

Cooperation among the Central Banks of the OIC Member Countries

Background Information

1. SESRIC organized, in collaboration with the Central Bank of the Republic of Turkey, the 2010 Meeting of the Central Banks and Monetary Authorities of the OIC Member Countries. The 2010 Meeting was held on 26-27 September 2010 in Istanbul, Turkey, under the theme “Payment Systems and Capacity Building”. The 2010 Meeting adopted a Final Communiqué in which the Governors and the Heads of Delegations participated in the Meeting committed themselves to:

- Enhance their cooperation in the area of operation, regulation and oversight of payment systems;
- Improve the existing payment systems in the Member States for easier, safer and faster transfer of financial resources;
- Build the foundation of an effectively operated payment system among the OIC member states to enhance intra-OIC trade and investment flows;
- Enhance their cooperation in other important areas such as capacity building and know-how, information sharing on monetary policy and financial stability, Islamic finance, banking supervision and microfinance;
- Establish a knowledge-sharing platform on payment systems of OIC Member States to further discuss future developments, with SESRIC to facilitate the establishment and maintenance of this platform; and that
- The Chairs of the Meeting in 2011 and 2012 will be Malaysia and Saudi Arabia respectively.

2. The 26th Session of the COMCEC took note of the recommendations of the 2010 Meeting of the Central Banks and Monetary Authorities of the OIC Member Countries and requested the Central Banks to coordinate their cooperation activities.

Progress

1. In its capacity as the Secretariat of the annual meetings of the OIC Central Banks and Monetary Authorities, SESRIC, in collaboration with the Central Bank of Malaysia (Bank Negara Malaysia), organised the 2011 Meeting of the Central Banks and Monetary Authorities of the OIC Member Countries. The Meeting was held on 14-16 November 2011 in Kuala Lumpur, Malaysia, under the theme “Central Banking and Financial Sector Development” and preceded on 14th November 2011 by the Experts Group Workshop on the same theme. Final Communiqué of the 2011 Meeting is attached in Annex 1.

2. In line with the recommendations of the 2011 Meeting, SESRIC, in cooperation with the Central Bank of the Republic of Turkey, organised the 2012 Meeting of the Central Banks and

Monetary Authorities of the OIC Member Countries and the preceding Experts Group Workshop which were held on 14-15 May 2012 in Istanbul, Turkey, both under the themed “Promoting Strong and Stable Capital Flows among OIC Countries: Roles of the Financial Sector and Central Banks”. The 2012 Meeting agreed to establish three working groups, namely the Working Groups on (1) Liquidity Management in Islamic Finance, (2) Macro-Prudential Regulations and (3) Payment Systems, to prepare technical background papers for the next annual meeting in 2013. The Governors and Heads of Delegations affirmed their commitment to enhance technical cooperation among their institutions, and their support for SESRIC’s initiatives in this respect, including the SESRIC Capacity Building Programme for Central Banks of the OIC Member Countries. In its Final Communiqué, which is attached in Annex 2, the 2012 Meeting also welcomed the offer by the Kingdom of Saudi Arabia and the Republic of Indonesia to host the 2013 and 2014 Meetings, respectively.

3. Following the 2010 Meeting of the Central Banks and Monetary Authorities of the OIC Member Countries, and within the framework of its Capacity Building Programme, SESRIC has initiated the “Central Banks Capacity Building Programme”. The Programme is based on matching the technical needs and capacities of the Central Banks of the OIC Member Countries according to their responses to the related questionnaire of the Programme. In the light of the analysis of these responses, SESRIC undertakes the necessary communications and preparations for organizing short-term training courses on various Central Banking aspects in the needed Central Banks through facilitating sending experts from other Central banks in other member countries who have the capacity to provide the training programmes on the specific needed subjects. The official website of the Programme is available at <http://www.oicvet.org/cbp-centralbanks.php>.

4. Within the framework of its Central Banks Capacity Building Programme, SESRIC has so far organized the following five training courses: (1) “Inflation Targeting” at the National Bank of Tajikistan on 29 November-01 December 2010; (2)-(3) “Payment Systems” and “Reserve Management” at the National Bank of the Kyrgyz Republic on 25-27 January 2011 and 23-24 May 2012, respectively, (4) “Islamic Financial Instruments” at the Central Bank of the Republic of Turkey on 26-28 June 2012, and (5) “Risk Management in Islamic Financial Instruments” at the National Bank of Republic of Tajikistan on 11-12 July 2012. SESRIC is also planning to organize a number of such training courses in the central banks of other member countries.

5. Also, as requested by the 2010 Meeting of the Central Banks and Monetary Authorities of the OIC Member Countries, SESRIC has designed a special website to establish a Knowledge Sharing Platform on Payment Systems of OIC Member States with a view to monitoring the future developments in this area. In this context, SESRIC circulated to the Central Banks of the Member Countries the questionnaire for collecting the necessary relevant data on their payment systems and uploaded these questionnaires on to the official website of the Platform which is available at <http://www.oicvet.org/payment-systems.php>.

ANNEX 1

MEETING OF CENTRAL BANKS AND MONETARY AUTHORITIES OF THE ORGANISATION OF ISLAMIC COOPERATION (OIC) MEMBER COUNTRIES

“Central Banking and Financial Sector Development”
16 November 2011, Kuala Lumpur, Malaysia

FINAL COMMUNIQUÉ

1. We, the Governors and Heads of delegations, met at a time when uncertainties in the global economy continue to pose significant challenges to Central Banks and Governments. The global financial crisis has highlighted that weaknesses in the financial sector and fiscal policies could have destabilising effects and negative consequences on the real economy. This has reinforced the importance of an effective functioning financial sector in supporting sound and sustainable economic development. We also agree on the need for increased efforts to mitigate the destabilising consequences of these developments on our respective economies.
2. We acknowledge that the financial sector has an essential role to efficiently intermediate funds towards productive economic activities and generating sustainable and balanced growth. A well-developed financial sector can improve standards of living, create high value employment, and drive the economic transformation process.
3. We appreciate that whilst individual economies are unique, there are essential building-blocks to build a diversified, progressive and inclusive financial sector including exploring the role of Islamic finance in achieving these objectives. We discussed the importance of building strong financial institutions to serve the economy, having the necessary financial infrastructure supported and balanced by a strong regulatory and supervisory framework, including macro and micro-prudential framework, to safeguard financial stability. We also recognise the need to create an inclusive financial sector towards achieving balanced economic growth and greater shared prosperity.
4. We acknowledge that Central Banks in collaboration with the relevant Government agencies should play a critical role in facilitating a nation’s developmental agenda towards achieving sustainable and non-inflationary economic growth. It is imperative for Central Banks to continuously undertake transformation and modernisation in enhancing organisational capacity and governance to effectively perform our mandate.
5. Moving forward, we can expect emerging economies to continue to contribute towards driving global economic recovery and growth. The potential role of Islamic finance in supporting this endeavour should be given special attention. In this regard, we reaffirm our commitment to strengthen collaboration in capitalising our growth potential. We hereby affirm that we will

leverage on our individual strengths and cooperate in building our capacities, including the training programmes organised by SESRIC for Central Banks of the OIC member countries.

6. We thank Malaysia and SESRIC for organising the Meeting of Central Banks and Monetary Authorities of the OIC member countries, and we welcome the offer of the Republic of Turkey to host the 2012 meeting, and Saudi Arabia and Indonesia to host the meeting in 2013 and 2014, respectively.

ANNEX 2

MEETING OF THE CENTRAL BANKS AND MONETARY AUTHORITIES OF THE MEMBER COUNTRIES OF THE ORGANIZATION OF ISLAMIC COOPERATION (OIC)

“Promoting Strong and Stable Capital Flows among OIC Countries: Roles of the Financial Sector and Central Banks”

15 May 2012, Istanbul, Turkey

FINAL COMMUNIQUÉ

1. We, the Governors and the Heads of Delegations participating in the Meeting of the Central Banks and Monetary Authorities of the OIC Member Countries, held in Istanbul, Turkey, on 15th May 2012, express our gratitude and deep appreciation to the Central Bank of the Republic of Turkey and the Statistical, Economic and Social Research and Training Centre for Islamic Countries (SESRIC) for organizing the Governors Meeting and its preceding expert-level meeting, within the framework of the COMCEC financial cooperation agenda item.
2. We acknowledge the vital roles and responsibilities of Central Banks and global financial sectors in promoting both Islamic and conventional finance to boost intra-OIC cross-border connectivity and investment opportunities, and take note of the importance and contributions of the intra-OIC capital market linkages and the development of Islamic capital markets to the socio-economic well-being of OIC Member Countries.
3. We affirm that promoting strong and stable capital flows among OIC Member Countries requires macroeconomic and financial stability, transparency, and adequate and effective structural policies in place, including necessary regulatory and legal frameworks, to support investor confidence. Countries should rely on policy measures, including macro-prudential measures, to address comprehensively the effects of volatile capital flows. The size, depth, and level of development of the domestic financial sector, as well as the institutional and regulatory strength of a country can play a key role in enhancing the effectiveness of different policy measures.
4. We recognize that financial sector stability requires a long-term perspective and broad-based consultation in policy formulation, decision-making, and implementation at all levels. Within

this framework, as OIC Member Countries, we aim to strengthen and improve governance at all levels for an effective implementation of prudent policies and continued dialogue with all financial sector stakeholders.

5. We recognize the importance of having an environment that is conducive to strong and stable capital flows between our countries, which includes strengthening of our regulatory and supervisory frameworks. In this regard, we recognise the role of Islamic finance in supporting these endeavours, which should take place within a transparent and stable regulatory environment. We also recognise the importance of understanding the causes and consequences of macro-financial risks, credit and asset price bubbles, sudden stops, and reversals in capital flows, as well as financial fragilities.
6. We agree to establish working groups to prepare technical background papers in the following areas: Payment Systems (Co-chairs: Turkey and Indonesia), Macro-Prudential Regulations (Co-chairs: Sudan and United Arab Emirates), and Liquidity Management in Islamic Finance (Co-chairs: Malaysia and Bahrain).
7. We acknowledge that the capacity building programmes, including SESRIC programmes for Central Banks, play an increasingly important role in leveraging on our individual strengths through sharing of knowledge and expertise among our countries. We, therefore, reaffirm our commitment to ensuring that the cooperation among our respective institutions in building our capacities remains open and dynamic.
8. We welcome the offer of the Kingdom of Saudi Arabia and the Republic of Indonesia to host the meetings in 2013 and 2014, respectively.