

Draft Policy Recommendations to be submitted to the Exchange of Views Session of 32nd COMCEC Session

The 31st COMCEC Session decided on “Developing Islamic Finance Strategies in the OIC Member Countries” as the theme of the Exchange of Views of 32nd Session of the COMCEC and requested the COMCEC Financial Cooperation Working Group to come up with policy recommendations on the aforementioned topic and report it to the 32nd COMCEC Session. In this framework, the participants, in light of the discussions taken place during the 6th Meeting of the COMCEC Financial Cooperation Working Group and research report prepared specifically for this Meeting, have come up with the following challenges and problems as well as the possible policy options with regard to developing Islamic Finance Strategies in the member countries.

Challenges and Problems:

The participants, in line with the discussion took place during the 6th Meeting of the COMCEC Financial Cooperation Working Group, highlighted the following possible challenges and problems:

- Weak regulatory systems
- Lack of Shariah governance infrastructure
- Lack of necessary institutional infrastructure
- Lack of Islamic financial instruments and services
- Lack of specialized Islamic finance academic and training programs
- Lack of initiatives, i.e. campaigns on increasing public awareness, to promote Islamic finance
- Lack of diversified Islamic Finance Strategies/Policies targeting the various needs of investors
- Lack of SMEs access to finance
- Low level of integration of Islamic Finance to the global financial system
- Lack of liquidity framework for Islamic Banks
- Lack of high quality research and intellectual discussions

Policy Recommendations:

Considering the above-mentioned challenges and problems, the policy recommendations highlighted during the Meeting are as follows:

1. Legal, Regulatory, Accounting and Taxation Frameworks

- Reviewing existing Islamic financial regulations and guidelines to ensure compatibility with Shariah guidelines
- Developing an independent agency to monitor the products in secondary markets and exchanges
- Developing a legal infrastructure to foster growth of the Islamic financial system
- Developing a specific disclosure guidelines for Islamic Financial Institutions(IFIs) that increases transparency
- Ensuring tax-neutrality for Islamic financial transactions in order to provide them a level playing field

2. Shariah Governance and Supervision:

- Establishing a National Shariah Board/necessary institutional set up to provide oversight and governance to internal and independent Shariah boards of financial institutions
- Developing seminars and training programs for Shariah scholars about Islamic financial operations and product development
- Increasing collaboration between Shariah scholars and Islamic finance management

3. Infrastructure:

- Developing secondary markets for Islamic financial products
- Developing exchanges for Islamic financial products
- Adoption/adaptation of international standards issued by IFIs (i.e. IFSB, IIFM, AAOIFI, etc.)
- Developing liquidity management frameworks for IFIs
- Improving the IT capacity of Islamic financial institutions

4. Products and Services:

- Increasing range of Islamic products and services to meet the needs and demands of the Islamic finance
- Encouraging standardization of products and services of IFIs
- Encouraging innovation and adoption of new technologies, and alternate delivery channels for enhancing financial inclusion

5. Initiatives:

- Developing national and international campaigns to increase brand awareness of Islamic finance
- Creating a new campaign to focus on the positives of Islamic finance for investors
- Encouraging expansion of Islamic social finance in order to promote financial inclusion for the poor and empowerment of woman.
- Promoting collaboration among various international institutions working on development of Islamic finance
- Bringing Islamic Finance to the agenda of multilateral economic and financial platforms/institutions
- Encouraging experience sharing in Islamic Finance among the member countries through bilateral cooperation and technical assistance

6. Talent Development:

- Promoting academic researches on Islamic finance and social finance
- Promoting/Developing training and academic programs specific to Islamic finance
- Developing industry certifications for Islamic finance
- Developing certification requirements for Islamic finance Industry professionals
- Creating scholarship and grant programs that sponsor individuals who are interested in working in the Islamic finance industry
- Creating Islamic finance industry trade associations and encouraging their collaboration at international level
- Developing and hosting conferences for Islamic finance industry members, researchers, and regulators to share ideas and collaborate on ways of growing and improving the industry
- Promoting regular tour of duty/rotation for the members of sharia advisory boards in Islamic financial institutions
- Encouraging internship programs on Islamic Finance