

Abdellatif Jouahri: Reinforcing stability - strengthening the resilience of the Islamic financial sector and addressing structural vulnerabilities

Opening remarks by Mr Abdellatif Jouahri, Governor of Bank Al-Maghrib (Central Bank of Morocco), at the 23rd Islamic Financial Services Board Stability Forum "Reinforcing stability: strengthening the resilience of the Islamic financial sector and addressing structural vulnerabilities", Rabat, 3 July 2025.

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In the name of Allah, the Most Merciful, the Most Compassionate.

Praise be to Allah alone, and may peace and blessings be upon our Prophet Muhammad, his family, and his companions.

- Minister of Endowments and Islamic Affairs,
- Governors, Deputy Governors, representatives of central banks and supervisory authorities, members of the Islamic Financial Services Board,
- Secretary-General of the Islamic Financial Services Board,
- Esteemed scholars from the Shariah Board for Participative Finance, affiliated with the Supreme Council of Ulema,
- Ladies and gentlemen, distinguished guests,

It is with great pleasure that I open this 23rd edition of the Stability Forum on Islamic Finance, held this year under the theme: "Reinforcing Stability: Strengthening the Resilience of the Islamic Financial Sector and Addressing Structural Vulnerabilities."

Let me begin by warmly thanking His Excellency Mr. Ahmed Toufiq, Minister of Endowments and Islamic Affairs, for honoring us with his presence and for delivering the keynote address at the opening of this forum. Since his appointment in 2002, His Excellency has initiated numerous projects in the religious domain, and I also commend his unwavering commitment to the development of participative finance in Morocco, his close monitoring of its growth, and his support in addressing the challenges facing this sector through close coordination with all stakeholders.

This forum unquestionably provides a valuable space to reflect on the promising outlook for Islamic finance, particularly in light of its sustained growth, which reached 14.9% in 2024, according to the most recent IFSB report.

This edition comes at a pivotal moment, marked by accelerated technological change, digital transformation, growing sustainability challenges, and increasing structural and geopolitical uncertainties, notably the instability in the Middle East, the consequences of the Israel-Iran conflict, the war in Ukraine, and the rise of trade tensions.

Given that the Middle East holds a significant share of global Islamic financial assets, any development, positive or negative, in this region has direct repercussions on the Islamic financial industry.

This gathering therefore represents an excellent opportunity to engage in dialogue and explore appropriate responses to these challenges. I particularly welcome the forum's carefully selected agenda and the distinguished caliber of participants, which will undoubtedly foster rich exchanges and knowledge-sharing, especially regarding the role supervisory authorities can play in guiding and supporting the sector.

Ladies and gentlemen,

The strength of any financial system rests on the solidity of all its components , foremost among them the Islamic financial sector, which plays a systemic role in over 17 countries with dual financial systems.

Its sound development enhances trust in the financial sector, improves financial inclusion across all social segments, and contributes to macroeconomic stability. Achieving this requires an enabling and supportive environment, as well as the ability to align the Islamic finance industry with the unique needs and potential of each country.

Here in Morocco, although participative finance currently accounts for just 2% of total banking assets, Bank Al-Maghrib, as the supervisory authority, has actively worked since 2015, alongside various stakeholders, to establish a conducive ecosystem for Islamic finance. This includes the development of a robust institutional, legal, regulatory, and tax framework, guided by a clear and coherent roadmap. These efforts could not have succeeded without the full mobilization and commitment of all actors, led by the Supreme Council of Ulema.

I also wish to acknowledge the important role played by the Islamic Financial Services Board, particularly in standard-setting, promoting cooperation, and fostering dialogue among supervisory authorities. Since its inception in 2003, the Board has achieved notable results, and its current reforms, aimed at adapting its governance framework to contemporary challenges , are most welcome. These include enhanced support to member institutions, capacity-building efforts, and technical assistance. Bank Al-Maghrib has greatly benefited from this support, and I extend my sincere appreciation.

Ladies and gentlemen,

Islamic finance has become increasingly integrated into the global financial system. The IFSB has continuously demonstrated its ability to respond effectively to a variety of challenges, whether political, environmental, financial, or related to public health.

Because countries have diverse needs and regulatory frameworks, the IFSB wisely adopted a principle-based approach to standard-setting, allowing supervisory authorities to adapt guidelines to local contexts, taking into account the nature, scale, and complexity of each activity.

A prime example is Morocco, which chose to centralize fatwa issuance through the Supreme Council of Ulema, thereby protecting the industry from reputational risks and contradictory interpretations. This mechanism is reflected in the Council's endorsement of Islamic finance regulations and standardized contracts.

Four key challenges lie ahead:

1. Shariah compliance, which is essential not only for sector resilience but also for the continued legitimacy and survival of Islamic finance. It is the cornerstone for standardizing practices and building trust.
2. Liquidity management, which remains constrained by the limited availability of Shariah-compliant instruments, their marketability, the underdevelopment of secondary markets, and low cross-border activity. It is critical to expand the range of liquidity tools - particularly sukuk.
3. Sustainable finance, which can reinforce the ethical identity of Islamic finance. Since the global mobilization around the Sustainable Development Goals (SDGs) in 2014, a \$2.5 trillion USD funding gap remains for climate-related development needs. Islamic finance can play a pivotal role in bridging this gap by aligning with green finance principles and developing Islamic green financial instruments.
4. Digitalization risks: While Islamic finance has made progress, with 44% of institutions undergoing digital transformation (2025 IFSB report), it is imperative to enhance supervisory vigilance, governance, and proactive risk management to address emerging threats tied to fintech and innovation.

Ladies and gentlemen,

Tackling these challenges requires reinforced international cooperation, in harmony with global standards while remaining sensitive to local specificities. I sincerely hope this forum will be a fruitful platform to advance that shared objective.

Wa billahi at-tawfiq.

Wassalamu alaykum wa rahmatullahi wa barakatuh.