



BANK FOR INTERNATIONAL SETTLEMENTS

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

Siew Koon Goh

Bank for International Settlements

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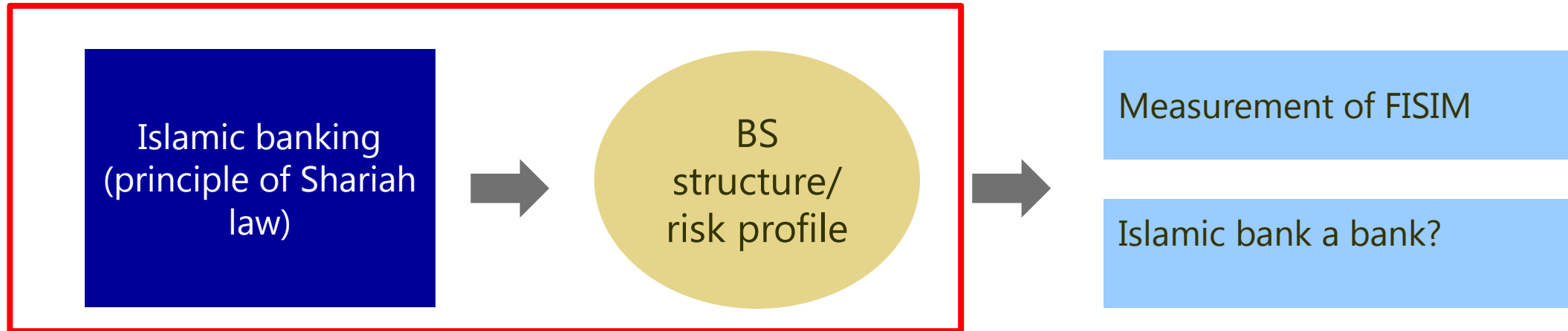
# Introduction

- Implementation of 2008 SNA recommendations

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



# 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 <sup>1</sup>			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

<sup>1</sup> "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

