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**Mr.Jaseem Ahmed**  
Secretary – General  
Islamic Financial Services Board  
Level 5, Sasana Kijang  
Bank Negara Malaysia  
2, Jalan Dato' Onn  
50480  
Kuala Lumpur  
Malaysia

Dear Mr. Ahmed,

*السلام عليكم ورحمة الله وبركاته،،*

The General Council for Islamic Banks and Financial Institutions (CIBAFI) presents its compliments to the Islamic Financial Services Board (IFSB) and takes this opportunity to express its appreciation of the work that the IFSB does to promote and enhance the Islamic financial services industry.

CIBAFI is the official umbrella for all Islamic financial institutions, whose services and products comply with the Shariah rules and principles. Our members comprise banks and non-bank financial institutions, both large and small, spread across 28 jurisdictions.

We noted the request for comments on the IFSB's Exposure Draft of Guidance Note on Quantitative Measures for Liquidity Risk Management in Institutions offering Islamic Financial Services (ED of GN-6) and very much welcome this opportunity. The comments contained in the body of this letter represent the general views of CIBAFI Secretariat and feedback received from our members. We are also attaching as an Appendix other detailed comments for the IFSB's consideration. CIBAFI's perspective on the ED of GN-6 reflects our mission and the identity of our members. Our perspective is that of practitioners who will have to implement standards and regulations, while finding a balance between the requirements of regulators, the market, their shareholders, their customers, and other stakeholders.

First, we note that the ED of GN-6 generally follows the Basel paper “The Liquidity Coverage Ratio and liquidity risk monitoring tools” of January 2013 (henceforth referred to as BCBS LCR), when determining the quality of assets and the assumed run-off rates on the basis of a) the nature of an asset or liability (e.g. loan/bond/cash/deposit) b) the identity of the counterparty (including the counterparty’s credit rating) and c) the contractual maturity of an instrument. There are several Shariah-compliant contracts that some Institutions offering Islamic Financial Services (IIFS) may use to achieve the economic objectives of conventional assets. However, this condition is not necessarily the same as we evidence from some other IIFS, due to differences in Shariah interpretations and applications in the industry. The differences in these contracts constitute a further, additional criterion on which to determine the quality of assets and assumed run-off rates of assets/liabilities. We do think that this is a point that should be addressed at some point in the ED of GN-6. We recommend clarifying the treatment of various Shariah structures and noting the rationale for any differences.

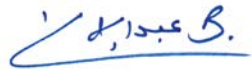
Second, we also note that the ED of GN-6 assumes a 0% weight for contingent inflows such as profit sharing arrangements. We support our members’ proposal that an assumption of greater than 0% should be made, though less than 100%. We believe that if an IIFS does not consider profit-sharing (such as Wakala-based) interbank flows as eligible inflows, IIFS's implementation of LCR would be severely disadvantaged as compared to conventional banks.

Third, we would draw your attention that several of our members believe that it will be difficult to meet the implementation schedule proposed by the ED of GN-6 and they believe that IIFS should be given more time to reach 100% compliance with the standard. We note that timetable for implementation set out in the ED of GN-6 follows that in BCBS LCR. However, BCBS LCR was issued two years ago, in January 2013. We recognise that over the last two years IIFS have been working to ensure compliance with the LCR in the absence of final guidelines from the IFSB, but we nonetheless believe that it is impractical (and also a little illogical) to “backdate” initial compliance (of 60%) to 1st January 2015. We believe that there are two alternative approaches: either to propose a different implementation schedule (for example, beginning on 1 January 2016), or to retain the original schedule but make clear that the first deadline is retained on a “comply or explain” basis, whereby IIFS that cannot reach the standard should disclose their LCR and then explain the efforts that they are making to reach the standard.

We believe the second of these options is preferable since a) it is less open to the accusation that liquidity standards for Islamic banks are being diluted, in comparison to those for conventional banks, b) some IIFS are in fact able to meet the current timetable and are keen to demonstrate their compliance and c) those IIFS who are not able to meet the deadlines will be able to reassure the market that they are taking appropriate steps to reach a 100% LCR ratio.

We remain at your disposal should you need any further clarifications on the above or on the attached appendix.

Yours sincerely,



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**Abdelilah Belatik**  
Secretary General