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30th April 2015

Adnan Ahmed Yousif

Co-Chairman of the B-20 Turkey Financing Growth Taskforce

Dear Mr. Yousif,

The General Council for Islamic Banks and Financial Institutions (CIBAFI) presents its compliments to the B-20 Turkey Financing Growth Taskforce and takes this opportunity to express its appreciation of the work that the Taskforce does to facilitate SME financing and to improve global regulation of markets.

CIBAFI is the official global umbrella of 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 30 jurisdictions.

We noted the request for a brief policy note specific to Islamic finance to be considered for the recommendations of the B-20 Turkey Financing Growth Taskforce, and very much welcome this opportunity. The key points contained in the body of this letter summarize the detailed recommendations of CIBAFI Secretariat. The Secretariat's perspective on the recommendations of the Taskforce reflects our mission and identity. We are also attaching as an Appendix the detailed recommendations for the Taskforce's consideration, which are of importance to the global Islamic finance industry within the scope of the Taskforce priorities, including some key issues that we believe are relevant to the current development of the industry.

The CIBAFI's **recommendations with respect to the global regulation of markets** under the Taskforce priorities include: **1)** enhancing regulatory consistency and harmonization for Islamic financial institutions; **2)** incorporating risk drivers specific to Islamic financial transactions; **3)** aligning risk parameters to the nature of emerging economies and SMEs; **4)** promoting external rating agencies catering for Islamic finance; **5)** reducing negative implication of regulatory treatment on Islamic trade finance; **6)** revision on risk weight in short-term interbank claims to ease liquidity challenge of IIFS; **7)** appropriate treatment on specialized lending risk weight to promote *Sukuk* infrastructure financing; and **8)** treatment of profit-sharing investment account (PSIA) as potentially loss absorbent.

The Secretariat's **recommendations for promoting SME financing through Islamic finance** include: **1)** adjusting SME scoring according to risk parameters of equity-based financing; **2)** comprehensive package through a mixture of SME financing, cash *waqf* and *microtakaful*; **3)** *Shariah*-compliant guarantee schemes for SME financing; and **4)** entrepreneurs' skills enhancement and monitoring strategies for equity financing.

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

Yours sincerely,



Abdelilah Belatik
Secretary General