# **Islamic Development Bank**

Together We Build a Better Future



# COMCEC 7<sup>th</sup> Meeting of Financial Cooperation Working Group: Role of IDB in developing Islamic Financial Architecture

20 October 2016

## Core Programs for development of Islamic Finance



### **Key Objectives** Accelerate growth Play a leading role Contribute Contribute of Islamic to improve access Contribute to the towards towards financial sector by to Islamic finance revival of the development of disseminating developing the for the poor and Islamic Sunnah of Islamic finance knowledge about enabling enhancing Waqf architecture **Islamic finance** environment financial inclusion **Key Programs** Microfinance Islamic Fin. Islamic Fin. **Technical Support Awgaf Development Development Architecture Dev. Awareness Creation Program Program Program Program Program** Assist in creating Develop the Islamic Provide support to Organize and Develop Awgaf the requisite Microfinance sector the Islamic Participate in sector through enabling enabling Infrastructure Islamic finance developing Awgaf environment for environment; Institutions and awareness creation properties to developing Islamic strengthen MFIs; contribute towards enhance returns to events finance sector in providing seed developing global be used for socio-MCs and Non-MCs capital Islamic financial

architecture

economic

development

# TA Activities in recent 2 years

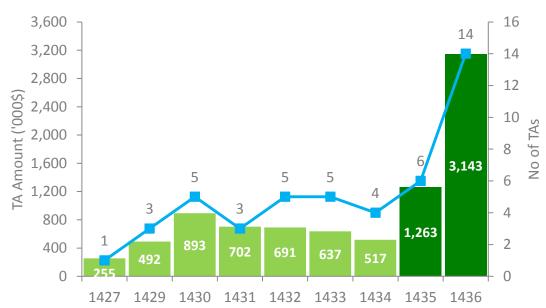


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Country/ Institution	Project Name	Amount Approved (US\$)
Morocco	Development of Islamic Finance Enabling Environment	300,000
BCEAO	Assist BCEAO and CREPMF to amend the regulatory & supervisory framework for IFIs & Islamic capital market activities	300,000
Oman-II	To provide 2 experts to MoF to assist in issuing sovereign Sukuk	300,000
Azerbaijan	Development of legal framework for Islamic Finance	200,000
CIBAFI-III	To assist CIBAFI in organizing Certified Islamic Banker (CIB) training program in Mauritania & Yemen	50,000
IIFM	To assist IIFM in developing two documentation standards (i) Islamic Foreign Exchange Forward, (ii) Collateralized Liquidity Management Documentation.	112,500
	Sub-Total - 1435H	1,262,500
<b>IDB-WB WG</b>	GIFR, Symposium on Islamic Finance, IFSAP & Risk Management Tool-Kit for Islamic banks	225,000
IFSB-IV	Regional Technical Assistance to (i) Formulate a new IFSB Standard - 'Guiding Principles on Disclosure Requirements for Islamic Capital Market Products' and (ii) Facilitate the implementation of the IFSB Standards in IFSB member countries.	250,000
IMF LOU	TA for Islamic finance in MCs and Non-MCs	375,000
Uganda II	Regulatory Framework (Additional TA)	65,000
Afghanistan II	Develop Regulatory and Supervisory framework	250,000
Tajik II	For develop regulatory and supervisory framework	250,000
AAOIFI	Restructure AAOIFI	270,000
Mozambiqu e	Enhancing Capacity in Partipative Banking	110,000
IIRA	Assisting IIRA to develop Sovereign rating of IDB MC	250,000
Gambia	Islamic Microfinance Guideline Development and Product Development	210,000
CIBAFI IV	Assist CIBAFI to implement part of its strategy	140,000
Guinea	TA for Awareness campaign on the importance of Waqf in Guinea-Conakry	273,000
APIF Fund	TA for feasibility	275,000
Balkan	Assess the needs and formulate action plan for restoration of expropriated Awqaf properties for five countries (Albania, Montenegro, Macedonia, Kosovo & Bosnia)	200,000
	Sub-Total - 1436H	3,143,000
	TECHNICAL ASSISTANCE TOTAL	4,405,500

## **Technical Support Program**



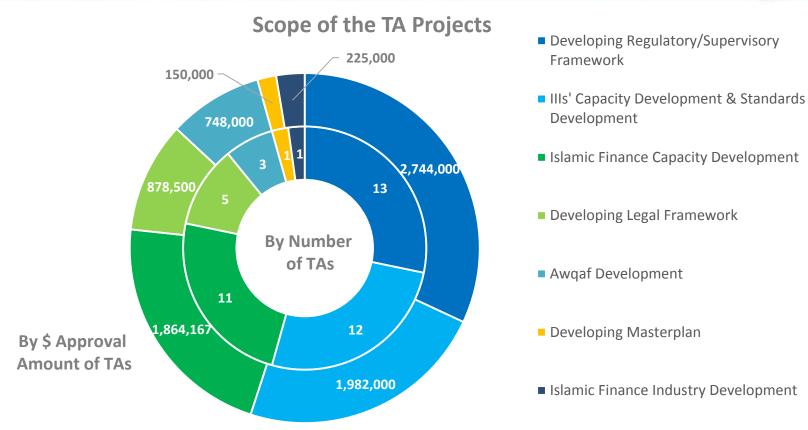
## **Annual Approvals**



- Since inception, **46 TAs** amounting to **US\$ 8.6m** approved:
  - From 1427-34H: 26 TAs US\$ 4.2m
  - During 1435-36H: 20 TAs US\$ 4.4m
- The Special allocation has helped in scaling up the TA operations and will benefit in enhancing IDB's impact for developing Islamic finance globally.

# **Technical Support Program Summary**



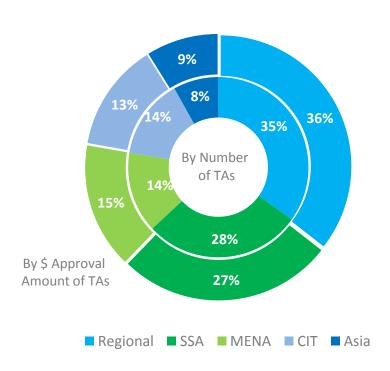


- The **scope of the TAs is well diversified** to enable MCs benefit in variety of ways
- The <u>TAs have helped in developing</u> legal, regulatory & supervisory frameworks in MCs, capacity building, assisting IIIs, and developing master plan, etc.

# **Technical Support Program Summary**



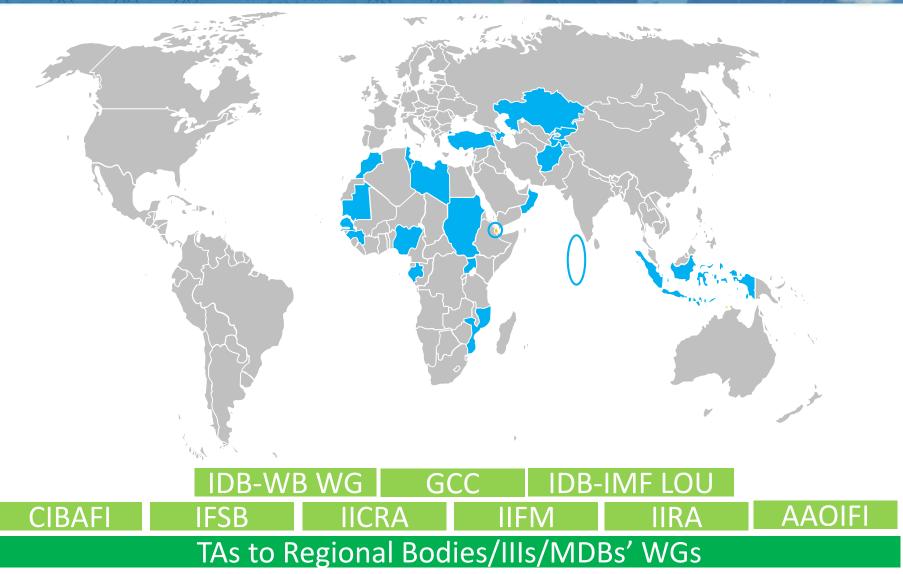
## Regional Distribution



- The TA projects are **geographically diversified**: Regional, SSA, MENA, CIT, Asia.
- As such, the **Program has successfully targeted key emerging Islamic finance markets** across IDB MCs.

# Technical Support Geographic Spread





## Islamic Finance Technical Assistance Grant for Bank-e-Milli Afghan to Build Capacity in Islamic Banking (Afghanistan)

Islamic Financial Services Department
Financial Sector Development & Inclusion Division

February

Beneficiary: Bank-e-Milli Afghan (BMA)

Amount: USD 130,000 TA Agreement Signed: 2012 Status: Completed

Scope

**Facts** 

BMA (

- Bank Milli Afghan was founded in Kabul in 1933 - Until 1939, BMA acted as the country's central bank. - Being the largest bank, it has played a key role in economic development of

economic development of Afghanistan. - Assets of AFN 32bn, Deposits

of USD 25bn, Net Income AFN 452mn.

### Objective

Support BMA's Islamic banking operations (review of existing products, development of new products and training), which will contribute to IDB's strategic objective of developing and promoting Islamic financial sector in IDB member countries

Development of Islamic finance product programs and related policies & procedures. Providing related capacity building training to BMA staff



TA helped in full-scale relaunch of Islamic banking services comprising sophisticated product suite, developed policies and trained staff. BMA is now better equipped to serve client needs through innovative product solutions

Auto Finance (Murabaha)
Home Appliance Finance (Murabaha)
Real Estate Finance (Murabaha)
Trade Finance LC (Murabaha)
Construction Finance (Istisna & Parallel Istisna)
Working Capital Financing (Musharaka)

Current account
Savings account
Term investment account

Credit procedures
Financing policy
Operations policy
Profit distribution mechanism

Review & TA for developing stamic banking regulatory & supervisory framework

About **Technical Support Program**?

**Objective:** To develop Islamic finance enabling environment (legal, regulatory & supervisory framework) and institutional capacity building in Islamic finance

**Beneficiaries:** central banks, capital market authorities, supervision agencies, public sector banks, ministries of finance, as well as Islamic Infrastructure Institutions.

**In Numbers**: Since inception, approved 46 TAs (US\$ 8.6m) which are geographically diversified:



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The Islamic Development Bank Group





TA for Takaful

Development





## Islamic Finance Technical Assistance Grant for Islamic Financial Services Board (IFSB) Malaysia

**Islamic Financial Services Department** Financial Sector Development & Inclusion Division



(Amount US\$ 425,000)

(i) USD 297, 875 and TA Agreement Signed: 2009

(ii) USD127,125 and TA Agreement Signed 2013 Status: Completed

**Facts** 

Scope



The Islamic Financial Services Board (IFSB), serves as an international standardsetting body of regulatory and supervisory agencies that have vested interest in ensuring the soundness and stability of the Islamic financial services industry, which is defined broadly to include banking, capital market and insurance.

### Objective

To promote financial stability and sound markets in the fast growing Islamic financial sector through the establishment of international prudential standards for Islamic financial institutions

Development of prudential issues and standards under the IFSB



TA helped to facilitate implementation of prudential and supervisory standards for Islamic finance and to foster the development of Islamic money and capital markets and their regional integration as a means to support Islamic finance development

- Facilitating Implementation of Standards
- Development of Islamic Capital Markets
- **Building Liquidity Management** Infrastructure for Islamic Finance
- Legal Aspects of Islamic Asset Securitization
- Prudential and Structural Indicators for Islamic Financial Institutions
- Core Principles for Islamic Finance Regulation Standard (Banking Segment)

Objective: To develop Islamic finance enabling environment (legal, regulatory & supervisory framework) and institutional capacity building in Islamic finance

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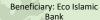






## Islamic Finance Technical Assistance Grant for introduce Islamic banking and finance principles in the Kyrgyzstan

Islamic Financial Services Department Financial Sector Development & Inclusion Division



Amount: USD 255,000 TA Agreement Signed: 2007

Status: Completed



Scope



- Ecobank founded in 1998, license from the National Bank of the Kyrgyz to carry out banking activities
- In 2010 it changed its name into Eco-Islamic Bank and become first Islamic bank in Kyrgyzstan
- 120 branches throughout
- the country
- Over 100,000 clients

## Objective

Support Kyrgyzstan to convert EcoBank into Eco Islamic Bank, which will contribute to IDB's strategic objective of developing and promoting Islamic financial sector in **IDB** member countries

Introduction of Islamic banking and finance principles in the country



TA helped in introduction of Islamic banking services comprising product development, policies and training of staff. Eco Islamic Bank is now better equipped to serve client needs through Shariah compliant product

Law on Islamic Banking and Finance 2<sup>nd</sup> phase for development of enabling environment for Sukuk and Takaful under way

Capacity building for the staff of EcoIslamic Bank

Establishment of Shariah Advisory Council

Introduce Islamic Banking & Finance

TA for developing legal & regulatory framework for Sukuk & Takaful



Objective: To develop Islamic finance enabling environment (legal, regulatory & supervisory framework) and institutional capacity building in Islamic finance

Beneficiaries: central banks, capital market authorities, supervision agencies, public sector banks, ministries of finance, as well as Islamic Infrastructure Institutions.

In Numbers: Since inception, approved 46 TAs (US\$ 8.6m) which are geographically diversified:



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## Islamic Finance Technical Assistance Grant for Development of the Islamic Banking and Islamic Capital Market of Maldives

Islamic Financial Services Department Financial Sector Development & Inclusion Division



2012 Status: Completed







- Maldives Monetary Authority (MMA) is the central bank of Maldives responsible for advising the Government on issues relating to the economy and financial system in order to foster an environment conducive to the orderly and balanced economic development of the Maldives

- Capital Market Development Authority (CMDA) is an independent institution responsible for developing and regulating the capital market and the pension industry in the Maldives

### Objective

Set up a legal, regulatory and supervisory framework to regulate and supervise the Islamic banks and financial institutions in Maldives and to assist the country to launch Islamic capital market instruments starting with Sukuk

Development of policies & procedures and capacity building of staff in Islamic banking and capital markets

**Facts** 



TA helped in developing a sustainable Sukuk market by issuance certain types of Sukuk structures and educated investors about potential Sukuk in Maldives

Regulations for of Sukuk Issuance were drafted by Capital Market Development Authority of Maldives and came into force in 2013

Issuance of the first Sukuk by Housing Development Finance Corporation Plc in September 2013

Project dissemination workshops were conducted for the stakeholders

Objective: To develop Islamic finance enabling environment (legal, regulatory & supervisory framework) and institutional capacity building in Islamic finance

Beneficiaries: central banks, capital market authorities, supervision agencies, public sector banks, ministries of finance, as well as Islamic Infrastructure Institutions.

In Numbers: Since inception, approved 46 TAs (US\$ 8.6m) which are geographically diversified:











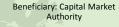




## Islamic Finance Technical Assistance Grant for Capital Market Authority for Developing Islamic Capital Market & Takaful in Sultanate of Oman

Islamic Financial Services Department
Financial Sector Development & Inclusion Division

February



Amount: USD 150,000
TA Agreement Signed: 2014
Status: Completed

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Scope

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Capital Market Authority Sultimate of Oman

Capital Market Authority (CMA) is an independent institution responsible for developing and regulating the capital market and insurance sectors in Oman

## Objective

Provide consultancy services to the CMA to assist in the inplementation of the newly developed Sukuk and Takaful regulations Review the newly developed legal and regulatory framework for Sukuk and Takaful in Oman and assist the CMA in implementing the regulations

**Facts** 



Regulation on Sukuk

Regulation on Takaful

Capacity building to the CMA

TA helped in development of Islamic Finance enabling environment and better understanding for CMA staff on Islamic Capital Market and Takaful **Objective:** To develop Islamic finance enabling environment (legal, regulatory & supervisory framework) and institutional capacity building in Islamic finance

**Beneficiaries:** central banks, capital market authorities, supervision agencies, public sector banks, ministries of finance, as well as Islamic Infrastructure Institutions.

In Numbers: Since inception, approved 46 TAs (US\$ 8.6m) which are geographically diversified:





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Awqaf Develop ment

Establishment of Shariah Advisory Council

Development of Assist in issuing sovereign Sukuk

Islamic Finance enabling environment under ston

Continued Assistance.....









## Islamic Finance Technical Assistance Grant for BCEAO to Develo Regulatory and Supervisory Framework for Islamic Banking in West African Monetary Union (WAMU)

Islamic Financial Services Department Financial Sector Development & Inclusion Division

Beneficiary: Banque Centrale des Etats de l'Afrique de l'Ouest (BCEAO)

Amount: USD 300,000 TA Agreement Signed: 2010 Status: Completed



## Objective

Assist BCEAO and the regional financial market authority (CREPMF) to adjust the legal, regulatory and supervisory frameworks for banking and capital market activities to be in line with rules and regulation for Islamic finance in WAMU

Review existing legislation and regulations of financial institutions, and make necessary modification to the regulatory and supervisory frameworks and propose Shariah governance framework



BCEAO is the Central Bank for WAMU and responsible for improving the environment for monetary policy, diversification and strengthening of the financial system of WAMU and technical and professional capacities in the banking and financial sector



TA helped improving of Islamic finance regulatory and supervisory frameworks with trained staff in the area of Islamic finance

Objective: To develop Islamic finance enabling environment (legal, regulatory & supervisory framework) and institutional capacity building in Islamic finance

Beneficiaries: central banks, capital market authorities, supervision agencies, public sector banks, ministries of finance, as well as Islamic Infrastructure Institutions.

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Capacity building to BCEAO

Regulation on Shariah governance framework

Regulation on Islamic Banking and Finance

Regulation on Islamic Capital Market









# Islamic Finance Architecture Development Program – Program Overview

**Definition – Islamic Infrastructure Institutions (IIIs):** The IIIs are the essential element of the Islamic finance architecture which provide key support to Islamic finance by way of providing policy guidance, prudential regulations, accounting/auditing guidance & standards, standardized product documentation, advocacy etc. IIIs include the following:

- 1. Accounting & Auditing Organization for Islamic Financial Institutions (AAOIFI)
- 2. General Council of Islamic Banks & Financial Institutions (CIBAFI)
- 3. International Islamic Center for Reconciliation & Arbitration (IICRA)
- 4. International Islamic Financial Market (IIFM)
- 5. Islamic Financial Services Board (IFSB)
- 6. Islamic International Rating Agency (IIRA)

**Objective:** To develop Islamic finance architecture by way of establishing and partnering with IIIs, contributing to their development & efforts and facilitating key events.

IDB has provided strategic guidance to IIIs, hosted several annual meetings of IIIs, provided TAs to IIIs, provided technical input to various policy documents/standards, organized/ participated in other events/activities,













# Islamic Finance Architecture Development Program - Program Overview



## Providing Strategic Direction

- IDB is founding members of all the IIIs and is represented in the governing board of all the institutions.
- IDB provides strategic guidance and support to these institutions at the annual meetings of the IIIs

# Technical Support

- Providing technical guidance through participation in **technical committees**, **other project specific working groups**, **workshops**, **seminars**, **forums**, **conferences** etc. organized by IIIs
- Provided 12 TAs (c. US\$ 1.9m) to AAOIFI, CIBAFI, IICRA, IFSB, IIFM & IIRA

# Strengthening IIIs & Exploring Synergy

- **Study on further strengthening the impact of IIIs** which will also propose strategic direction in light of evolving needs of the industry and explore opportunities for synergy amongst IIIs

# Hosting Annual Events & High Profile Events of IIIs

- IDB provides support to IIIs by way of hosting the annual meetings of IIIs and other high-profile events in IDB HQ Jeddah:
  - > 9th Meeting of the IFSB Council 2006
  - > 17<sup>th</sup> Meeting of the IFSB Council 2010
  - 21st Meeting of the IFSB Council 2012
  - 25<sup>th</sup> IIFM's Board of Directors Meeting 2011
  - 2<sup>nd</sup> Meeting of the Governing Board of IILM 2010
  - 2<sup>nd</sup> Meeting of the Islamic Financial Stability Forum 2012
  - > 27<sup>th</sup> Meeting of the IFSB Council 2015
  - > 12th Meeting of the Islamic Financial Stability Forum 2015

## Policy Documents

- IFSD together with IRTI has actively participated in developing landmark policy documents:
  - ➤ Islamic Financial Services Industry Development: Ten-Year Framework & Strategies 2007
  - Islamic Financial Stability Report 2010
  - > Ten-Year Framework & Strategies A MID-TERM REVIEW 2014