

*Address by*

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Assalam- o- alaikum

I feel honored to be here today at the Islamic Banking Expo and address this distinguished gathering of scholars, practitioners and eminent members from banking and business community of Gujranwala Division. The organizers of this event deserve to be highly appreciated for holding this event aimed at showcasing industry players with their products and services. It is highly encouraging to see the level of participation here which is a clear reflection of increasing popularity of Islamic Finance in the country.

**Ladies and Gentlemen:**

Islamic finance is gaining increasingly popularity on global landscape as a visible alternate to the conventional financial system. Islamic finance industry based on strong fundamentals due to its asset-backed nature and risk sharing principles has witnessed significant growth. The current asset-base of global Islamic finance industry stands at around 02 trillion USD. In addition to Islamic banking, Islamic wealth management (IWM) is one of the fastest growing financial segments in the global Islamic finance industry. In Pakistan Islamic banking industry has shown significant progress since its re-launch in 2002. At present, the Islamic banking industry has acquired 11.4 percent share in assets and 13.2 percent share in deposits of overall banking industry. State Bank of Pakistan has played an instrumental role in providing an enabling environment for growth of the Islamic Banking industry and its promotion at gross root level. SBP is among the few regulators who have introduced a comprehensive legal, regulatory, and Shariah compliance framework for the Islamic Banking Industry. As a facilitator, SBP is not only actively engaged in capacity building of the industry through various promotion and training programs but in collaboration with the industry has also issued five year strategic plan for the Islamic banking industry which provide a direction and roadmap for the industry to sustain its growth momentum.

**Ladies and Gentlemen:**

The present Government has shown a strong commitment and inclination towards promotion of Islamic Banking and formed a higher level Steering Committee for Promotion of Islamic banking in 2013. During the last 05 years, the committee has worked on various top priority areas including review of amendments in legal, regulatory and taxation frameworks, developing liquidity management solutions, developing solutions for conversion of government debt into Shari'a compliant financing, development of an Islamic capital market, reforms in Modaraba sector, establishment of Centers of Excellence in Islamic Finance Education and several initiatives for

capacity building and creating awareness among people about Islamic finance. It is a matter of pleasure for me that some key recommendations of steering committee like establishment of centers of excellence, launch of All Islamic Share Index and policy framework for establishment of Islamic banking subsidiaries have already been implemented.

**Ladies and Gentlemen:**

Islamic capital markets form an integral part of the Islamic financial system and growth and development of capital markets, mutual funds and takaful, is essential not only for Islamic banking industry but also for the overall growth and development of the country. In Pakistan, Sukuk market has witnessed growth over the years with both sovereign and corporate entities issuing sukuk. SBP is working with Securities and Exchange Commission of Pakistan (SECP), regulator of capital markets to further develop Islamic finance industry in the country. We appreciate and acknowledge key steps taken by SECP in last few years including review of Mudaraba guidelines, issuance of takaful rules, Sukuk guidelines, and believe that these are likely to help in further development of overall Islamic finance industry.

**Ladies and Gentlemen:**

Using this forum, I would like to highlight that the rapid growth of Islamic finance has also necessitated a need of strong risk management function and prudent corporate governance practices. The improvement in transparency and disclosure of transactions through enhanced financial reporting and effective monitoring is another key area for development of Islamic finance. After the global financial crisis, global regulatory regimes are becoming more stringent and financial institutions are subject to different regulatory instructions from various regulatory authorities. As we know, Islamic financial institutions face some additional risks as compared to their conventional counterparts. Therefore, it is important that Islamic financial institutions should strategically position themselves in the volatile global market by improving their risk management function. Islamic financial institutions should have a comprehensive risk management and reporting process, including appropriate board and senior management oversight to identify measure, monitor and control different categories of risk. I would also like to emphasize here that risk management framework of Islamic financial institutions should also take into account appropriate steps to comply with Shariah rules and principles. SBP has issued comprehensive Shariah Governance framework and guidelines for risk management for Islamic banking institutions.

**Ladies and Gentlemen:**

The development and sustainability of any industry critically hinges upon the development of adequate human resource. One of the biggest challenges faced by the Islamic finance industry is the shortage of qualified Islamic finance professionals, who can lead the industry into the next level of growth and development. State Bank of Pakistan being cognizant of the importance of skilled human resource for the industry is encouraging the culture of research and development in Islamic finance. The most significant achievement in this regard is the establishment of three Centers of Excellence in

Islamic Finance Education at well renowned educational institutions including Institute of Business Administration (IBA), Karachi, Lahore University of Management Sciences (LUMS), Lahore and Institute of Management Sciences (IM Sciences), Peshawar with the support of SBP. We are hopeful that these centers will not only help in supplying adequate human resource to growing needs of the industry but will also create knowledge environment that promotes innovation.

In the end, I would like to congratulate the organizers for successfully organizing this event and thank them for inviting me here. I look forward to the success and concrete outcomes of this great initiative.

Thank you.