

Islamic Finance: Meeting Global Aspirations

November 11, 2015, Kuwait City

Agenda

Context: Globally, the assets intermediated by the Islamic finance sector reached an estimated US\$2.0 trillion currently, and further growth is expected. Although still a small share of global financial assets, its banking segment has become systemic in a dozen countries, with implications for macroeconomic and financial stability. Islamic finance has the potential for further contributing in at least three dimensions. First, it promises to foster greater financial inclusion, especially of large underserved Muslim populations. Second, its emphasis on asset-backed financing and risk-sharing feature means that it could provide support for small and medium-sized enterprises (SME), as well as investment in public infrastructure. Finally, its risk-sharing features and prohibition of speculation suggest that Islamic finance may, in principle, pose less systemic risk than conventional finance. For this potential to be realized, however, and to allow this industry to develop in a safe and sound manner, a number of challenges will need to be addressed.

Participants: The conference will provide an opportunity for a global policy dialogue among high-level policymakers, including governors of central banks and ministers, regulators, conventional and Islamic standard setters, leading private and public sector financial institutions' executives, and academics, for drawing a vision for the sustained growth of Islamic finance industry, and provide a platform for continued work in this area.

Format: The one-day conference is designed to encourage broad interaction among delegates. It will comprise four sessions. Besides the plenary session (with the Managing Director of the International Monetary Fund and the Governor of Central Bank of Kuwait), three other sessions will explore issues centered round increasing financial inclusion and growth through access to finance; regulation and supervision to foster stability, and developing Sukuk and other long-term Islamic financing for sustainable development. The panel discussions will be conducted as a conversation among panelists.

Registration 8:30 AM

Plenary Session: 9:00 AM to 10:00 AM

H.E. Dr. Mohammad Y. Al-Hashel, Governor, Central Bank of Kuwait

H.E. Ms. Christine Lagarde, Managing Director, International Monetary Fund

Coffee Break: 10:0 AM to 10:15 AM

Thematic Session I: 10:15 AM to 11:45 AM**Increasing Financial Inclusion and Growth through Access to Finance**

Islamic finance institutions provide a good platform for increasing financial inclusion of underserved population and access to finance for SMEs, thereby supporting growth and economic development. According to a study conducted by the International Finance Corporation, based on nine countries (Egypt, Iraq, Jordan, Kingdom of Saudi Arabia, Lebanon, Morocco, Pakistan, Tunisia, and Yemen) in the Middle East and North Africa and Pakistan, there is a potential gap of US\$8.6 billion to US\$13.2 billion for Islamic SME financing, with a corresponding deposit potential of US\$9.7 billion to US\$15.0 billion across these countries. There is, therefore, a large untapped potential for Islamic financing in this area. Removing regulatory and tax impediments to equity-like financing, and strengthening financial infrastructure would help penetration in this segment.

Moderator: Mr. Masood Ahmed, Director, Middle East & Central Asia Department, International Monetary Fund

Panelists:

- H.E. Anas Al Saleh, Deputy Prime Minister and Minister of Finance, Kuwait
- H.E. Senator Mohammad Ishaq Dar, Minister for Finance, Revenue, Economic Affairs, Statistics and Privatization, Pakistan
- H.E. Dr. Fahad Abdullah Al-Mubarak, Governor, Saudi Arabian Monetary Agency
- H.E. Dr. Erdem Basci, Governor, Central Bank of Turkey
- H.E. Dr. Ahmad Mohamed Ali Al-Madani, President, Islamic Development Bank

Thematic Session II: 11:45 AM to 1:15 PM**Strengthening Regulation and Supervision to Foster Stability**

There is a need to tailor regulations to the specifics of Islamic banks and for greater consistency of regulation and supervision. Islamic standard setters, including the Islamic Financial Services Board, have done an impressive job in establishing "rules of the road." However, existing evidence appears to suggest that these standards are not being applied consistently, which could stifle the development of Islamic finance or encourage its growth in a manner that creates systemic vulnerabilities. Therefore, continuous efforts will be needed to improve the extent to which existing standards for Islamic finance are applied, both nationally and internationally. This session will also cover issues related to the challenges with the implementation of the capital and liquidity standards of Basel 3 and macroprudential policies.

Moderator: Dr. José Viñals, Financial Counsellor and Director, Monetary and Capital Markets Department, International Monetary Fund

Panelists:

- H.E. Dr. Zeti Akhtar Aziz, Governor, Bank Negara Malaysia
- H.E. Rasheed Mohammed Al Maraj, Governor, Central Bank of Bahrain
- H.E. Abdellatif Jouahri, Governor, Bank Al-Maghrib
- Mr. Jaseem Ahmed, Secretary-General, Islamic Financial Services Board, Malaysia

Lunch: 1:15 PM to 2:30 PM

Thematic Session III: 2:30 PM to 4:15 PM**Developing Sukuk and Other Long-Term Islamic Financing for Sustainable Development**

Global issuance of Sukuk has grown significantly since 2006, reflecting increasing interest from sovereigns, multilateral institutions, multinational and national corporations from developed and emerging economies, in financing investments in a wide range of economic activities and development projects. The experience thus far shows the potential for Sukuk to help close countries' infrastructure gaps. Key imperatives to deepen this market are: the development of the legal and regulatory framework, strengthening infrastructure, stepping up sovereign issuance with diversified maturities as part of public debt management plans underpinned by a strong public financial management framework, and developing the secondary market. International standards for accounting and statistical treatment of Sukuk need to be developed as well. Further, it is important to explore the role Islamic finance can play in promoting sustainable development.

Moderator: Dr. Mahmoud Mohieldin, Corporate Secretary and President's Special Envoy, the World Bank

Panelists:

- Dr. Ishrat Husain, Former Governor, State Bank of Pakistan and Dean and Director of Institute of Business Administration, Karachi, Pakistan
- Dr. Mohamed Damak, Global Head of Islamic Finance, Financial Services Research, Standard & Poor's Ratings Services
- Professor Datuk Rifaat Ahmed Abdel Karim, Chief Executive Officer, International Islamic Liquidity Management Corporation.
- Mr. Mazin Saad Al-Nahedh, Group Chief Executive Officer, Kuwait Finance House, Kuwait
- Mr. Abdulmohsen Abdulaziz Al-Fares, Managing Director/Chief Executive Officer, Alinma Bank, Saudi Arabia