



# 16<sup>TH</sup> ISLAMIC FINANCIAL STABILITY FORUM

11 December 2017 | Kuala Lumpur, Malaysia

In conjunction with 31<sup>st</sup> Meeting of the Council of the Islamic Financial Services Board

Organised by:



Jointly Hosted by:



**BANK NEGARA MALAYSIA**  
CENTRAL BANK OF MALAYSIA

## THEME: RESOLUTION, RECOVERY AND INSOLVENCY OF INSTITUTIONS OFFERING ISLAMIC FINANCIAL SERVICES (IIFS)

The Global Financial Crisis (GFC) underscored the importance of developing appropriate frameworks for recovery and resolution of financial institutions, particularly those that are of systemic importance, and has been one of the issues at the forefront of the global regulatory agenda. International standards for resolution of financial institutions evolved after the GFC culminating in the Financial Stability Board's 'Key Attributes of Effective Resolution Regimes for Financial Institutions'. The FSB's key attributes were aimed at providing a framework, both at the national and international level, for the resolution of financial institutions in an orderly manner, without severe systemic disruption or exposing taxpayers to loss, while maintaining continuity of vital economic functions. National frameworks for recovery and resolution and for dealing with insolvency of financial institutions are still developing globally.

Within this context, the Islamic financial services industry, which has continued to expand its share of total assets, reaching almost USD 2 trillion globally while increasingly integrating into the global financial system, has not remained completely insulated from macroeconomic events and financial shocks. It is therefore of importance that policymakers and regulators carefully consider recovery and resolution issues from an Islamic finance perspective and incorporate the needs and challenges of Institutions offering Islamic financial services (IIFS) into their national frameworks. In this respect, a number of additional issues need to be considered owing to IIFS's unique governance structures and balance sheets, to design robust Shari'ah-compliant resolution frameworks for jurisdictions with IIFS.

Recognising the importance of these issues, the IFSB, within its mandate, has conducted a number of research initiatives in this area, which include research focusing on Shari'ah-compliant lenders-of-last-resort and Shari'ah-compliant deposit insurance schemes, as well as more recent work focusing on recovery and resolution planning and insolvency issues of IIFS. It brings to the fore, a number of complexities with regard to resolution, recovery and insolvency frameworks due to the specificities of Islamic finance, its structural nuances, and the overarching requirements of Shari'ah in relation to the structuring and implementation of contracts and transactions. Many of these issues, which do not create any particular challenge in the conventional market, needs further consideration by policymakers and regulators with respect to the IIFS. Given that Islamic banking assets have thus far, reached systemic importance in over 12 jurisdictions (i.e. constituting more than 15% of total banking assets) and the IFSI continues to gain market share in many new jurisdictions, it is paramount that effective recovery and resolution frameworks are developed in these jurisdictions that is cognisant of these structural, legal and operational nuances. At the same time, much more work needs to be done to enhance the current understanding of insolvency, resolution and recovery issues in relation to IIFS.

Given these considerations, various critical issues related to insolvency, resolution and recovery of IIFS requires deeper consideration and dialogue between policy makers, regulators' and supervisors as well as industry players. The Financial Stability forum, aims to serve as a platform for the deliberation of relevant issues for ensuring stability in the Islamic financial system and for engagement with the international financial community given the common interest of global financial stability. **In this respect, the 16<sup>th</sup> Islamic Financial Stability Forum, is intended to provide a forum to facilitate discussion and better understanding of the emerging issues related to resolution, recovery and insolvency, particularly with respect to the IFSI and to identify opportunities and directions for future work in this critical area.**

### PROGRAMME

Time	Topics
15:00 – 15:15	Arrival of the IFSB Full and Council Members, and Forum Participants
15:15 – 15:30	<b>Chairman's Remarks</b>
15:30 – 16:30	<b>Presentation on Recovery, Resolution and Insolvency in Islamic Finance</b>
16:30 – 17:00	<b>Discussion and Q&amp;A Session</b>
17:00 – 17:30	Coffee and Networking Break ▪ End of Forum

**Programme Changes:** The IFSB reserves the right to make any necessary amendments/changes to the programme without prior notification.