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Message from Secretary General

Welcome to the fifth edition of the InFocus. Our newsletter that keeps you informed about our activities and initiatives.

I am delighted to share with you some updates on our recent activities. To meet our first Strategic Objective of Policy, Regulatory Advocacy, CIBAFI engaged in consultation process with its members to gather comments on the BCBS Consultative Document on Standardized Measurement Approach for Operational Risk. We are pleased to share with you that the 2nd Meeting of the Members Consultative Group (MCG) successfully took place in Manama on 3rd May 2016.

In the area of Research and Publications, CIBAFI published its inaugural briefing, which serves as a need-based periodic publication. Moreover, I would like to inform you that CIBAFI and IRTI are working together on establishing the first-of-its kind Islamic financial industry data repository. The Secretariat is also preparing for the execution of our second annual publication, which is Global Islamic Bankers' Survey 2016.

In the area of Awareness and Information Sharing, on the occasion of our 15th Anniversary, we have successfully organized the inaugural "CIBAFI Global Forum" themed "*Rethinking Values for Sustainable Growth*" on 3 - 4 May 2016 in Manama, Bahrain. CIBAFI also organised a Meeting in Jeddah jointly with the IDB on Islamic MSME finance.

In the area of Professional Development, CIBAFI will be organizing Technical Workshops on Products Development for IFIs in Bahrain, Saudi Arabia and Turkey this year.

Lastly, on behalf of CIBAFI, I take this opportunity to express my sincere thanks to our members, the Board of Directors and other stakeholders for their continuous support, and encouragement in achieving our four Strategic Objectives.

Yours Sincerely,
Abdelilah Belatik



CIBAFI 4th Executive Committee Meeting

CIBAFI's fourth Executive Committee meeting was held on Sunday, 4 Jumada II 1437 H corresponding to 13th March 2016 at the IDB Headquarters, in Jeddah, Saudi Arabia. Committee members have praised the work of the Secretariat for implementing the activities within the plan of action, stemming from the Strategic Plan of CIBAFI.

Committee has also approved new membership requests to join CIBAFI membership base.

CIBAFI 28th BOD Meeting

CIBAFI held its 28th meeting of the Board of Directors on the 5th of May, 2016 in Madina, Saudi Arabia, the meeting were chaired by H.E. Sheikh Saleh A. Kamel. The BOD has approved the financial statements for 2015, as well as the activity report for same year. Amendments to the articles of association have been approved by BOD for AGM consultation together with new membership joining requests. The BOD praised the Secretariat for the huge effort exerted in the execution of the inaugural Global Forum.

Strategic Objective 1: Policy, Regulatory Advocacy

2nd Meeting of the Members Consultative Group (MCG)



The Secretariat held the 2nd meeting of the Members Consultative Group (MCG) on Tuesday, 3rd May 2016 in Manama, Kingdom of Bahrain, on the sidelines of CIBAFI Global Forum. MCG discussed the following agenda points among others:

- Global Islamic Bankers' Survey 2016: True Value of Islamic Banks;
- Islamic Banking Risk Management Survey – Questionnaire;
- CIBAFI Comments on BCBS Consultative Document – Operational Risk;
- CIBAFI Report – Corporate Governance in Islamic Banks;
- CIBAFI Briefing;
- CIBAFI-IRTI Database of IFIs;
- Professional Development – Key Areas of Priority.

The MCG meeting provided Secretariat with profound guidance in its work, and preparation for current and coming projects.

CIBAFI Submits its Comments to the BCBS on Standardised Measurement Approach for Operational Risk

Basel Committee on Banking Supervision



BANK FOR INTERNATIONAL SETTLEMENTS

Aligned with its role as advocate of the Islamic Financial Services Industry (IFSI), the General Council for Islamic Banks and Financial Institutions (CIBAFI), the global umbrella of Islamic financial institutions, has submitted the collective feedback of its members to the Basel Committee on Banking Supervision (BCBS) on the latter's Consultative Document on Standardised Measurement Approach for Operational Risk which was available for a three-month public consultation period, starting from 4 March 2016 to 3 June 2016.

CIBAFI thanked the BCBS for giving the opportunity to the IFSI to comment on the Consultative Document before the proposed removal of Advanced Measurement Approach (AMA) from the regulatory framework, and replacing it with the Standardised Measurement Approach (SMA).

The comments CIBAFI provided were broadly in three main categories: 1. Withdrawal of internal modelling, 2. Distinctive type of risk in Islamic banks: Shariah Non-Compliance Risk (SNCR), and 3. Distinctive banking account of Islamic banks: Treatment of Profit Sharing Investment Accounts (PSIAs).

Firstly, CIBAFI acknowledged the inherent complexity of the Advanced Measurement Approach (AMA) and the lack of comparability arising from a wide range of internal modelling practices. Based on CIBAFI's observation, the AMA is used by only

a relatively small proportion of Islamic banks (mostly the largest banks). Therefore, CIBAFI expects the withdrawal of internal modelling to have a very limited impact on Islamic banks globally.

Secondly, on Shariah Non-Compliance Risk (SNCR) for Islamic banks, which is one of the key specific risks that distinguishes Islamic banks from their conventional peers, CIBAFI notes that this type of risk is not addressed in the BCBS Consultative Document. Hence, CIBAFI took this opportunity, to seek out to BCBS on how this should be handled with respect to the options being either Pillar 1 or Pillar 2. Based on comments received from CIBAFI members, it is proposed that the SNCR belongs to reputational risk which in any event remains a Pillar 2 item.

Lastly, CIBAFI highlighted the need to clarify the classification of the income derived from the Profit Sharing Investment Accounts (PSIA). Indeed, to apply the proposed SMA to Islamic Banks' PSIAs, it will be necessary to map the banks income from these accounts to the Business Indicator definitions of the BCBS CD.

In its submission to the BCBS, CIBAFI expressed its appreciation of the work that the BCBS does to maintain sound regulatory practices and highlighted the need for the BCBS to align its work recognizing the Islamic financial industry's considerations. The comments, benefited from inputs of the MCG as well as direct comments from the members.

Strategic Objective 2: Research and Publications

Islamic Financial Industry Intelligence (IFII)



The Islamic Research and Training Institute (IRTI), a member of the Islamic Development Bank Group, and CIBAFI signed on 29th February 2016 a Memorandum of Understanding (MoU) for a joint project to establish the

first-of-its kind Islamic financial industry data repository.

The online system, to be named the 'Islamic Financial Industry Intelligence (IFII)', is aimed to be a one-stop shop for comprehensive and reliable Islamic financial and non-financial data and information.

IFII would comprise several integrated databases covering all the components of the Islamic finance industry including banking, insurance, and social finance. In the first phase, the system will take off with a database of Islamic banking information.

IRTI and CIBAFI resolved to cooperate on this project in order to fill a vacuum created by the absence of co-located timely, reliable and comprehensive data on all aspects of Islamic finance.

IFII is expected to be a vital resource for Islamic financial institutions, policy makers, regulatory authorities, industry professionals, academics, scholars, and other stakeholders.

CIBAFI Briefing



Secretariat successfully launched its inaugural Briefing on Corporate Governance Standards for Banks that looked into recent updates to international standards and Islamic banking industry's corporate governance practices. The document has also identified key points from those updates that are relevant to the work of banks' directors, senior management, and other stakeholders

Secretariat is currently working on its second Briefing issuance, which is aiming to shed more lights on the evolution of Tier 1 Tier 2 Capital within the Islamic banking industry.

CIBAFI's Global Islamic Bankers' Survey (GIBS) 2016

The Global Islamic Bankers Survey (GIBS), is an important initiative of CIBAFI aligned to its second strategic objective "Research and Publications" of its Strategic Plan. The aim of GIBS is to present the practitioners' perspectives globally on the current year of Islamic banking industry, which is analyzed and presented in a high standard of industry-driven analysis.

The first GIBS, conducted in the year 2015, was the first of its kind that achieved remarkable findings from over 83 Executives of Islamic banks across 35 countries. The GIBS has served as a main reference for stakeholders of the global Islamic banking industry with respect to key perspectives of executives of Islamic banks across regions. This serves CIBAFI's role as the spokes body and advocate for the global Islamic finance industry. The soft copy of GIBS 2015 can be found in CIBAFI website in both English and Arabic languages.

The annual GIBS is thematic in nature, where the theme "Key Drivers for Growth" was chosen as the core topic of the GIBS 2015. The survey comprised 3 main areas; Islamic banking confidence index, risk dashboard and the key drivers for growth. On the confidence index, the optimism level showed the expectation of executives towards the future of Islamic finance industry across different jurisdictions, including the top concerns that they had from back to front office. As to risk dashboard, the findings have ranked the biggest risks that executives think the Islamic banks are facing, including risks related to macroeconomic, political, compliance and AML/CFT, strategic, technology, talent, regulatory, etc. The dashboard, which aims to monitor the risk perception of executives in regular basis, revealed the dynamic risk environment and exposures that Islamic banks face; thereby, requiring a sort of mitigation responses in the Islamic banks' strategic risk management agenda. On the other hand, the Drivers of Growth monitor showed that the traditional forms of commercial business financing continue to dominate expected revenue growth. In addition to well established relationships with larger commercial clients, many Islamic banks have witnessed growth, and continue to expect growth, with SME clients. The report also presented practitioners' perspectives towards key obstacles in equity finance, profit sharing investment account, and SME finance, with the findings concluding some of the main capacities that Islamic banks need to build, as well as responsibilities of various stakeholders to develop external infrastructures for inclusion and risk sharing.

As for the 2016 Edition of GIBS, the theme is "Responsible Business Practices", emphasizing on responsible finance and sustainability factors in the global Islamic banking industry. GIBS 2016 focuses on the management of key economic, environmental, social, and development (EESD) impacts of Islamic banks. Most studies indicate that emerging market companies are less aware and less prepared to mitigate risks or take advantage of opportunities in sustainability. This gives credence to the importance of promoting responsible finance and sustainability in emerging markets, particularly the OIC markets, which have the largest concentration of the global Islamic finance industry.

Strategic Objective 3: Awareness and Information Sharing

CIBAFI GLOBAL Forum



On the occasion of the 15th Anniversary of CIBAFI establishment, the Secretariat convened on 3- 4 May 2016, CIBAFI Global Forum titled: “Rethinking Values for Sustainable Growth”, at the Four Seasons Hotel, Manama, Kingdom of Bahrain.

The two-day forum was organised under the patronage of the Central Bank of Bahrain and received an enthusiastic response from the participants and speakers alike. The event brought together various stakeholders from the Islamic finance industry, multilateral development institutions, policy-makers, diplomatic representatives and the academia. The Forum discussed key emerging issues within the industry and took heed of the globally changing business scenarios while uncovering business strategies in line with the event’s theme of recreating values for sustainable growth from Islamic finance and banking perspectives. The Forum was attended by delegates from more than 28 countries. Two key business innovation ideas emerged from the intense discussions at the Forum. The first is to drive a structural shift of the banks’ business model from satisfying shareholders into meeting stakeholders’ values and well-being, which has a broader concept of centrality accounting for consumers, society, environment, etc. The second is to adjust business model of the banks in serving customers through utilizing the most recent innovative technologies particularly financial technology (fintech) in order to achieve competitive edge in the market.



Mr. Abdelilah Belatik, Secretary General, of CIBAFI, Mr. Musa A. Shihadeh, CIBAFI BoD member and Chief Executive Officer & General Manager, of the Jordan Islamic Bank, acknowledged the Forum delegates with their welcoming remarks.

H.E. Rasheed Mohammed Al Maraj, Governor of the Central Bank of Bahrain delivered the keynote address for the Forum. The Forum’s highlight for the day-one was the special keynote address by the

renowned Emerging Markets and Asset Management expert, Dr. Mark Mobius, Executive Chairman, Templeton Emerging Markets Group, which gripped the Forum audiences from start to finish.

The Forum’s opening session; themed “Macroeconomic Outlook, Regulatory Development, Strategic Risk and Sustainability” focused on the structural shift in the sources of organic growth, and risk exposures to on-going low oil and commodity prices.

The discussion on ESG factors in sustainability continued in the following session themed: “Global Trends in Social Responsibility - Strategies for IFIs to Drive Long-Term Value Creation and Performance”. The discussion was geared towards means to shift from shareholders’ to stakeholders’ value creation in Islamic financial institutions, including opportunities, transition progress, and challenges.

The next discussion themed “Key Areas of Business Innovation to Achieve Good Growth - Unlocking Potential of Islamic Finance” focused on moving towards non-traditional banking models in Islamic finance, which included enhancing capabilities in private banking and asset management as well as the role of structured finance to promote socio-economic development.

The Forum’s second day began with an exclusive “CIBAFI Breakfast Session”, where the speakers shared their unique insights on value of values, and where Islamic financial industry is headed with respect to these values. The second segment of the breakfast session dealt with how interest-free financing impacts the social well-being and value creation in developing communities.

The discussion was followed by “Frontier Markets Dialogue”, which presented potential opportunities in Indonesia, Kazakhstan and Malaysia, which offer plenty of prospects not only for Islamic finance but also for other markets with sizable potential for sustainable growth.

With developments in technology, digital disruptions in banking and financial industry are a matter of worry for the traditional bankers. The Forum came to a close with an inspiring special session on “FinTech & Digital Financial services” which gave insights on how Fintech companies are and will play an increasing role in today’s financial arena. The panelists contended that with emerging markets constituting majority users of the smartphone, Fintech’s impact is likely to be felt more in these markets, which may either be an opportunity or a threat depending on the approach Islamic financial institutions take advantage from this new trend. Fintech has currently revolutionised many emerging markets with the concept of mobile money and innovative financing platforms, and it is up to the Islamic finance stakeholders to think ahead of time in order to insulate themselves and benefit from this industry.



IDB - CIBAFI Meeting in Jeddah

CIBAFI successfully executed its 2nd Roundtable Meeting of Directors of Operations and Investments in Jeddah, Kingdom of Saudi Arabia, in collaboration with the Islamic Development Bank (IDB), to address challenges in the Islamic Micro and Small and Medium Sized Enterprises (MSME) financing.



The delegates were welcomed by the opening remarks of H.E. Dr. Ahmed Mohamed Ali, President, IDB; Mr. Abdulrazzak M. Elkhraijy, Executive Vice President & Head of Shariah Group, the National Commercial Bank & Member of CIBAFI BOD; Mr. Abdelilah Belatik, Secretary General, CIBAFI, as well as Mr. Ahmed Fayed, Director, IFS Department, IDB. The Meeting gathered more than 60 senior executives of Islamic Financial Institutions (IFIs) from 17 jurisdictions to explore and share viable market practices to 'build robust technical capabilities' in providing Islamic MSME finance.

The Meeting was inaugurated by a speech of Mr. Firaz Hamdan, Islamic Banking Regulatory Committee of the Central Bank of Lebanon who shed light on some of the key areas in creating enabling environment and policy framework to support the penetration of Shariah-compliant financial services into the MSME market.

In addition, the Meeting focused on addressing challenges in information infrastructure for Islamic MSME finance emanated from the importance of credit bureau, scoring, and credit registry, that fits to the characteristics of MSME and Islamic finance. The session also discussed the emerging issues in developing Shariah-compliant guarantee schemes, mainly related to the appropriate structure, eligibility criteria, and coverage ratio. Some of the innovative ideas on the potential to develop market infrastructures for Islamic MSME finance included SME capital market, Islamic syndicated finance, SMEs securitization through Sukuk, and crowdfunding platform for SME etc. A comprehensive tool to promote sustainable Islamic MSME finance was discussed to align Islamic MSME finance with micro-Takaful, and Waqf and facilitate a broad-based business environment for MSMEs.

The second session shed light on areas of leveraging from advanced technologies to reach competitive edges in Islamic MSME Finance. The discussion focused on building 'distinctive' capacities in e-banking and social media for Islamic MSME, as well as exploring issues in payment infrastructures for MSME businesses. Developing technical infrastructure for digitization and aligning it to the robust technological infrastructure were also revealed in the discussion as the core theme to be at the forefront in the industry.

On the second day, the Meeting started off with a session by the IDB Awqaf Properties Investment Fund (Awqaf FUND), which presented a case study by the Islamic Financial Services Department of IDB. Other sessions have covered topics such as the risk management and technical infrastructure for Islamic MSME Finance to generating sustainable business; the intersection between MSME and the concept of risk sharing of Islamic finance; and the core process required with respect to Islamic financial products and services development and innovation.

Strategic Objective 4: Professional Development

9th Meeting of the Accreditation Board



The Secretariat held the 9th Meeting of the Accreditation Board (AcB) on Monday, 2nd May 2016, in Manama, Kingdom of Bahrain. AcB members have received latest updates on the training materials development and have also accredited some remaining programmes, that has now brought all CIBAFI professional development programmes to the status of accredited.

AcB members have also accredited 18 trainers from different countries.



CIBAFI Professional Certifications have been conducted in 15 countries via our 27 agents, as of today. A total of 300 trainees have been trained during 25 training session first half of 2016.

A tailored Certified Islamic Banker (CIB) programme has been conducted for female students of Dar Al-Hekma University, Jeddah, Kingdom of Saudi Arabia.

The Professional Executive Masters in Islamic Finance has been executed by our agent for 59 staff of Faisal Islamic Bank of Sudan in Khartoum.

MARK YOUR CALENDER

13 June 2016 | Jeddah, Saudi Arabia

CIBAFI Annual General Meeting (AGM)

13 June 2016 | Jeddah, Saudi Arabia

CIBAFI Extra Ordinary Annual General Meeting (EAGM)

30 August - 1 September 2016 | Manama, Bahrain

Technical Workshop on Products Development for IFIs

18 - 20 October 2016 | Jeddah, Saudi Arabia

Technical Workshop on Products Development for IFIs

8 - 10 November 2016 | Istanbul, Turkey

Technical Workshop on Products Development for IFIs

15 - 16 November 2016 | Islamabad, Pakistan

CIBAFI – World Bank Conference
on Corporate Governance for IFIs

About CIBAFI

CIBAFI is an international organization established in 2001 and Headquartered in the Kingdom of Bahrain. CIBAFI is affiliated with the Organization of Islamic Cooperation (OIC).

CIBAFI represents the Islamic financial services industry globally, defending and promoting its role, consolidating co-operation among its members, and with other institutions with similar interests and objectives.

With over 120 members from over 30 jurisdictions, representing Islamic Banks, market players, international intergovernmental organizations and professional firms, and industry associations, CIBAFI is recognised as a key piece in the international architecture of Islamic finance.

In its mission to support Islamic financial services industry by being the leading industry voice advocating regulatory, financial and economic policies that are in the broad interest of our members and that foster the development of the Islamic financial services industry and sound industry practices, CIBAFI is guided by its Strategic Objectives, which are 1.Policy, Regulatory Advocacy, 2.Research and Publications, 3.Awareness and information sharing and 4.Professional Development.

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