



BANK FOR INTERNATIONAL SETTLEMENTS

Reporting practices of Islamic financial institutions in the BIS locational banking statistics

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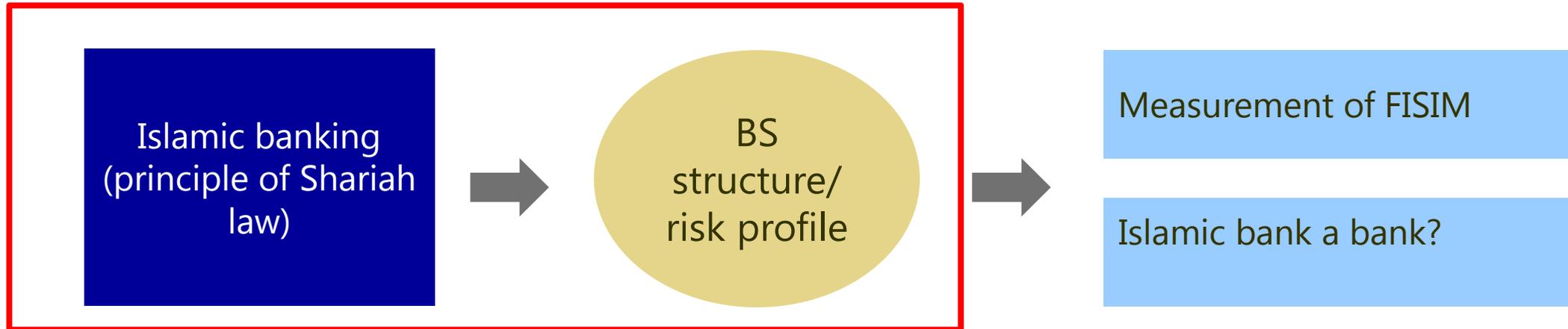
Introduction

- Implementation of 2008 SNA recommendations

1. Measurement of FISIM	<ul style="list-style-type: none">• Mapping of Islamic financial instruments to conventional financial instruments, ie loan assets and deposit liabilities
2. Islamic bank a bank?	<ul style="list-style-type: none">• Balance sheet structure• Risk profile



Islamic Banking (Shariah law)



- Balance sheet structure is different
- Risk profile
 - Customers' return is linked to the return on the assets of the bank
 - Assets contain financing physical assets
 - Discourage creation of leverage

Questionnaire on reporting practices of Islamic financial institutions

LBS-reporting countries

- Bahrain
- Indonesia
- Malaysia
- Saudi Arabia
- Turkey
- United Kingdom

Coverage of questionnaire

- Islamic banking business models in different countries
- How central banks treat IFIs
- How transactions of Islamic financial instruments are captured in statistical reporting



Response to the questionnaire

- Islamic banking business models in different countries

Country	Type of Islamic banking institutions ¹			Assets of Islamic banking assets as a percentage of total assets of the domestic banking system (approximate size, %)
	Stand-alone institutions not affiliated with conventional banks	Islamic banking subsidiaries affiliated with conventional banks	Islamic windows that are part of conventional banks	
Bahrain	Yes			≈17
Indonesia	Yes	Yes	Yes	≈6
Malaysia	Yes	Yes	Yes	≈24
Saudi Arabia	Yes		Yes	≈26
Turkey	Yes			≈5
United Kingdom	Yes		Yes	<0.1

¹ "Yes" indicates types of Islamic banking institutions that are available in respective LBS reporting country



Response to the questionnaire (cont'd)

- How central banks treat IFIs
 - IFIs are treated as “deposit-taking corporations except the central bank” (S.122) in LBS
- How Islamic financial instruments are captured
 - Islamic banks in each country follow different practices for reporting financial assets and liabilities in the LBS
 - Accounting standards fundamentally reflect Islamic finance without compromising Shariah principle



What's next step

- Develop an international statistical guidelines for reporting Islamic instruments
 - Characteristics of underlying Islamic financial products
 - Differences in statistical treatment of different instruments

