



Report

Malaysia, Bahrain, UAE dominate IFDI Report

Malaysia, Bahrain and the UAE continue to dominate the IFDI (Islamic Finance Development Indicator) report for the 4th consecutive year, even as the global average value declined to 8.8 in 2016 from 9.9 in 2015. Malaysia posted a slight decline in its overall IFDI performance in 2016. Outside of the top 15, noteworthy emerging countries that have moved up the IFDI rankings are South Africa, Morocco, Tanzania, Japan and Russia. Among the regions with high potential in Islamic finance is West Africa.

IFDI report

IFDI report examine key statistics, top performers and the trends across five indicators that are significant for the development of the US\$2 trillion Islamic finance industry across 124 countries. The report developed by Thomson Reuters and the Islamic Corporation for the Development of the Private Sector (ICD) was revealed during the World Islamic Banking conference (WIBC) 2016, held in Bahrain.



"Despite lower financial performance by some in 2015, we maintain a positive outlook for the industry projecting those Islamic finance assets to reach US\$3.5 trillion by 2021"

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Nadim Najjar, Managing Director at Thomson Reuters, Middle East and North Africa



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KEY FINDINGS

1. Unprecedented oil price storm hindered Islamic finance performance, but not asset growth

Although the drop in oil prices did not impede the growth of global or GCC Islamic finance assets (except for Kuwait which reported a 3 per cent decline in assets), it did lead to a decline in profitability measures such as ROA. It also negatively impacted the equity performances of Takaful and Shariah-compliant equities. Sukuk was the least vulnerable of the asset classes, however the sector witnessed lower issuance volumes in 2015.

Assets grew by 7pc

Islamic finance assets grew 7pc hitting US\$2 trillion at the end of 2015. In 2015, Saudi Arabia held the largest amount of Islamic finance assets worldwide (US\$447 billion), while Malaysia dropped in ranking to hold the 3rd largest asset base (US\$434bn). Iran remains the world's 2nd largest Islamic finance jurisdiction (US\$414bn).

2. Research and education

Islamic education institutions are found in abundance in Malaysia, Indonesia and Pakistan. In the west, Luxembourg and Belgium are joining the ranks. The UK has also benefited from the demand for Islamic finance education from Islamic markets. There were 622 Islamic finance education providers in 2015, while 2,224 research papers were produced worldwide between 2013 and 2015.

4. Lack of CSR transparency

Corporate Social Responsibility is another indicator that was weaker in terms of development. There is still a need for better transparency of Qard al-Hasan - one of the components of CSR funds disbursed - as few institutions disclosed their amounts.

5. The buzz diminishes slightly

The popularity of Islamic finance declined due to a slight fall in the number of conferences held and exclusive news items, sliding to 112 and 17,795 respectively in 2015. The most extensive Islamic finance news was generated from the GCC which soared on the back of numerous stories on how the drop in oil prices impacted the Gulf and Middle East's different Islamic finance sectors.

3. Need for better corporate governance

Even though there are 35 countries with at least one type of Islamic finance regulation in practice there is a need for several countries to strengthen their financial reporting framework for Islamic financial institutions. This is evidenced by the low number of disclosed items that need to be reported in annual or financial reports. Malaysia and Pakistan made great strides in upholding Shariah governance framework during 2015, while African nations Nigeria and Morocco are moving towards a centralized Shariah board approach. There were 1,068 Shariah scholars representing different Islamic financial institutions in 2015.



HH Shaikh Salman bin Khalifa Al Khalifa, Advisor to HRH Prince Khalifa bin Salman Al Khalifa, CBB Governor Rasheed Al Maraj and Dr. Ahmed Abdulkarim Alkholifey inaugurate World Islamic Banking Conference

'Fintech a game changer, says CBB governor

HRH Prince Khalifa bin Salman Al Khalifa
23rd ANNUAL WORLD ISLAMIC BANKING CONFERENCE
Economic Uncertainty

Raheed Al Maraj delivers key note speech

World Islamic Banking Conference (WIBC) gathers leading global Islamic finance players in Bahrain

Manama

Governor of the Central Bank of Bahrain (CBB) Raheed Al Maraj yesterday confirmed that the CBB will soon introduce regulations to facilitate Fintech solutions, which is a game-changer in the banking business.

He was speaking at the opening of the World Islamic Banking Conference (WIBC) at the ART Rotana Hotel, Amwaj Islands.

"Financial Technology or Fintech is leading the way," said Al Maraj urging Islamic banks to come forward and take the lead in this area.

"Islamic banks must make full use of these technological enhancements and invest more in this space," he added.

Commenting on the theme of the conference - economic uncertainties: vigilance and growth, Al Maraj further highlighted the need to be more risk-sensitive in uncertain economic

conditions.

"Risk management practices must be up to date, awareness levels high and risk mitigation in place," he pointed out.

Moving on, the CBB governor also emphasised the need to groom a second line of management "to ensure, as much as possible, a lasting institutional legacy behind us".

"We need a set of people whose ethical conduct, strategic thinking, leadership qualities and technical knowledge are above par," he pointed out while addressing over 1,300 Industry leaders at the conference held under the patronage of Prime Minister HRH Prince Khalifa Bin Salman Al Khalifa.

Highlight of the morning session was speeches by Governor of the Saudi Arabian Monetary Agency (SAMA) Dr. Ahmed Abdulkarim Alkholifey and Governor of Astana International

Financial Centre (AIFC) Dr. Kairat Kelimbetov.

The Governors' remarks were followed with an exceptional line-up of seasoned and respected industry practitioners who took stock of the challenges faced by Islamic banking on the global front and the stagnation in Sukuk issuance worldwide. These talks were followed by the launch of three insightful intelligence reports and sessions on ethical finance and asset management.

Today at Summit

The summit continues today and will feature the highly anticipated speeches by Khalid Hamad Abdul-Rahman Hamad, Executive Director - Banking Supervision, Central Bank of Bahrain and Abdulla Mohammed Al Awar, CEO, Dubai Islamic Economy Development Centre. (Also see page 10)