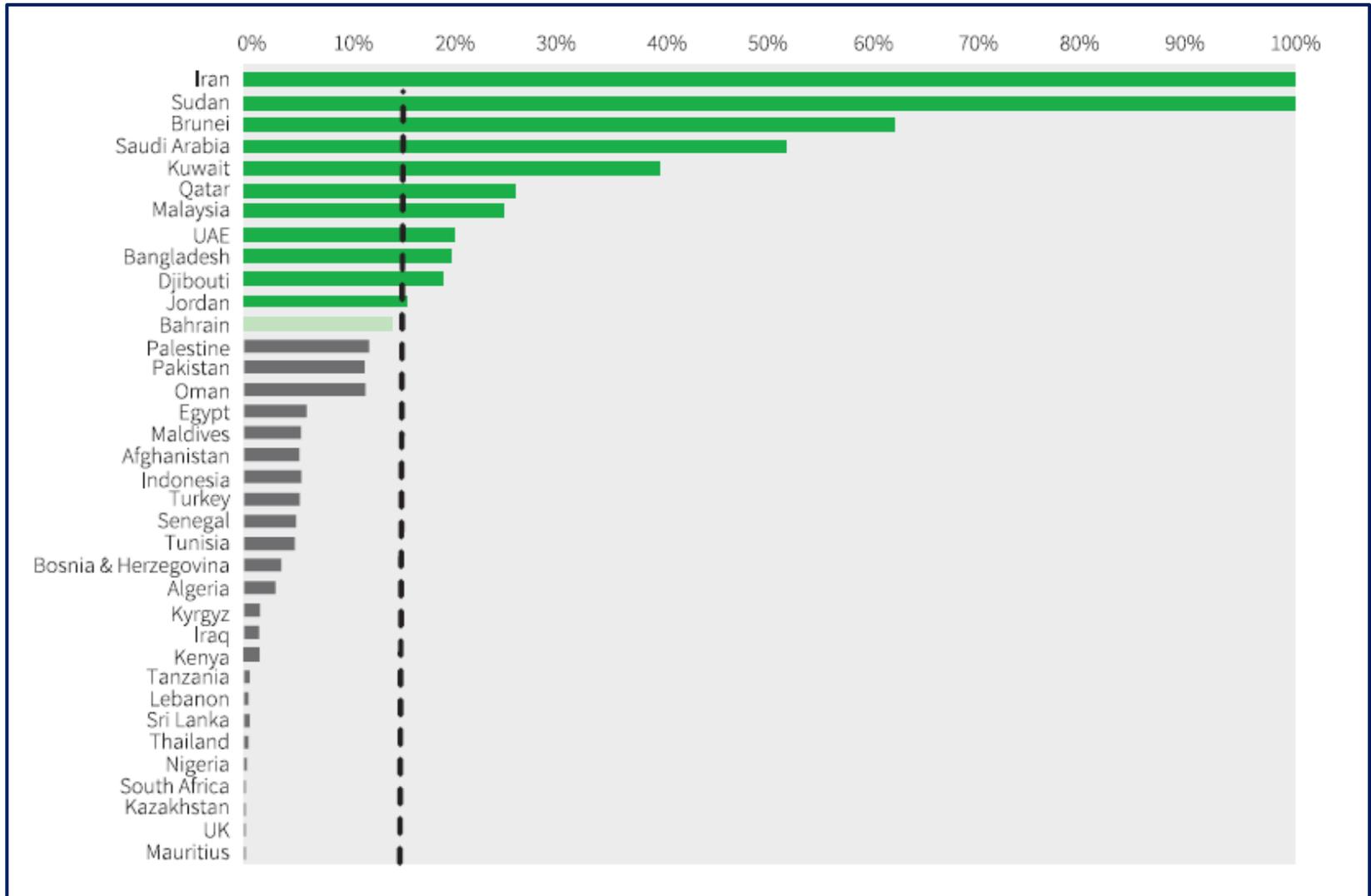


Source: IFSI Stability Report, IFSB, 2018



# OVERVIEW of ISLAMIC FINANCE ACTIVITIES in OIC COUNTRIES

## Level of Systemic Importance of Islamic Banking

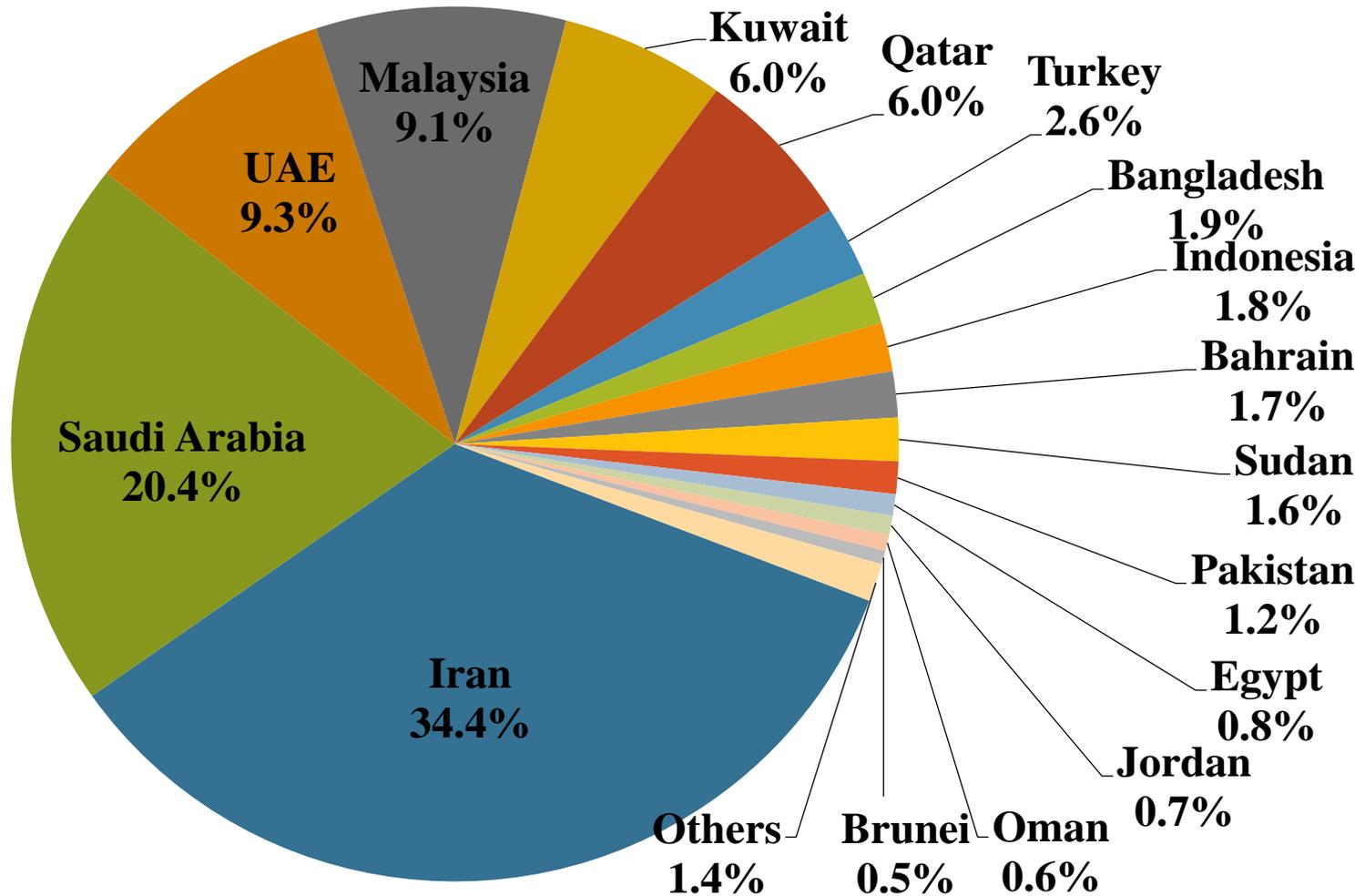


Source: IFSI Stability Report, IFSB, 2018



# OVERVIEW of ISLAMIC FINANCE ACTIVITIES in OIC COUNTRIES

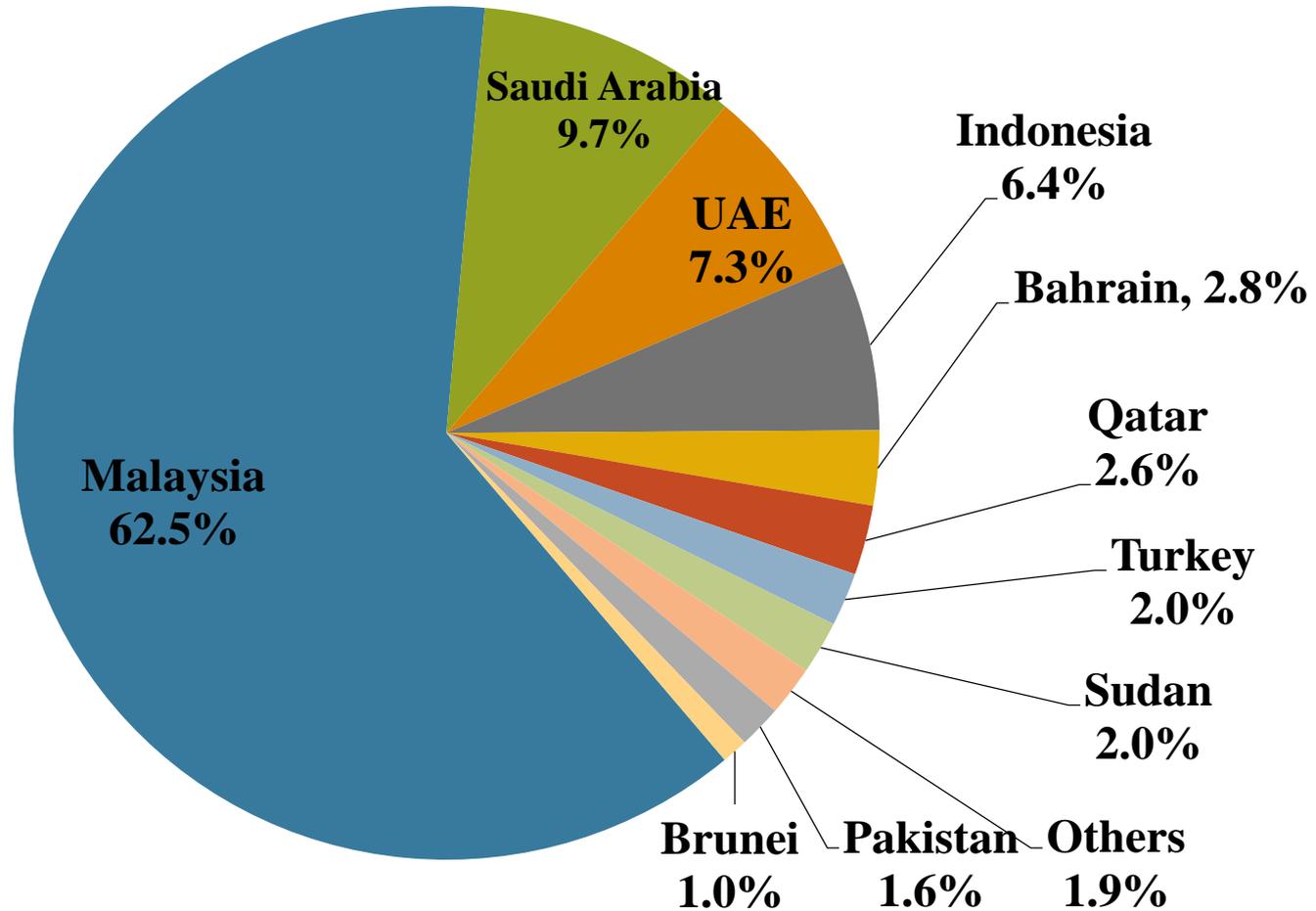
## Distribution of Islamic Banking Assets (2017)



Source: IFSI Stability Report, IFSB, 2018



## Global Sukuk Issuances by Country (All Tenors, 2001 - 2017)



Source: IIFM, Sukuk Report 7th Ed. 2018

2010

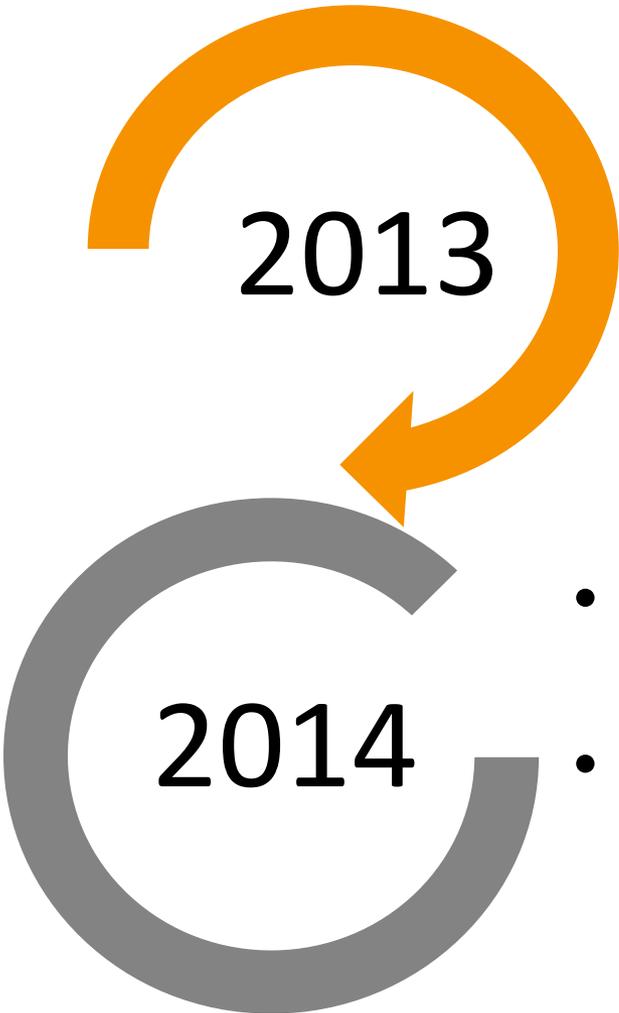
- **March:** The Meeting of NSOs of OIC MCs called for EGM on '*Islamic Statistics*'.
- **December:** The EGM identified the *needs and requirements for the domains of Islamic Statistics*.

2011

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

2012

- **May:** 2<sup>nd</sup> 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 orange arrow points from the top of the 2013 circle down to the top of 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.

## OIC-2025: Programme of Action

- **Islamic finance development** outlined separately in the OIC Programme of Action due to its high importance and relevance to its member states.
- *“Undertaking studies and statistics aimed at identifying and defining the Islamic market’s actual potential through collaboration with specialized institutions”*





# RATIONALE OF THE PROJECT

- **OICStat Database**
- 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 to diagnose current stance of the OIC countries in Islamic finance data collection, compilation, and dissemination practices and the relevant challenges and needs
- Collaborate with other international and regional agencies to develop templates for data production / collation towards the construction of databases on Islamic Banking; Islamic Capital Markets, Sukuk & Syndicated Lending Database; Non-Bank Islamic Finance Institutions; and Takaful Sectors



# 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 drafted
3. A list of possible variables for inclusion in the Database were proposed.
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 centre
- 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



# 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



THE WORLD BANK  
IBRD • IDA | WORLD BANK GROUP



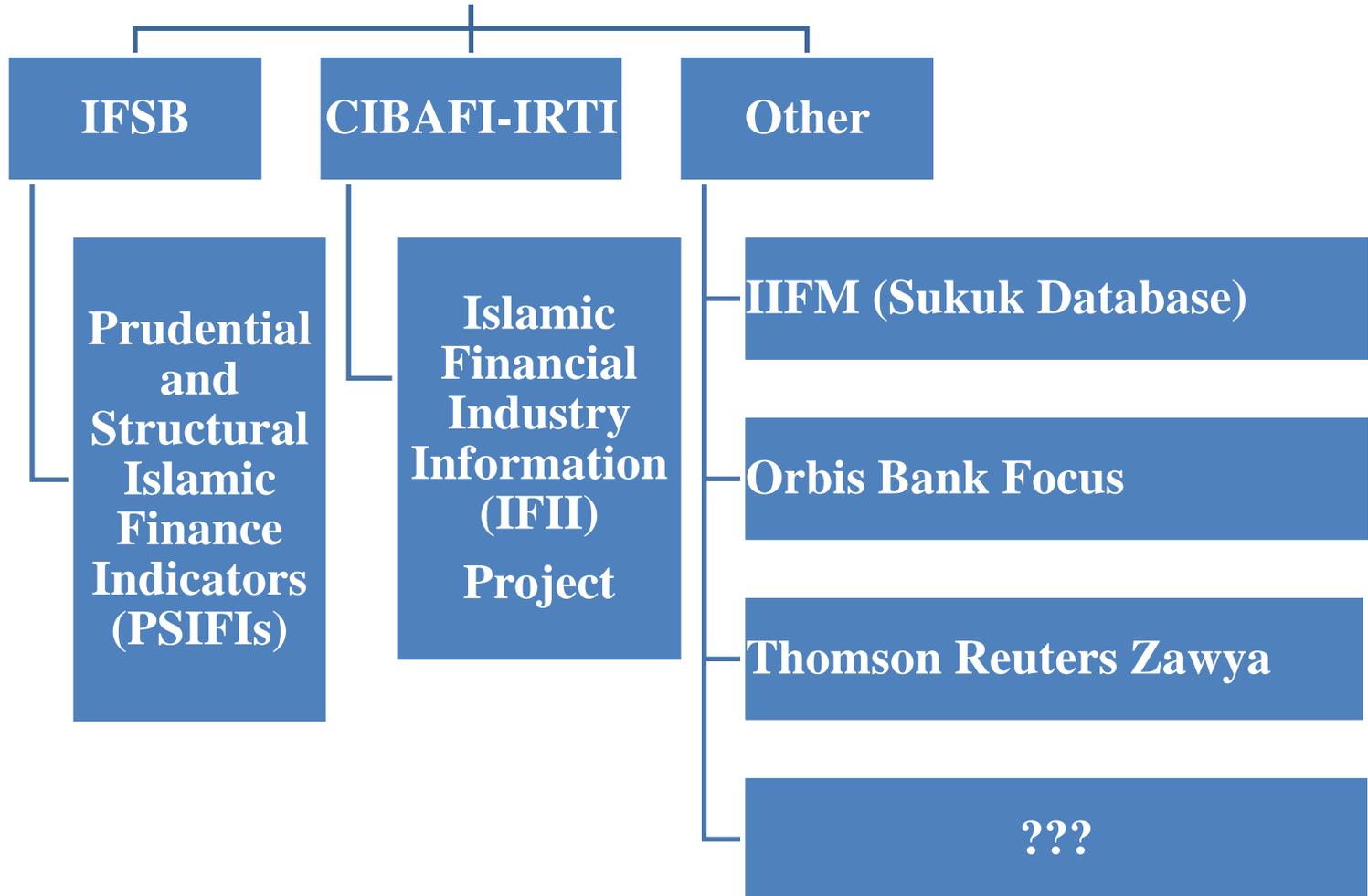
# PROJECT DOCUMENT: Content

- ❖ Fundamentals, principles and contract types in Islamic finance
- ❖ Overview of Islamic finance activities in OIC countries
- ❖ OIC Islamic finance industry database project
- ❖ Analysis of existing databases for Islamic finance industry
- ❖ Analysis of existing data collection practices on Islamic finance activities in selected OIC countries
- ❖ Evaluation of the existing Islamic finance industry data practices of selected OIC countries
- ❖ Challenges and a strategic roadmap proposal for constructing OIC Islamic finance industry database
- ❖ Proposed set of priority indicators for the construction of the ultimate conceptual framework for the database



# PROJECT DOCUMENT: Existing Databases

## Existing Databases on Islamic Finance



- The analysis covered 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 were analyzed. The information on the websites and reports were 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 Regulatory and Supervisory Authorities in Selected OIC Countries

	Country	Banking	Takaful	Capital Markets	Finance Companies
1	<b>Bahrain</b>	Central Bank of Bahrain	Central Bank of Bahrain	Central Bank of Bahrain	Central Bank of Bahrain
2	<b>Bangladesh</b>	Central Bank of Bangladesh	Insurance Development and Regulatory Authority	Securities and Exchange Commission Bangladesh	Central Bank of Bangladesh
3	<b>Indonesia</b>	Bank Indonesia and Indonesian Financial Services Authority (OJK)	Indonesian Financial Services Authority (OJK)	Indonesian Financial Services Authority (OJK)	Indonesian Financial Services Authority (OJK)
4	<b>Iran</b>	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	<b>Kuwait</b>	Central Bank of Kuwait	Ministry of Commerce and Industry	Capital Markets Authority	Central Bank of Kuwait
6	<b>Malaysia</b>	Bank Negara Malaysia	Bank Negara Malaysia	Securities Commission Malaysia	Bank Negara Malaysia
7	<b>Qatar</b>	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 Exchnage	Qatar Central Bank and Qatar Financial Center Regulatory Authority
8	<b>Saudi Arabia</b>	Saudi Arabian Monetary Agency	Saudi Arabian Monetary Agency	Capital Markets Authority of Saudi Arabia	Saudi Arabian Monetary Agency
9	<b>Turkey</b>	Banking Regulation and Supervision Agency Central Bank of the Republic of Turkey	General Directorate of Insurance under Ministry of Fiannce and Treasury	Capital Markets Board of Turkey	Banking Regulation and Supervision Agency
10	<b>UAE</b>	Central Bank of the UAE	Insurance Authority	Securities and Commodities Authority	Central Bank of the UAE



# 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*



# 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 (31)</i>		
<b>Responded</b>	<b>45</b>	<b>NSO (13)</b>	<b>CB &amp; MA (20)</b>	<b>Other (12)</b>
<b>Complete</b>	<b>21</b>	<i>Chad, Egypt, Gabon, Indonesia, Qatar, UAE</i>	<i>Brunei, Iran, Jordan, Kuwait, Malaysia, Pakistan, Saudi Arabia, Sudan, Tunisia</i>	<i>Bangladesh, Iran, Kuwait, Malaysia, Pakistan, Palestine (CMAs)</i>
<b>Incomplete</b>	<b>24</b>	<i>Bangladesh, Iraq, Jordan, Kuwait, Morocco, Nigeria, Palestine</i>	<i>Bahrain, Bangladesh, Guinea, Indonesia, Kyrgyzstan, Lebanon, Maldives, Mauritania, Qatar, Suriname, UAE</i>	<i>Cote d'Ivoire, Jordan, Senegal (MINs), Jordan (SE), Oman (CMA), Turkey (FRSA)</i>



# PRELIMINARY RESULTS: PART I

	# YES	# NO
OIC countries that collect, compile, and disseminate data on <i>Islamic Banking and Finance Statistics</i>	23	8

**YES:** *Bahrain, Bangladesh, Brunei, Cote d'Ivoire, Jordan, Indonesia, Iran, Iraq, Kuwait, Kyrgyzstan, Lebanon, Malaysia, Mauritania, Oman, Pakistan, Palestine, Qatar, Saudi Arabia, Senegal, Sudan, Tunisia, 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 mostly 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:**

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<b>ISLAMIC BANKING</b>	<b>CB &amp; MA</b>	<b>RSA</b>	<b>NSO</b>	<b>Min.</b>	<b>Priv. Sector</b>
<i>Collecting</i>	19	2	3	2	1
<i>Compiling/ Processing</i>	17	2	4	2	1
<i>Disseminating</i>	17	2	4	2	1

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## 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 relevant 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:**

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

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## 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 Institutions</i>	<i>Percentage</i>
<b>YES</b>	<b>39</b>	<b>88%</b>
<b>NO</b>	<b>5</b>	<b>12%</b>
<b>TOTAL</b>	<b>44</b>	<b>100%</b>



# PRELIMINARY RESULTS: PART I

<b>Legal Status of Islamic Financial Institutions</b>	<b>Number of Countries</b>
<b>A Specific law applied for IF Institutions</b>	7
<b>The same law and regulations with conventional financial institutions is applied</b>	10*
<b>The same law with conventional financial institutions applied <i>but there are different regulations for IF institutions</i></b>	13*
<b>Other legal statuses not mentioned above</b>	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>
<b>YES</b>	10	36 %
<b>NO</b>	17	61 %
<b>NO*</b>	1	3 %
<b>TOTAL</b>	28	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>
<b>YES</b>	6	32 %
<b>NO</b>	<b>13</b>	<b>63%</b>
<b>NO*</b>	1	5 %
<b>TOTAL</b>	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>
<b>YES</b>	7	30 %
<b>NO</b>	<b>16</b>	<b>70 %</b>
<b>TOTAL</b>	23	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>
<b>YES, in all sectors</b>	12 countries	43%
<b>YES, in some sectors</b>	10 countries	36%
<b>NO</b>	6 countries	21%
<b>Total</b>	28 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

<b>Cooperation with and/or receive consultation/capacity building training from regional/international organizations</b>	<b>YES</b>	<b>NO</b>
Islamic Banking	22	14
Islamic Capital Markets	8	15
Islamic Asset Management	9	16
Takaful (Islamic Insurance)	9	17
Islamic Non-Bank Financial Institutions	7	17



# ONGOING ACTIVITIES

- *Established a new category titled as “Islamic Banking and Finance” in OICStat*
- *The indicators basically on Islamic finance industry size and structure which includes Number of Islamic Banks, Number of Islamic Banking Windows, Number of Branches, Number of Employees, Number of ATMs are integrated into OICStat*
- *Available for 20 countries retrieved from different national and international sources*
- *Collaboration with various stakeholders at national and international levels such as having joined in the Inter Secretariat Working Group on National Accounts (ISWGNA ) Task Force on Islamic Finance initiated by UNSD and UNESCWA*



# THE WAY FORWARD

- *Comprehensive analysis of the survey results after taking responses from more countries and institutions as relevancy and sufficiency is achieved response-wise.*
- *Determination of sectoral priorities based on the level of accessibility of data (Islamic banking, Islamic capital markets, Takaful, etc.)*
- *Improving partnerships to develop templates for data flows and strengthen the efforts to promote Islamic banking regulations and standards*
- *Design capacity building programs for countries where there is a need for collecting, compiling and dissemination Islamic finance data*



# THANK YOU

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

<b>Website :</b>	<a href="http://www.sesric.org">www.sesric.org</a>	<a href="http://www.oicstatcom.org">www.oicstatcom.org</a>
<b>Email :</b>	<a href="mailto:oicankara@sesric.org">oicankara@sesric.org</a>	<a href="mailto:statistics@sesric.org">statistics@sesric.org</a>
<b>Twitter :</b>	<a href="https://twitter.com/sesric">@sesric</a>	<a href="https://twitter.com/oicstatcom">@oicstatcom</a>