



IFSB's Experiences and Practices in Takaful Sector

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13th MEETING OF THE COMCEC
FINANCIAL COOPERATION WORKING GROUP
17th October 2019
Ankara, Turkey

AGENDA

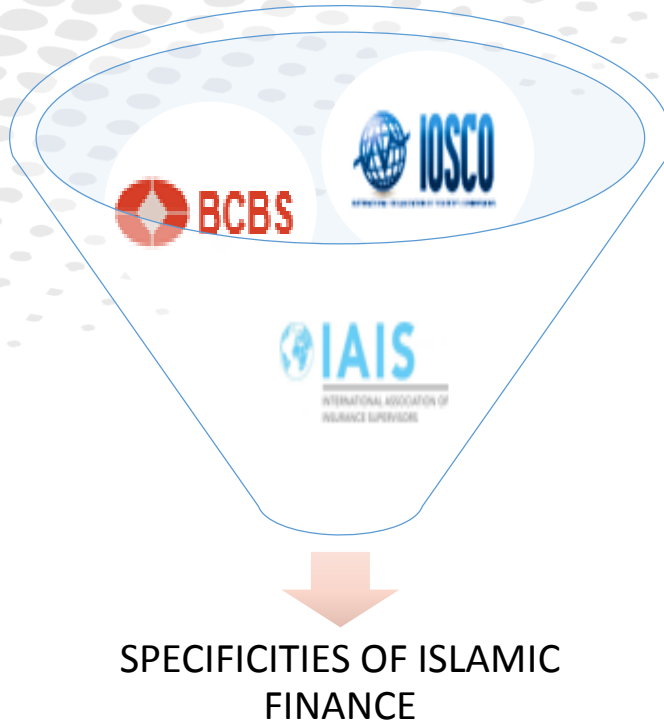
1

IFSB Mandate

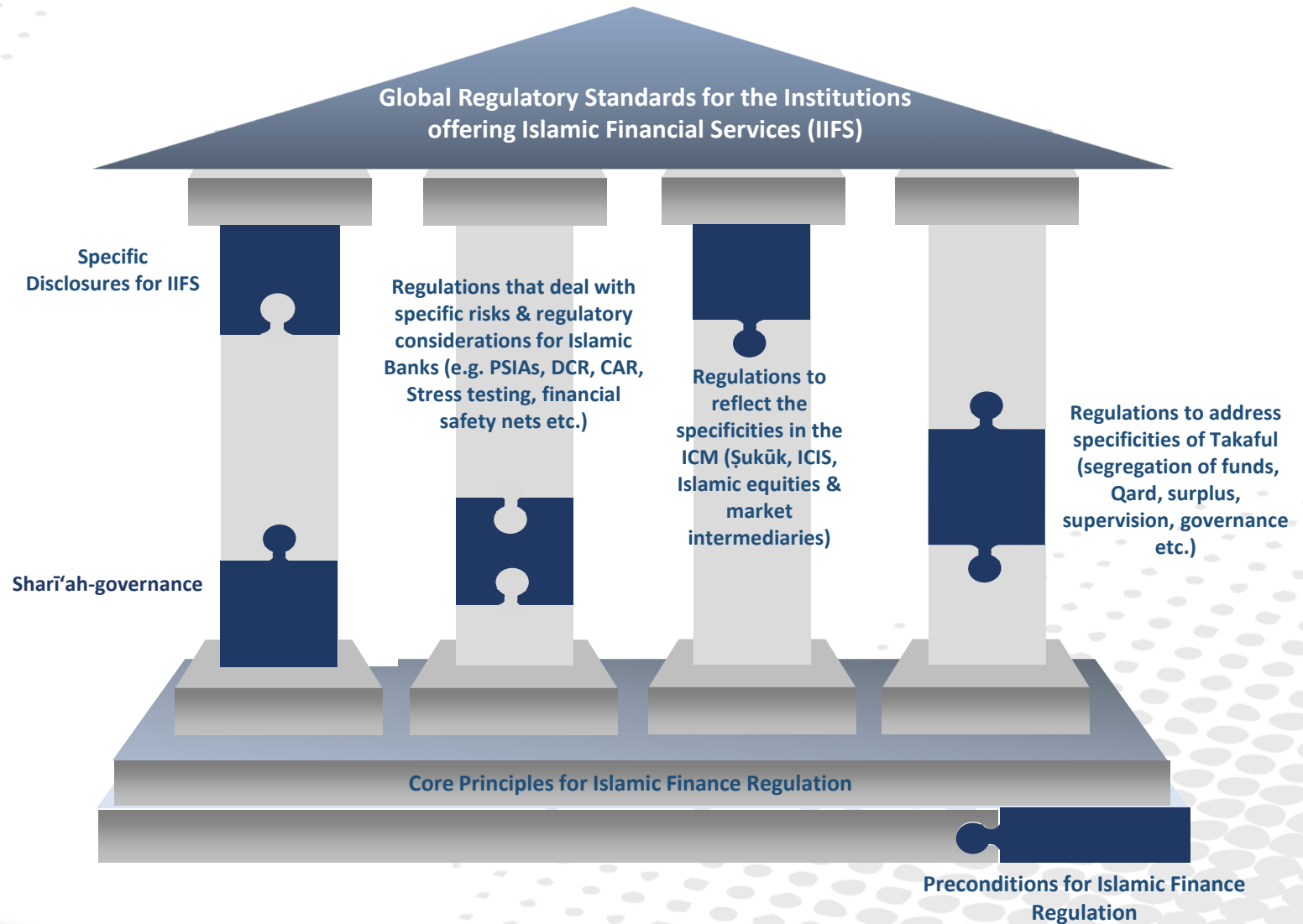
2

IFSB Takaful Standards

IFSB Mandate



180 members of the
IFSB operating in 57
jurisdictions:



IFSB Mandate

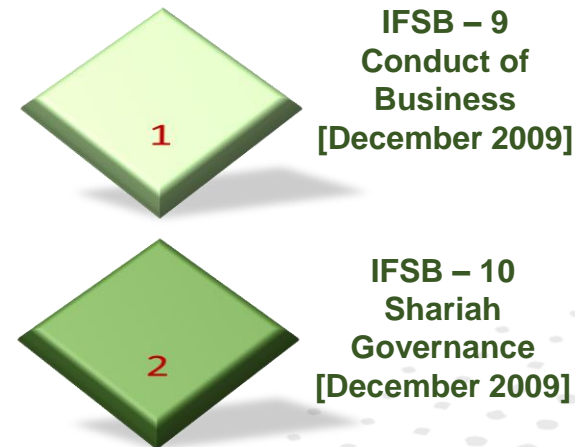
PUBLISHED PRUDENTIAL STANDARDS



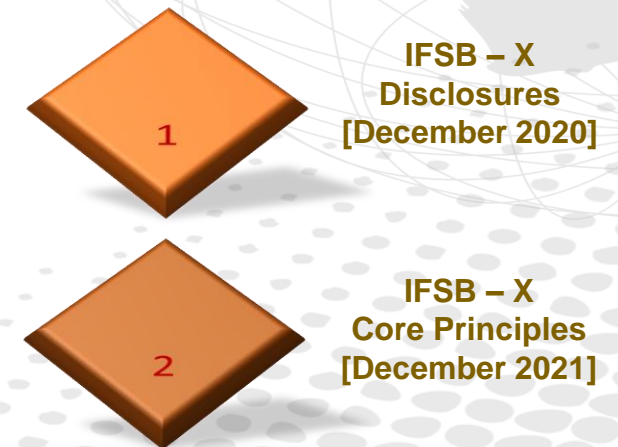
Takaful Sector



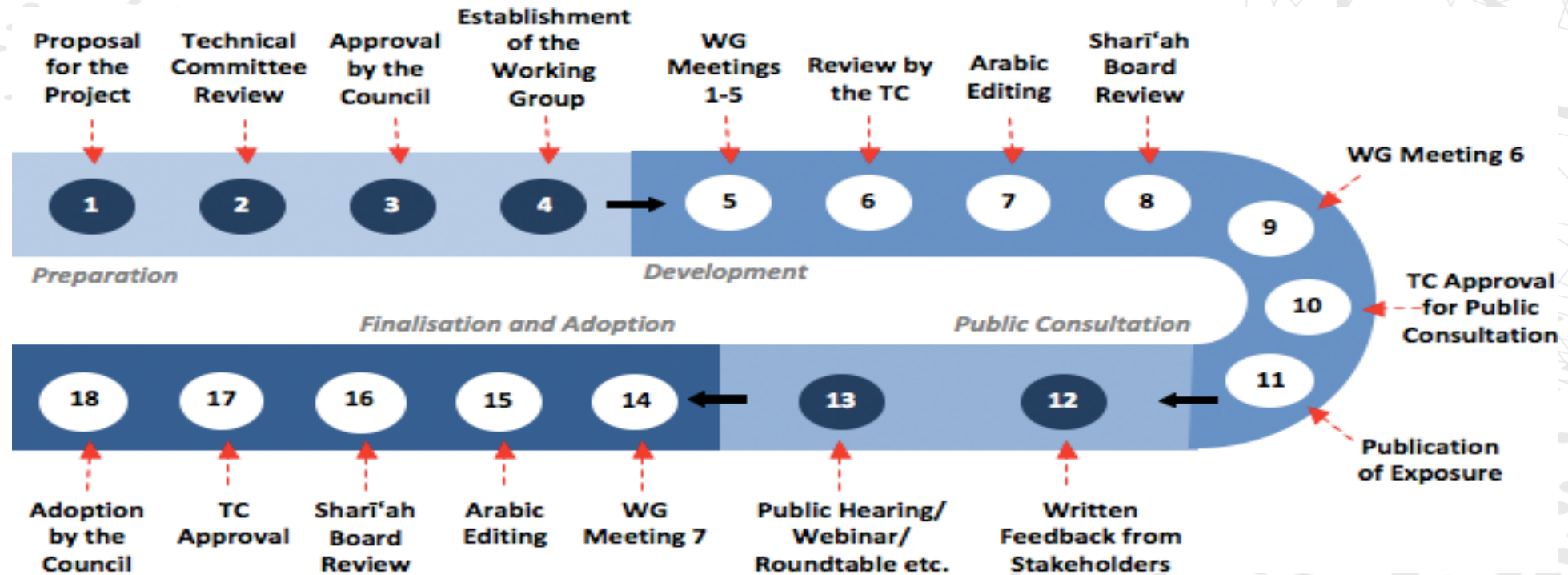
Cross Sector



On-Going Standards for Takaful Sector



Preparation of IFSB Standards



Takaful Operator Acts as Mudarib or/and Wakil

02



IFSB-8 (Principle 2.2)

2. Client Disclosures

03

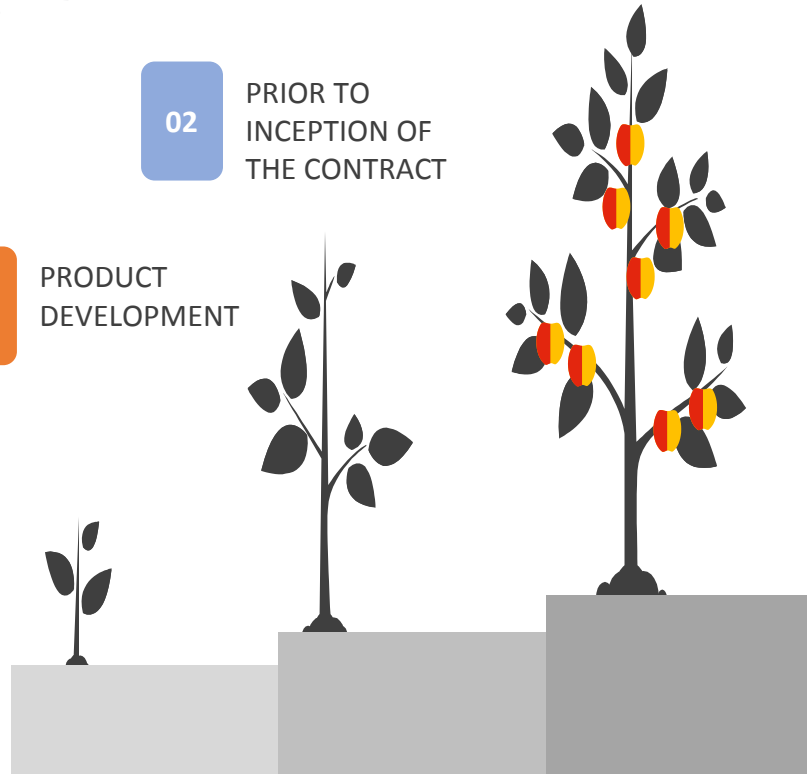
AFTER
INCEPTION OF
THE CONTRACT

02

PRIOR TO
INCEPTION OF
THE CONTRACT

01

PRODUCT
DEVELOPMENT



COMPANY
PROFILE

CORPORATE
GOVERNANCE

SHARĪ'AH
GOVERNANCE

TECHNICAL
PROVISIONS

TAKĀFUL RISK
EXPOSURE

FINANCIAL
INSTRUMENTS &
OTHER
INVESTMENTS

INVESTMENT
RISK EXPOSURES

ASSET-LIABILITY
MANAGEMENT

CAPITAL
ADEQUACY

FINANCIAL
PERFORMANCE

The names of their Shari'ah
board members

Qualifications and
areas of expertise of
each Shari'ah board
member

The role of the
Shari'ah board in
supervising the
TU/RTU's activities

Shari'ah board fatwas



Remuneration of Shari'ah
board members

Zakat disclosures

Earnings or
expenditures
prohibited by Shari'ah

The adopted Shari'ah
screening methodology

www.ifsb.org

1. Prudential Disclosures

IFSB-8 (Principle 2.2)

3. Environmental, Social and Governance (ESG) Disclosures

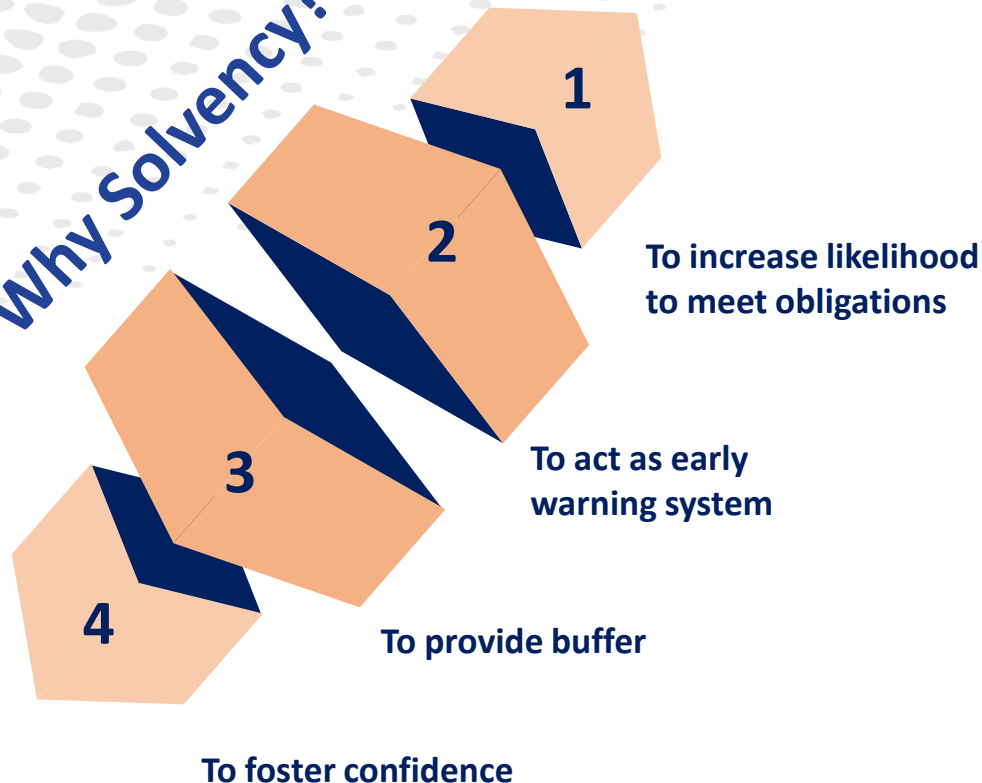


Source: Institute of Health Metrics and Evaluation (IHME)

CC BY

IFSB-11: Solvency Requirements for Takāful Undertakings

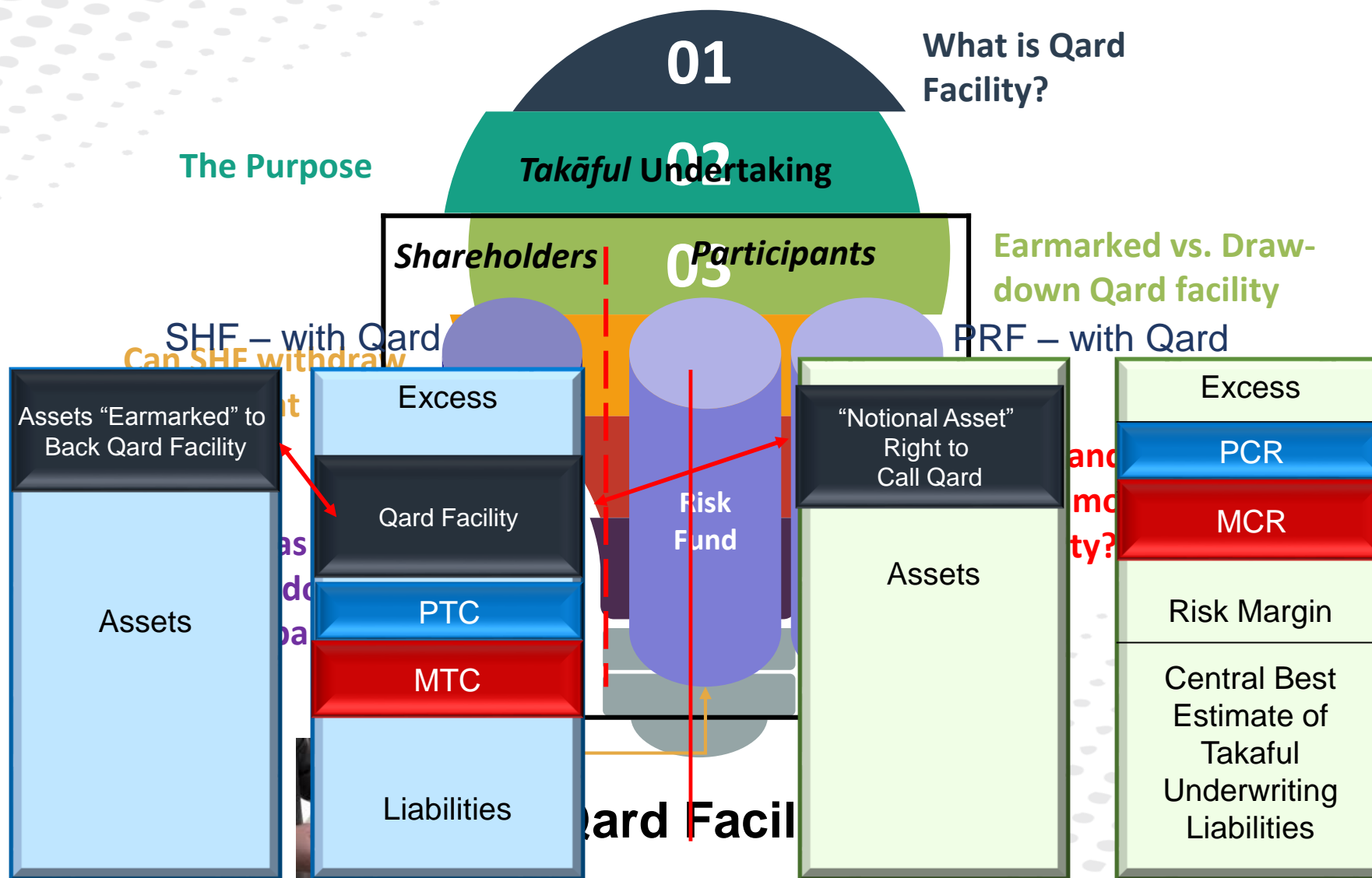
Why Solvency?



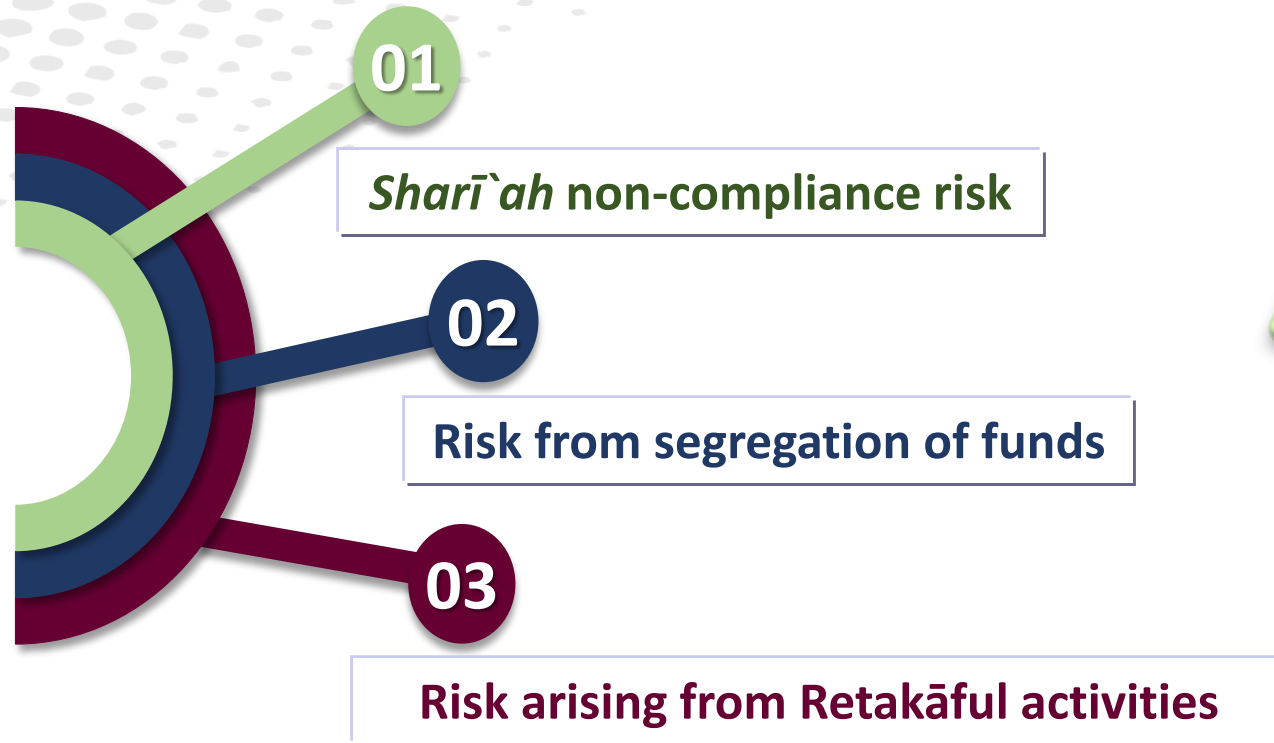
7 Key Features for Minimum Solvency Requirements



IFSB-11 (Key Feature 2)



IFSB-14 Risk Management for *Takāful* Undertakings



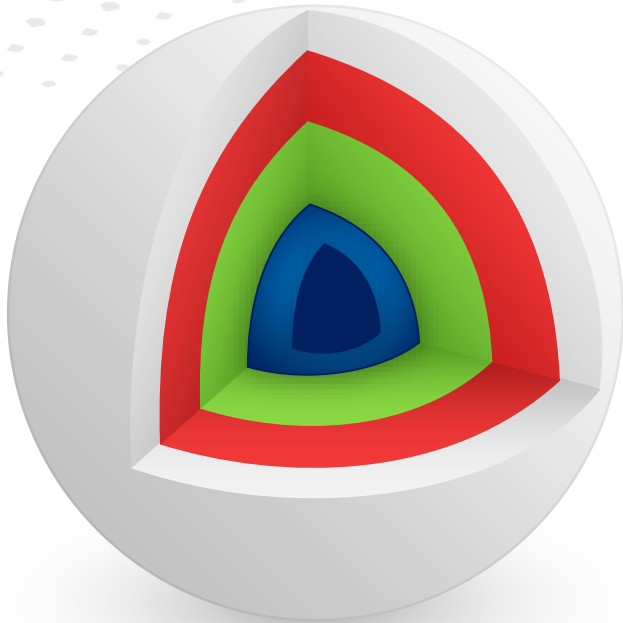
Significant Risks Relevance to Takāful



Main Categories of Risks

IFSB-18: Guiding Principles for *Retakāful*

4



The Guiding Principles

I. GOVERNANCE OF *RETAKĀFUL* UNDERTAKINGS

- Principle 1.1 Comprehensive Governance Framework
- Principle 1.2 Code of Ethics and Conduct
- Principle 1.3 Truthfulness, Honesty and Fairness
- Principle 1.4 Due Care and Diligence
- Principle 1.5 Systems and Procedures

II. COMPLIANCE WITH *SHARI'AH* PRINCIPLES

- Principle 2.1 Business is *Shari'ah* Compliant

III. PRUDENTIAL FRAMEWORK

- Principle 3.1 Adequacy Risk Management Framework
- Principle 3.2 Solvency of *Retakaful* Undertakings
- Principle 3.3 Investment Strategy

IV. TRANSPARENCY AND DISCLOSURE

- Principle 4.1 Appropriate Disclosures

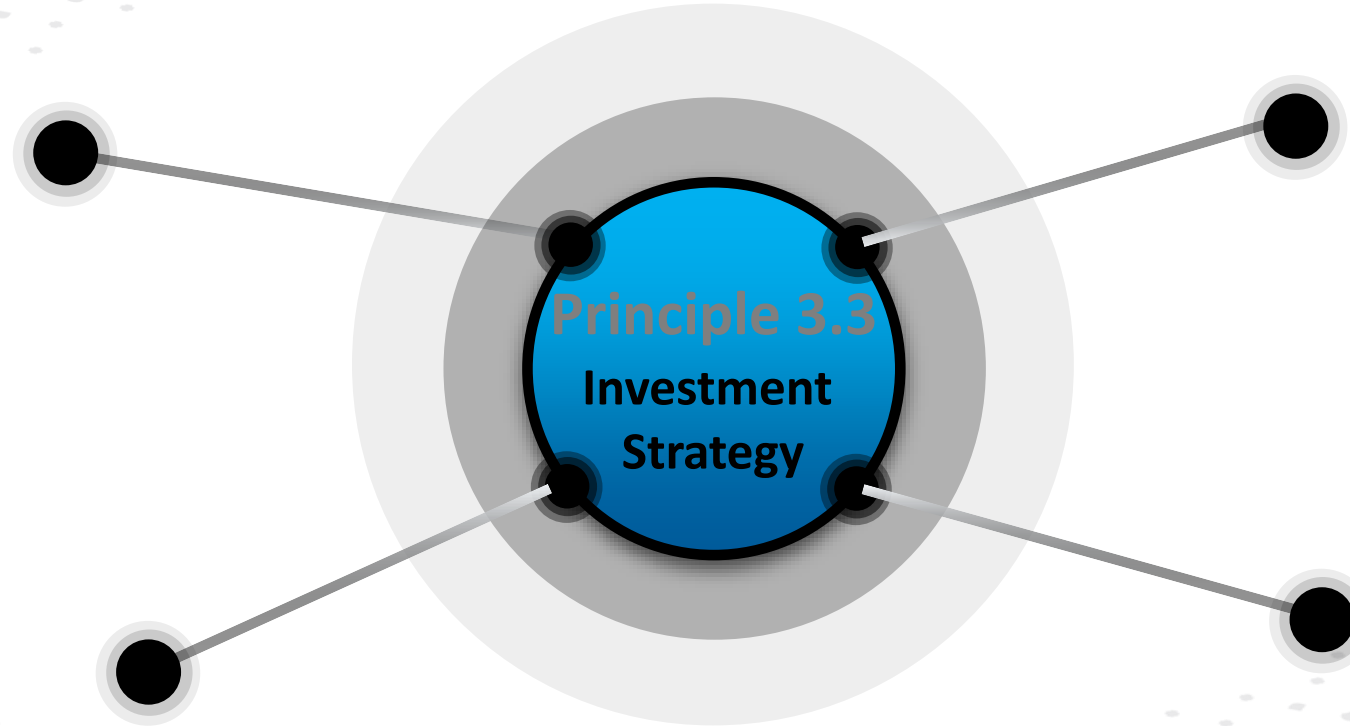
V. SUPERVISORY REVIEW OF *RETAKĀFUL*/REINSURANCE ARRANGEMENTS

- Principle 5.1 Supervision of *Retakaful* / reinsurance Programmes

IFSB-18: Guiding Principles for *Retakāful*

Assets of a *Retakāful* window should be segregated from assets of the host undertaking, and ring-fenced for application only to liabilities arising from the RRF of the window.

Segregation of funds should be observed as between contracts issued under different operating models



A sound investment strategy, determined with due regard to the risk and return expectations of its stakeholders, and policies and procedures to implement that strategy.

A risk management framework to manage all material risks relating to investment activity, including those specific to the nature of their business.

RTOs shall adopt and implement a sound investment strategy and prudently manage the assets and liabilities of *Retakāful* undertakings.

IFSB 20 Key Elements in the Supervisory Review Process of Takaful/Retakaful Undertakings

CBL failure a 'dramatic' example of need for supervision



Wednesday, 3 July 2019, 4:47 pm
Press Release: **BusinessDesk**



In thanking the reviewers, Mr Bascand says: "We wanted an independent and expert perspective to examine our supervision and advise on how best to strengthen the regulatory and supervisory framework and the Bank's performance. We are encouraged that our licensing decision and process were found to be sound, and that our actions leading to CBL being placed into liquidation were assessed to be appropriate. We acknowledge the review's finding that our supervision was overly-lenient towards CBL and should have addressed concerns about its reserving and management more urgently."

the Supervisory
of TUs/RTUs

Shari'ah
Governance

Operational
Framework

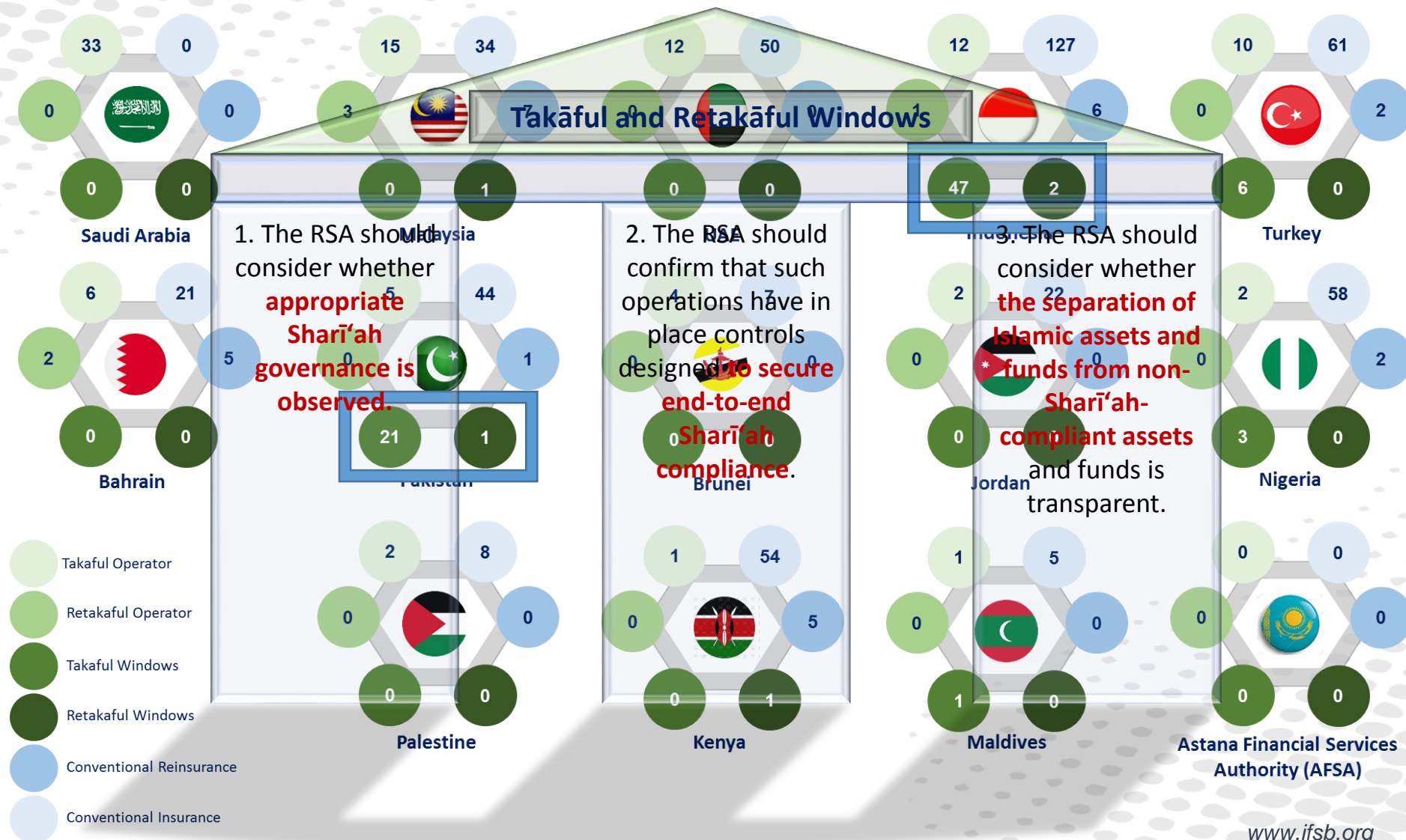
Capital
Adequacy

Supervisory Reporting

Off-site
Monitoring

On-site Inspection

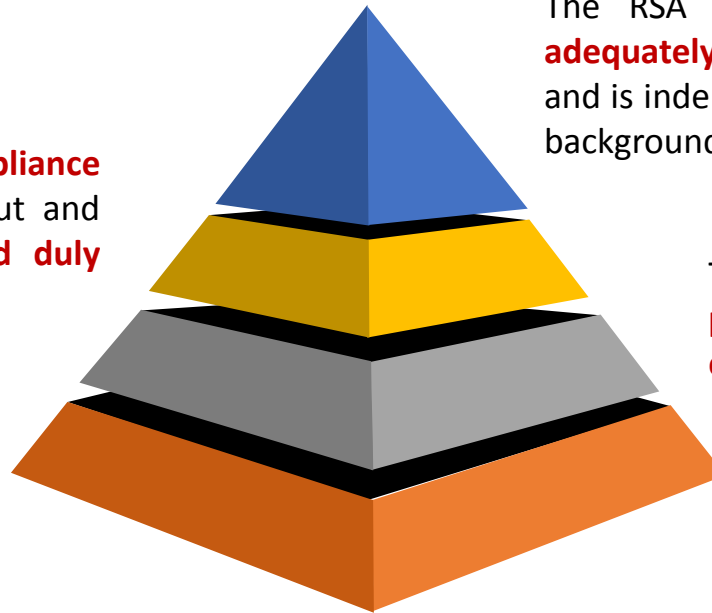
IFSB 20: Takāful and Retakāful Windows



IFSB 20: Sharī'ah Governance

The RSA should check that **internal Sharī'ah compliance review/audit** has been appropriately carried out and that its findings have been **presented to and duly considered by the Sharī'ah board**

The RSA should verify that the Sharī'ah governance framework contains **procedures for issuance of relevant Sharī'ah pronouncements or resolutions**.



The RSA should verify that the **Sharī'ah board is adequately knowledgeable with respect to the business** and is independent, giving consideration to the suitability, background and qualification of its members.

The RSA should verify that **the TO/RTO has put in place internal policies, processes, systems and controls** in the areas of Sharī'ah compliance and audit.

2020 for Takaful Sector

Standard

Disclosures to Promote
Transparency and Market
Discipline for
Takaful/Retakaful
Undertakings

Research

Prudential and
Regulatory Issues arising
from Takaful Window
Operations



THANK YOU

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