

AAOIFI and its role in standardization

17th Meeting COMCEC Financial cooperation working group
May 9th, 2022, Virtual Meeting

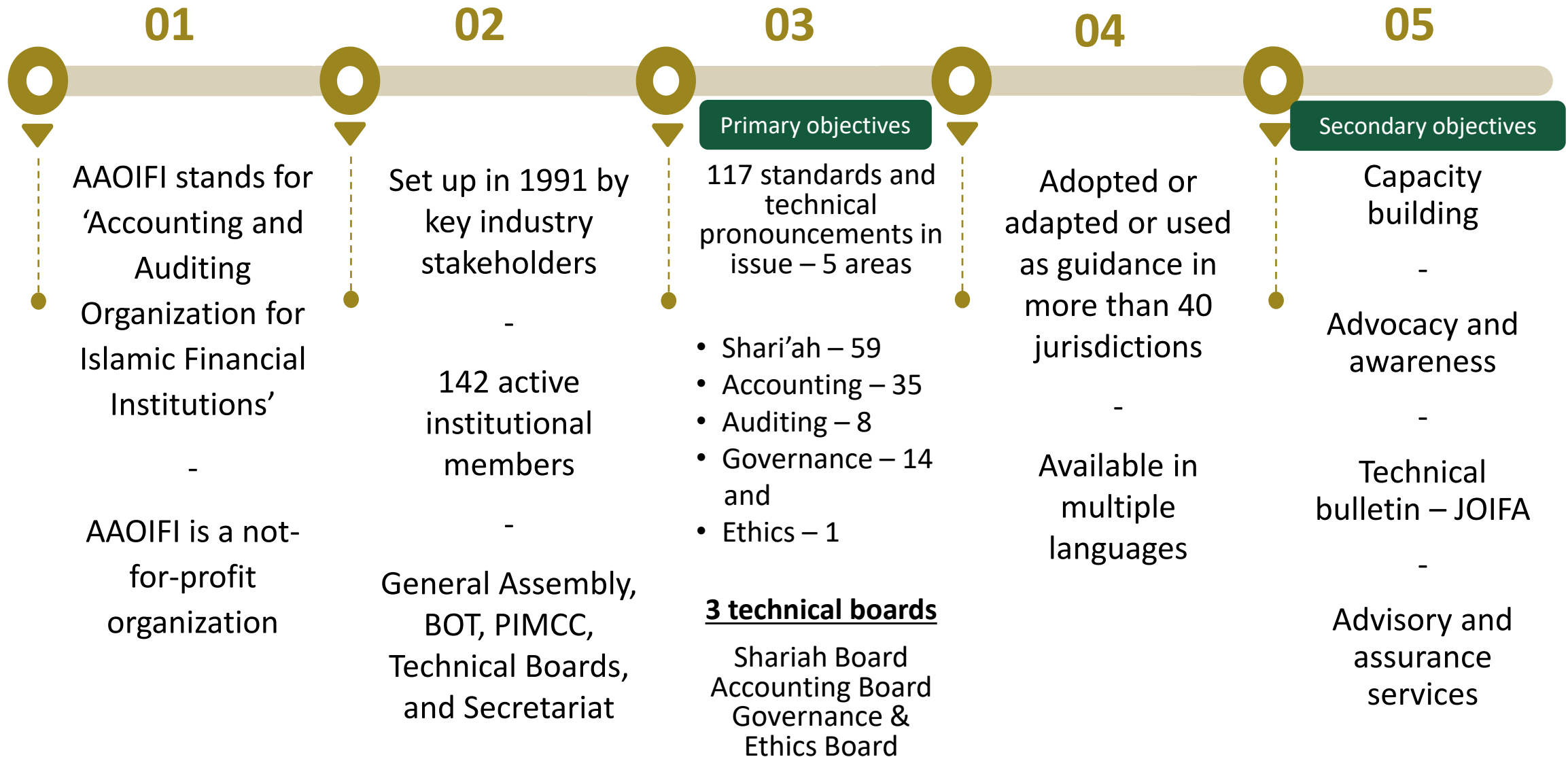
“The Standardization Efforts in Islamic Finance”

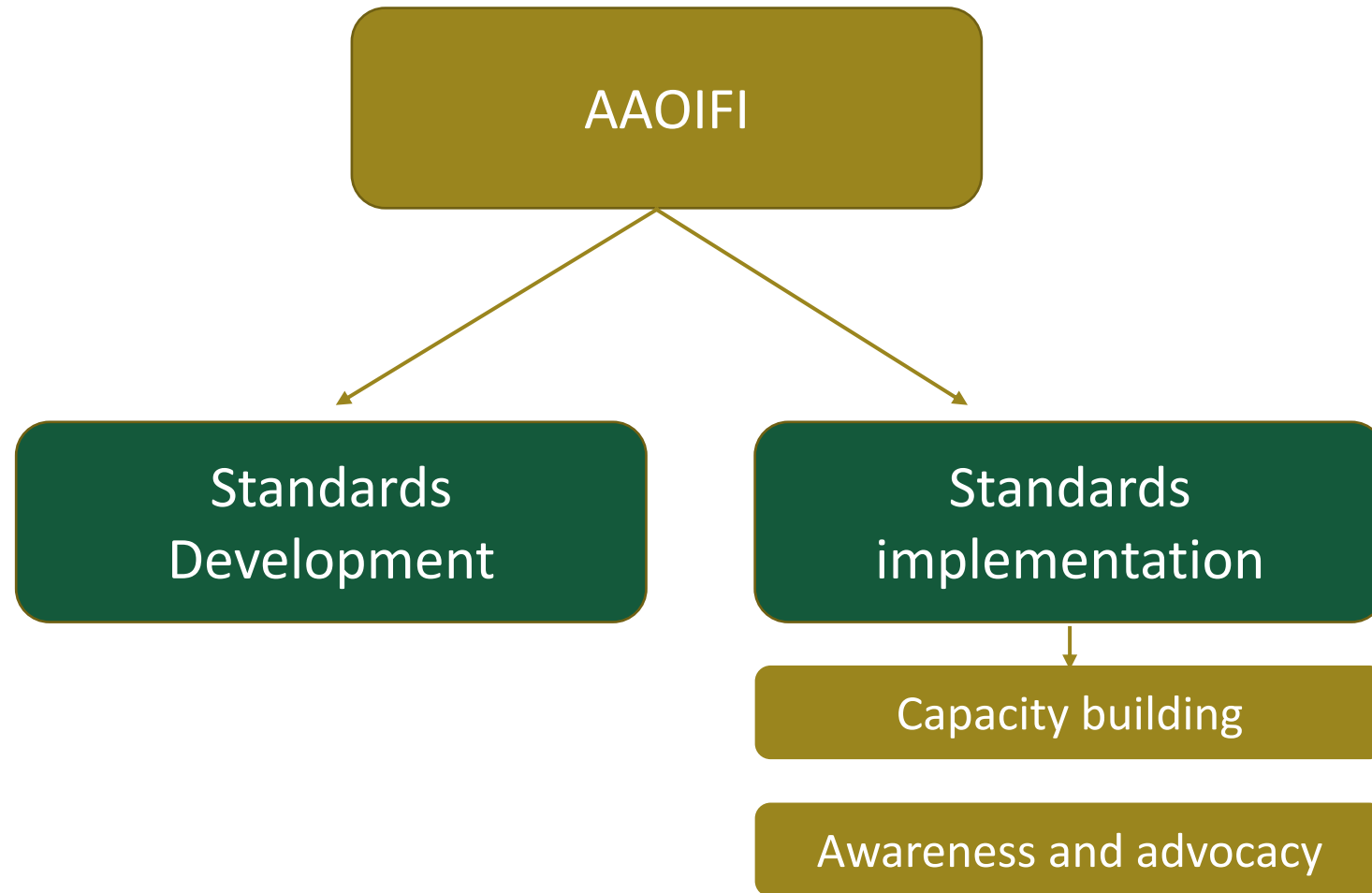
Dr. Rizwan Malik, Head, Standards Implementation and Strategic Developments



3 important standards-setting organisations in Islamic finance

Institutions	AAOIFI	IFSB	IIFM
Started operations	1991	2003	2002
Mandate	Standards Development	Standards Development	Standardization of Documents
Areas	Shari'ah, accounting, auditing, governance, and ethics	Capital adequacy, risk management, corporate governance, regulatory disclosure, supervisory review process, stress testing, financial safety nets	Hedging, Liquidity Management and Trade Finance
Standards issued	117 standards - Shari'ah (59), Accounting (35), Auditing (8), Governance (14), Ethics (1)	22 standards - Technical Notes (3), Guidance Notes (7), Working Papers (14)	12 standards – Hedging (7), Trade Finance (2), Liquidity Management (3)
Conventional counterparts	IFRS, IAASB (for accounting and auditing)	BCBS, IOSCO, IAIS	ISDA, BAFT
Members	140+ members including regulatory bodies, Islamic banks and financial institutions and other supporting institutions	187 members including regulatory bodies, International organizations, 99 market players	64 members including banks and financial institutions, regulatory bodies and other supporting institutions
Adoption	40+ jurisdictions	Case by case	Case by case
Technical boards and standards approval committees	3 Technical boards Shari'ah Accounting Governance and Ethics	Technical Committee	Shari'ah board

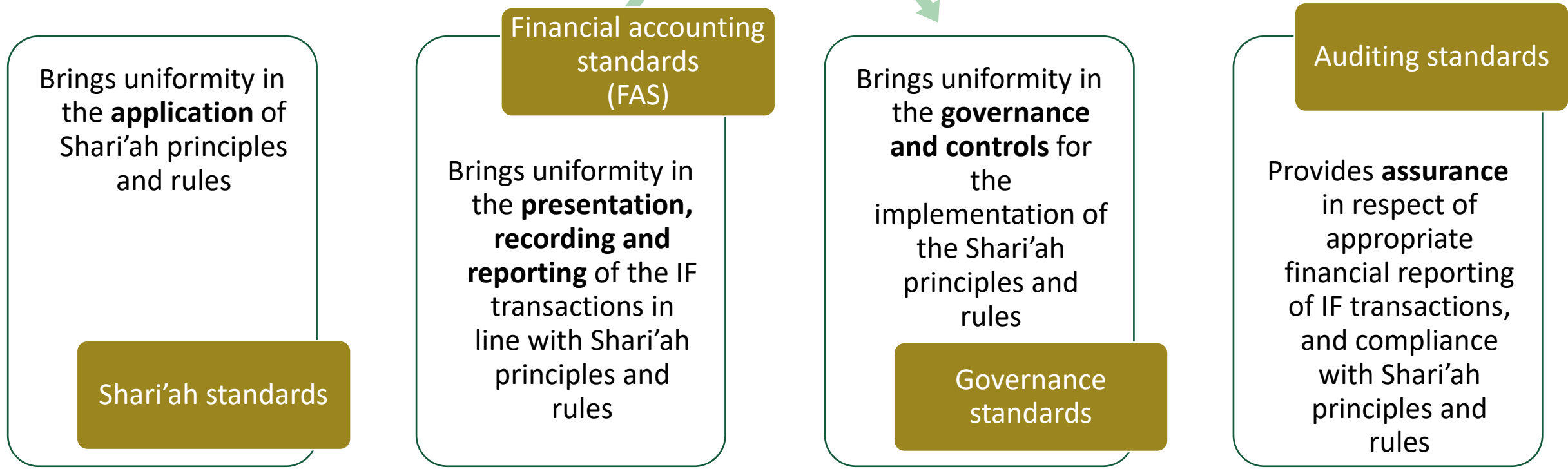




Geographical footprint of AAOIFI

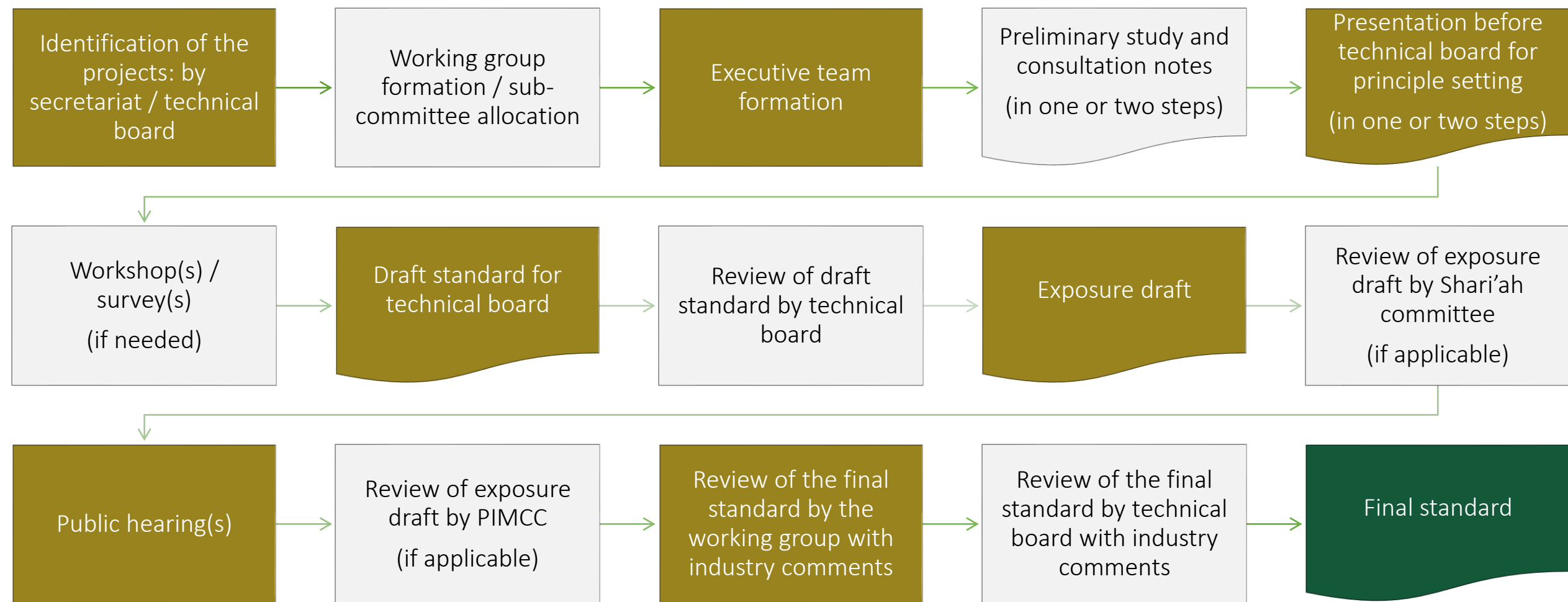
Levels of adoption	No. of regulatory jurisdictions			No. of countries		
	Shari'ah	Accounting	Governance	Shari'ah	Accounting	Governance
Full adoption	19	24	18	16	18	15
Partial adoption	4	5	6	3	5	6
Guidance / reference material	9	7	8	9	7	8
Local standards based on AAOIFI standards	2	4	4	2	4	3
Guidance & local standards based on AAOIFI standards	1	2	3	1	1	2
Supplementary reporting	0	1	1	0	1	1
Total	35	43	40	31	36	35

5 areas of standards development



Ethics brings unity and uniformity in the letter and spirit of application of all standards

AAOIFI – the standards development process (simplified)



Note: The above process is a generic process among the three AAOIFI technical boards and individual board's may have a slightly amended process than the above.

Shari'ah board

1. Payment cards (issued)
2. Sukuk

Accounting board

1. Revised FAS 1 – with appendix for consequential amendments – ED issued PH phase
2. Revision of FAS 8 “Financial reporting for Zakah” – ED issued PH phase
3. Comprehensive revision of FAS on Takaful i.e., FAS 12, FAS 13, FAS 15 and FAS 19 – Rev. FAS 12 ED issued PH phase
4. Revision of FAS 18 “Financial Reporting for Islamic Financial Services offered by Conventional Financial Institutions” – ED board approved will be issued

Governance & ethics board

1. Shari'ah decision making
2. Internal Shari'ah audit guidelines
3. External Shari'ah audit guidelines
4. Islamic crowdfunding
5. Shari'ah compliance and fiduciary rating for instruments
6. Ethics handbook
7. AAOIFI-IFSB joint project on Shari'ah governance framework
8. Review of the auditing standards
9. Governance standard on an alternative benchmark rate
10. Syndicated financing

Shari'ah board

1. Real estate usufruct right
2. Conversion of a conventional bank to an Islamic bank
3. Ijarah and Ijarah Muntahia Bittamleek
4. Build operate transfer contract (BOT)
5. Special purpose vehicle
6. Fees and commissions

Accounting board

1. Revision of FAS 14 "Investment Funds" – PS phase
2. Revision of FAS 3 "Mudaraba Financing" and FAS 4 "Musharaka Financing" – PS phase
3. Revision of FAS 23 "Consolidation" and FAS 24 "Investments in Associates" – PS phase
4. Revision of FAS 7 "Salam and Parallel Salam" and FAS 10 "Istisna'a and Parallel Istisna'a"

Governance & ethics board

1. Commodity Murabaha
2. Zakah Governance institutions
3. Fintech
4. Digital Banking
5. Smarts Contracts
6. Sustainable financing
7. Implementation of the code of ethics for professionals
8. Ethics Code for IFIs (with IFSB)
9. The governance / management for investment accounts (mainly unrestricted investment accounts (URIA)).
10. Special consideration standard on Islamic windows governance

GET IN TOUCH



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