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Message from Secretary General

Welcome to the 10th edition of InFocus, CIBAFI newsletter, through which, we endeavour to keep our stakeholders informed about our activities and initiatives.

As the first newsletter of the year, I am pleased to share with you that in 2017, CIBAFI successfully achieved all of its strategic goals and objectives as they were set in the Strategic Plan 2015 – 2018.

I am delighted to share with you some updates on our recent activities. To start with, CIBAFI held its 6th Executive Committee Meeting on 25th February, 2018. CIBAFI also held its Membership Consultative Meeting on 8th January 2018 in Khartoum, Sudan to meet with its stakeholders in the region. CIBAFI organised a Dialogue with a Delegation of Iraqi Islamic Banks in Manama, Kingdom of Bahrain on 26th March, 2018.

To meet our first Strategic Objective of Policy, Regulatory Advocacy, CIBAFI submitted comments to the AAOIFI on its Exposure Draft of the AAOIFI Governance Standard No. 10: "Shariah Compliance and Fiduciary Ratings for Islamic Finance Institutions". CIBAFI also engaged in consultation process with its members to gather comments on the Basel Committee's Consultative Document: "Stress Testing Principles".

In the area of Research and Publication, our second Strategic Objective, CIBAFI is preparing to issue its eight Briefing on Islamic Trade Finance. The Secretariat is currently finalizing few other publications to be published in 2018 such as CIBAFI Global Takaful Survey 2018 and CIBAFI Global Islamic Bankers' Survey 2018.

In achieving the Strategic Objective 3 Awareness and Information Sharing, CIBAFI organised a Public Lecture on "Participation Finance - The Steady Way From Niche to Mainstream" at Istanbul Sehir University on 6th March, 2018. I am also pleased to announce that our annual event - CIBAFI Global Forum (CGF) will be taking place in Turkey on 2 - 3 May 2018. We look forward to welcoming all our stakeholders in Istanbul. CIBAFI is also preparing an InFocus Session on "Islamic Finance in CIS: Toward further expansion", in Kazan, Tatarstan.

In fulfilling the Strategic Objective 4 Professional Development, CIBAFI organized a Technical Workshop in Khartoum, Sudan on Stress Testing for Islamic Financial Institutions (IFIs) in January 2018, and Technical Workshop in Dhaka, Bangladesh on Liquidity Management Tools for Islamic Financial Institutions (IFIs) in March 2018.

Through our network of accredited professional development agents, 12 training sessions were organised from January - March 2018, facilitating professional certifications for 181 trainees.

On behalf of CIBAFI, I would like to express our sincere thanks to our Board of Directors, members and other stakeholders for their continuous support and encouragement.

Yours Sincerely,
Abdelilah Belatik

CIBAFI organized its 6th Executive Committee Meeting

CIBAFI's sixth Executive Committee meeting was held on Sunday, 25th February, 2018.

CIBAFI Executive Committee members have praised the work of the Secretariat for implementing the activities within the work plan, stemming from the Strategic Plan of CIBAFI.

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

- Iraq - Iraqi Islamic Bank for Investment and Development;
- Kazakhstan - Astana International Financial Centre;
- Kenya - Insurance Regulatory Authority;

- Morocco - Umniya Bank;
- Palestine - Palestine Islamic Bank;
- Sudan - Bank of Khartoum;
- Sudan - Family Bank;
- Sudan - Saudi Sudanese Bank; and
- Sudan - United Capital Bank.

Finally, Executive Committee meeting also discussed among others the work plan for 2018 and approved the budget for the year.

CIBAFI held a Members' Strategic Session in Khartoum, Sudan



CIBAFI has organised its first for 2018 - Members' Strategic Session (MSS) in Khartoum, Sudan. Sudan Banks Union has kindly hosted CIBAFI's Members' Strategic Session with its members and stakeholders in Sudan. Objective of the MSS was to launch first public consultation on CIBAFI Strategic Plan 2019-2022, and gain feedback and inputs from the stakeholders. The Session was opened by **Mr. Musaad Mohamed Ahmed Abd ElKareem**, member of CIBAFI's Board of Directors, General Manager of Industrial Development Bank and Chairman of the Sudan Banks Union as well as by **Dr Abdulhameed Jameel**, member of CIBAFI's Board of Directors and General Manager of Omdurman National Bank. This was followed by an update on activities of CIBAFI by **Mr. Abdelilah Belatik**, Secretary General of CIBAFI. The Session has resulted in a fruitful and dynamic discussion between CIBAFI and its members & stakeholders in Sudan.

Strategic Objective 1: Policy, Regulatory Advocacy

CIBAFI submitted comments to the AAOIFI on its Exposure Draft of the AAOIFI Governance Standard No. 10: "Shariah Compliance and Fiduciary Ratings for Islamic Finance Institutions"



On 5th March, 2018 CIBAFI submitted comments to the AAOIFI, on its Exposure Draft (ED) on Governance Standard for Islamic Financial Institutions (GSIFI) No. 10: "Shariah Compliance and Fiduciary Ratings for Islamic Financial Institutions".

CIBAFI recommended for more time to be spent on having discussions and views with different stakeholders from different jurisdictions, and involvement perhaps of few rating agencies in the process to avoid any bias views and opinions.

In its submission to the AAOIFI, CIBAFI expressed its appreciation of the work that the AAOIFI does to maintain sound practices of the IFSI.

CIBAFI held a Dialogue with a Delegation of Iraqi Islamic Banks in Manama, Kingdom of Bahrain



CIBAFI executed a dynamic dialogue between a delegation led by Iraqi Private Banks League, comprising over 14 Chief Executives and senior officials representing over 10 Islamic banks from Iraq. The dialogue was held at Al Baraka Banking Group Headquarters in Manama on 26th March, 2018.

Dialogue led to in-depth discussion on the way CIBAFI can support banks in Iraq and establish a working relationship with other global members of CIBAFI. Discussion has also covered the consultation process which CIBAFI is currently undergoing for its upcoming Strategic Plan 2019-2022.

CIBAFI submitted comments on the Basel Committee's Consultative Document: "Stress Testing Principles"



On 20th March, 2018, CIBAFI submitted comments to the Basel Committee on Banking Supervision (BCBS) on the Consultative Document "Stress Testing Principles".

The Consultative Document has been issued on 20th December 2017 and was open for public consultation until 23rd March 2018. CIBAFI has provided collective feedback of its member banks from more than 30 jurisdictions, comprising the following key points. Some of the key comments included, that the Principles have been "formulated with a view towards application to large, internationally active banks ... in Basel Committee member jurisdictions" but are intended to be used on a proportionate basis by smaller banks and their supervisors in all jurisdictions. Some CIBAFI members would like to see the BCBS provide more clarification on the regulators' role in such application and the application of the principles by smaller banks to assist less sophisticated supervisory authorities and smaller banks in their implementation.

The Committee has published its "range of practices" report, which describes and compares supervisory and bank stress testing practices and highlights areas of evolution. CIBAFI members have suggested that the Committee should include the testing of Islamic banks in its future reports with the stress test methodologies and results of the Islamic Banking sector separately. Moreover, some CIBAFI members highlight that IFIs have specific risks, different ranges of stress testing scenarios and severities which raise particular concerns and challenges in using these principles. The BCBS may take into consideration certain specificities of IFIs in its further guidelines and publications.

CIBAFI Global ‘voice’ has been reflected in the revised set of principles of the BCBS

CIBAFI submitted its comments on 27th September 2017 to the Basel Committee on Banking Supervision (BCBS) on the Consultative Document on “Simplified alternative to the standardised approach to market risk capital requirements”. The BCBS asked in its CD a high-level question of whether it would be better to persevere with new proposed reduced sensitivities-based method (R-SbM) or to revert to a recalibrated version of the Basel II standardised approach. CIBAFI in its comments raised some concerns on the implementation of new proposed method which may pose substantial implementation challenges and costs for banks that already use

Basel II approach. In addition the benefits of implementation are uncertain and yet to be clarified. Therefore, the view of CIBAFI was to prefer a recalibrated Basel II approach, but of course subject to the details of the way this proposal is developed and its implications for capital.

On 22nd March 2018, the BCBS has published a set of new proposals on market risk, and they are indeed proposing a recalibrated version of Basel II as their simplified option which was advised previously by CIBAFI, reflecting the importance of CIBAFI role in Policy Regulatory Advocacy.

Strategic Objective 2: Research and Publications

CIBAFI Global Islamic Bankers’ Survey 2018

CIBAFI is preparing to launch its third Global Islamic Bankers’ Survey 2018, during CIBAFI Global Forum 2018.

The report aims to compare the health of the industry as it is today compared to previous years, and from there we will start to make judgments about whether we are heading in the right direction.

The objectives of GIBS 2018 are to:

- Uncover Executives’ perspectives for Islamic banks’ main concerns and various types of risks that Islamic banks are facing
- Identify Corporate strategies and strategic leadership aspects of Islamic banks to achieve their goals and objectives
- Assess the level of readiness of Islamic banking industry with the financial technology and digital transformation
- Identify Branding and Evolving Servicing Strategies of Islamic financial institutions for the overall and long-term success

The third edition of the survey report expressed the views of the Heads of 103 institutions from 31 different countries. GIBS is considered as the first of its kind report that captures practitioners’ perspectives in detail, with significant number of responses from Islamic banks, both in matured and frontier Islamic finance markets. *Stay tuned.*

CIBAFI Global Takaful Survey 2018

CIBAFI is preparing to launch its inaugural Global Takaful Survey 2018 report, during CIBAFI Global Forum 2018, which demonstrates the present state of the Takaful industry, how it sees itself currently in the face of challenges and opportunities, and how it expects to face them in the future.

This inaugural Global Takaful Survey 2018 report reflects the perspectives of the heads of 55 Takaful companies from 24 countries globally. It evaluates the industry from three important perspectives:

- The global Takaful industry optimism level and top concerns
- Key areas of risk and their mitigation
- Main growth drivers of the Takaful industry

In addition to a fourth part that examines the possible future impact of technology on the industry.

CIBAFI believes this inaugural Global Takaful survey 2018 report will be a guiding force in providing important inputs to the industry helping to formulate success strategies and strengthen the Takaful industry for the future. *Stay tuned.*

CIBAFI Briefing: Islamic Trade Finance

CIBAFI is preparing to present its eight CIBAFI Briefing which aims to inform its members and others on recent trends in Islamic Trade Finance and to increase awareness among the stakeholders of the Islamic financial industry. Moreover, it explores challenges, opportunities and the ongoing structural changes in the Islamic trade finance market that may affect its future development. *Stay tuned.*

Strategic Objective 3: Awareness and Information Sharing

Secretary General of CIBAFI delivered a Public Lecture on “Participation Finance - The Steady Way From Niche to Mainstream” at Istanbul Sehir University, Turkey



CIBAFI held a Public Lecture on “Participation Finance - The Steady Way From Niche to Mainstream” at Istanbul Sehir University, in Istanbul, Turkey, on 6th March, 2018.

This lecture was focused on raising awareness on the subject of Participation finance in Turkey and falls into CIBAFI’s 3rd Strategic Objective: Awareness and Information Sharing. The Public Lecture was an opportunity for CIBAFI to engage with academia and young students from Istanbul Sehir University on the role that Turkey is playing in the development of the industry globally.

Participation finance is growing impressively in recent years, not just in traditional markets but all over the world.

The growth of participation finance has also benefited from the growing interest in ethical and responsible finance, due to the commonalities in value propositions and shared principles.

More than 100 delegates from 10 countries have attended the public lecture.

CIBAFI InFocus Session



CIBAFI is preparing for its InFocus Session in Kazan, Tatarstan on “Islamic Finance in CIS: Toward further expansion”, on 11th May, 2018.

Islamic finance has been growing remarkably in recent years. Apart from the traditional markets such as Gulf Cooperation Council (GCC) and South East Asia, the Commonwealth of Independent States (CIS) is emerging as a new frontier region for Islamic finance driven by a large number of Muslim populations, low banking penetration rates, and the need of infrastructural investment financing in the region. In addition to that, CIS has a strong connection with countries that have advanced and matured Islamic financial markets, and many of CIS's countries are members in International Islamic and Islamic finance organizations such as: CIBAFI, IDB, OIC and others.

Strategic Objective 4: Professional Development

CIBAFI Technical Workshop on Stress Testing for Islamic Financial Institutions (IFIs) in Khartoum, Sudan



CIBAFI organized a Technical Workshop on Stress Testing for Islamic Financial Institutions (IFIs), which was kindly hosted by the Central Bank of Sudan, on 8 - 10 January, 2018.

CIBAFI Technical Workshop was opened by welcoming and opening addresses of H.E. Raba'a Ahmed Al-Khalifa, Assistant Governor of the Financial Institutions and Systems Wing, Central Bank of Sudan and Mr Abdelilah Belatik, Secretary General of CIBAFI.



Three days Technical Workshop examined different techniques of stress testing and the crucial role of stress testing in capital planning and capital management as well as the role of the regulatory authorities in managing industry-wide stress testing.

Programme included wide range of case studies and exercises as well as experience sharing sessions facilitated by senior representatives from the International Monetary Fund, United States; Banking Regulation and Supervision Agency of Turkey; Kuwait Finance House from Kuwait; and the Central Bank of Sudan.

Over 85, delegates from 6 countries have attended the three days Technical Workshop.

The Upcoming Plan for 2018: Two Technical Workshops on Products Development and Financial Engineering for Islamic Financial Institutions (IFIs) to be held.

Topic of Products Development and Financial Engineering for Islamic Financial Institutions (IFIs) has been very well perceived by our members, and has been since 2014 among the highest on the agenda for Technical Workshops in various jurisdictions. As of now we have two more upcoming Technical Workshops confirmed, one in Tunisia which is kindly hosted by the Central Bank of Tunisia, and in Jordan, which is kindly hosted by the Central Bank of Jordan. Both workshops will be conducted in Arabic language based on demand from members.

CIBAFI Technical Workshop on Liquidity Management Tools in Dhaka, Bangladesh

CIBAFI launched its Technical Workshop on Liquidity Management Tools for Islamic Financial Institutions (IFIs), on 21 - 22 March, 2018, which was kindly hosted by Islami Bank Bangladesh Ltd (IBBL), CIBAFI Board of Directors (BOD) member bank.



CIBAFI Technical Workshop was opened by welcoming and opening addresses of Mr. Abdelilah Belatik, Secretary General, CIBAFI; Mr. Arastoo Khan, Chairman, Board of Directors, IBBL; Dr. Mashiur Rahman, Advisor to the Prime Minister, Economic Affairs, The People's Republic of Bangladesh; Mr. Md. Mahbub ul Alam, Managing Director & CEO, IBBL; and Mr. Abdur Rouf Talukder, Additional Secretary, Ministry for Finance.



The two days Technical Workshop provided participants with a hands-on technical knowledge and skills on liquidity management tools for Islamic financial institutions (IFIs) with focus on Money Market operations and the liquidity management instruments used in the Islamic financial system.

Over the two days, delegates representing Islamic banks and financial institutions as well as Regulatory and Supervisory Authorities (RSAs), have been engaged in the discussion on the current environment of the liquidity management regulatory requirement and required tools for Islamic Financial Institutions (IFIs) to comply with it.

More than 60 delegates from 5 countries have attended the Technical Workshop.

CIBAFI Network of Global Professional Development Agents Update: January - March 2018

CIBAFI offers its professional certifications through its network of 30 Global Professional Development Agents in 17 countries.

CIBAFI has expanded the network to African countries like Kenya, Djibouti and Somalia, and Palestine in Asia. We are pleased to update our members that from January till March, CIBAFI accredited professional development agents have organized 12 training sessions and have thus facilitated professional certifications for 181 trainees.

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4 - 6 April 2018 | Tunis, Tunisia

Technical Workshop on Products Development and Financial Engineering
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2 - 3 May 2018 | Istanbul, Turkey

CIBAFI Global Forum 2018

*“The New Face of Financial Services: Disruptions, Opportunities and the
New Normals”*

11 May 2018 | Kazan, Tatarstan

CIBAFI InFocus Session on

“Islamic Finance in CIS: Toward further expansion”

22 May 2018 | Jeddah, Saudi Arabia

CIBAFI Annual General Meeting (AGM)

25 - 29 June 2018 | Dakar, Senegal

Certified Islamic Banker Certification Programme

17 - 19 September 2018 | Amman, Jordan

Technical Workshop on Product Development and Financial Engineering
for Islamic Financial Institutions (IFIs)

September 2018 | Abidjan, Côte d'Ivoire

Certified Islamic Banker Certification Programme

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 more than 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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Stay tuned on CIBAFI activities

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