



**18<sup>th</sup> Meeting**

**COMCEC FINANCIAL COOPERATION WORKING GROUP**

# **Albaraka Türk's Experiences on the Standardization Efforts in Islamic Finance**

**03.10.2022**

**Ömer Emeç, PhD**

Albaraka Türk is established in 1985 as Turkey's first participation bank.

**A GLOBAL NETWORK**  
**With More Than 650 Branches**  
Across **3** Continents



Your Partner Bank



## Albaraka Türk's Financial Position

As of June 2022

|   |   |
|---|---|
|    | <b>Assets</b><br>131,7 Billion TL         |
|    | <b>Number of Branches</b><br>226          |
|    | <b>Number of Staff</b><br>2.645           |
|   | <b>Net Profit</b><br>652,4 Million TL     |
|  | <b>Operating Income</b><br>4,5 Billion TL |

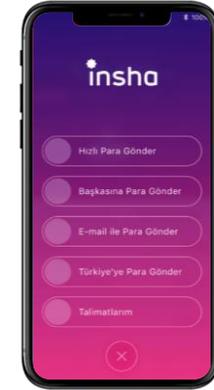
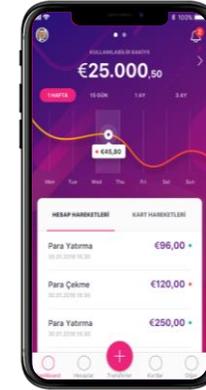
We aim to be a pioneer in the innovation ecosystem as well.



dijit@lbaraka

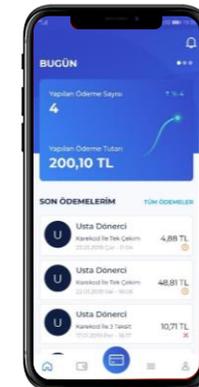
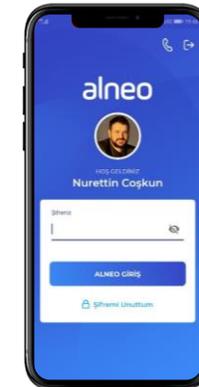
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1<sup>st</sup> Digital Islamic Bank in Europe



alneo

Turkey's First Artificial Intelligence Supported Easy and Fast Payment Platform



Standardization is concerned with articulating a group of fixed rules and application of a single standard.

### Standardization in Islamic Finance helps to:



# Why Islamic finance needs global standards?

## The Relevance of Islamic Finance Standards Across Jurisdictions

| Stakeholders  | Objectives   |
|---|--|
| <b>Regulators</b>   | <ul style="list-style-type: none"><li>- A coherent framework to be used in handling Islamic finance and to limit the divergence in available Islamic finance practices.</li><li>- To manage risk relevant to Islamic finance and to promote harmonization and convergence of Shariah principles.</li><li>- To improve competitiveness through setting best practice standards.</li></ul> |
| <b>IFIs/<br/>Shareholders/<br/>Investment<br/>account holders</b> | <ul style="list-style-type: none"><li>- To promote transparency and high fiduciary standards for the safety of all key stakeholders.</li><li>- To maintain expectations and confidence in the overall financial service system.</li></ul>  |
| <b>Customers/<br/>Depositors</b>                                  | <ul style="list-style-type: none"><li>- To expect competitive price and return, efficient services and to avoid unnecessary cost through standardization.</li></ul>  |

**Without Standardization:**

- Islamic finance will face difficulties in spreading its products and services across the world considering the diversity of legal systems and different schools of Islamic law.

**With Standards:**

- Such standards will improve transparency and foster credibility of IFIs as well as harmonize Islamic finance practices by mitigating the divergences of Shariah interpretation between regions and institutions. These measures are important in broadening the appeal of Islamic finance across jurisdiction.

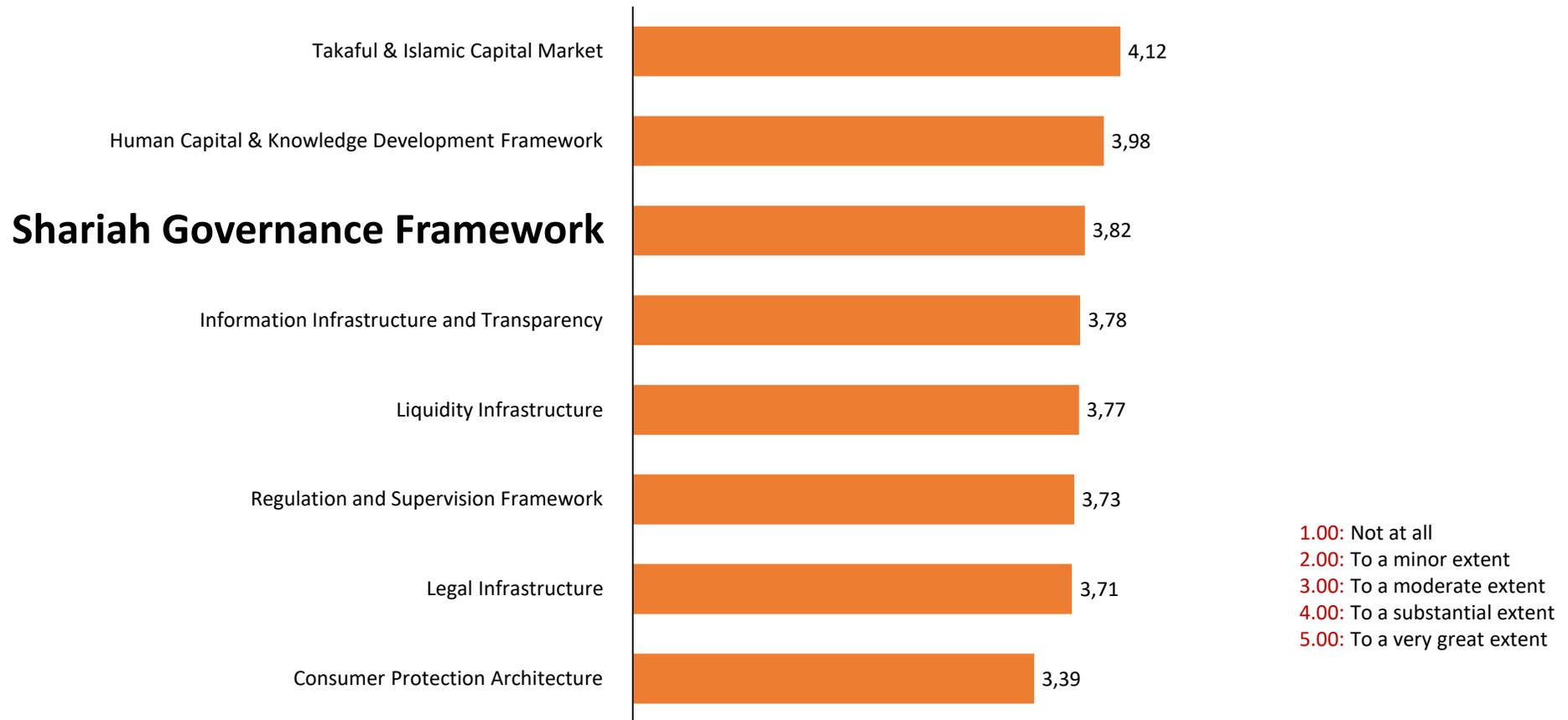
# Standardization issues play an important role in global Islamic banking industry. (1/2)

Global Islamic Banking Concerns  
As of 2021



# Standardization issues play an important role in global Islamic banking industry. (2/2)

## Components of Islamic Finance infrastructure, which will need Further Development During the Next 10 Years



Institutions try to improve shariah governance structure in order to enhance their place in the industry.

### Strengthening the Shariah Governance of Islamic Financial Institutions



# Establishing a global shariah governance framework bears some micro and macro challenges.

## Major Challenges in Establishing a Global Shariah Governance Framework

### Macro Challenges

1. Member countries' recognition is a major challenge as the variation of resolutions may divert some countries' interest to participate in this endeavour.
2. International standards might distort innovation and create «one size does not fit all» situations.

### Micro Challenges

1. Struggle to convince policymakers that Islamic law is also evolutionary.
2. IFIs are ultimately governed by the Shariah. That brings «Who knows better» debates.
3. Political issues.

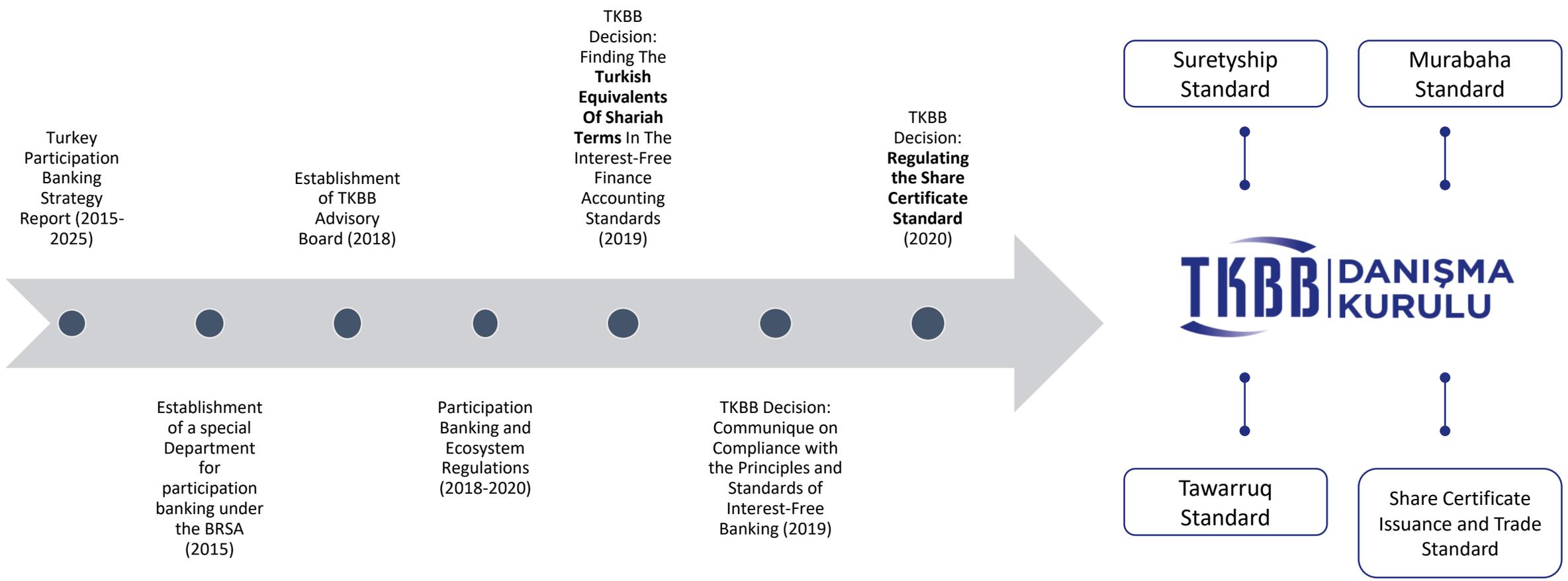
### Possible Solutions

1. On a macro level, establishing a convention for regulations may be a good start for a global Shariah governance framework.
2. On a micro level, Shariah scholars and practitioners should cooperate to facilitate harmonization.

Turkey has left behind important milestones in the standardization of Islamic finance.

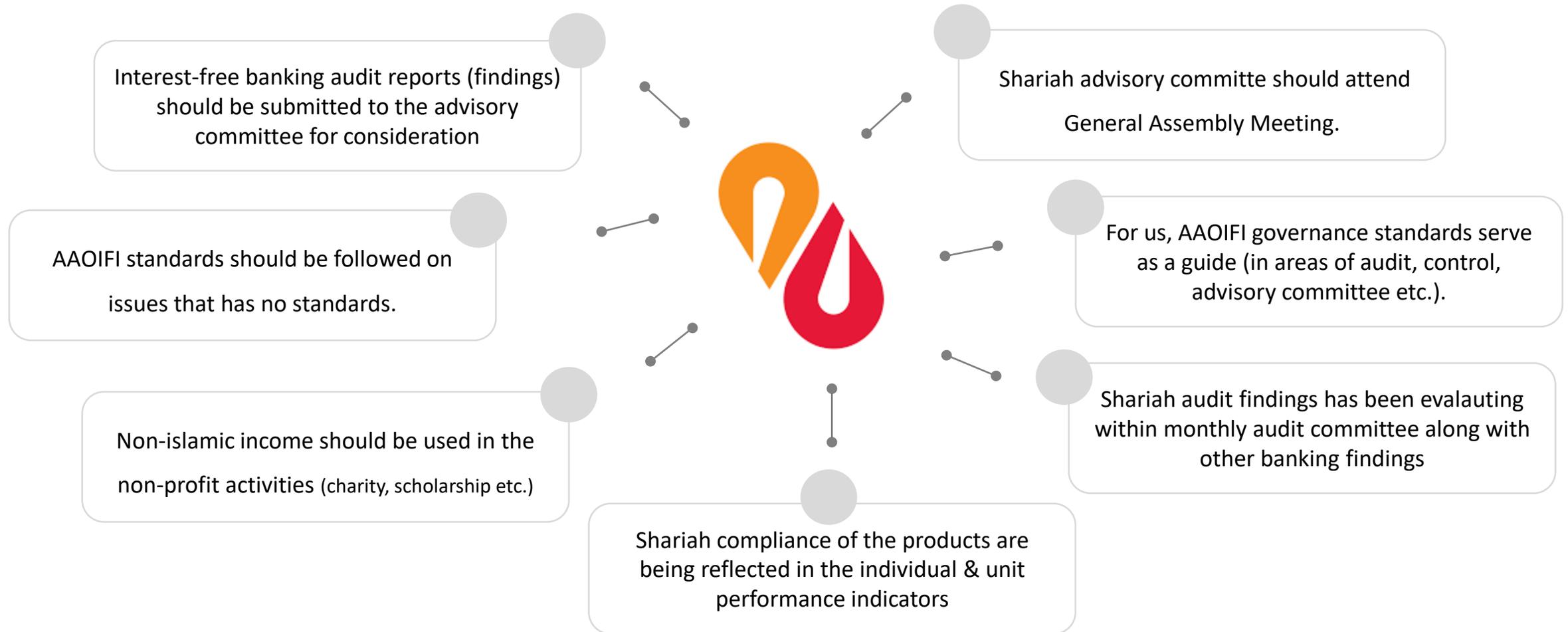
### TKBB's Significant Milestones

### TKBB's Standardization Examples



**As part of ABG Group, we have also embraced some international standarts apart from Turkish Banking and TKBB Regulations.**

### Albaraka Türk's Sharia Governance Implementations



**Global standardization is a challenging concept. It should be implemented to serve as a guideline for local standardization and some freedom for local standardization should be allowed.**

### Challenges

1. Different financial market structures, cultures and societies
2. Different accounting standards and practices
3. Ambiguity and lack of standards in some areas
4. Infrastructure competencies

### Possible Solutions

1. Local evaluation and implementation of standardization
2. Global standardization should focus on accounting perspective
3. Islamic banks and financial institutions must be pioneers on ambiguous areas
4. Improving legal and technological skills



**Thanks...**