







Islamic Finance Task Team (IFTT)

Results of the Global Consultation General recommendations

Joint Workshop on Statistical Treatment of Islamic Finance in National Accounts and External Sector Statistics and Experimentation and Testing of new recommendations in GCC countries

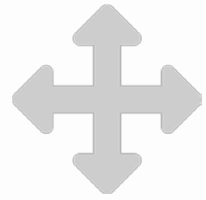
14-16 March 2022

IFTTT research topics

<p><u>R-Topic 01</u></p> <p>Terminology for the investment income for Islamic deposits, loans and debt securities</p> 	<p>3 issues</p>		<p><u>R-Topic 04</u></p> <p>Classification of Islamic financial instruments and corresponding investment income</p>	<p>2 issues</p>
<p><u>R-Topic 02</u></p> <p>Sectorization and output of Islamic financial entities</p> 	<p>4 issues</p>		<p><u>R-Topic 05</u></p> <p>Reference rates and terminology to calculate Islamic FISIM</p>	<p>6 issues</p>
<p><u>R-Topic 03</u></p> <p>Economic ownership of non-financial assets related to sales, lease, and equity financing which are legally owned by Islamic financial corporations</p> 	<p>2 issues</p>		<p><u>R-Topic 06</u></p> <p>Islamic Insurance (Takaful and Retakaful)</p>	<p>3 issues</p>



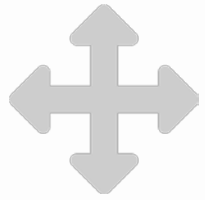
General recommendations to account for Islamic finance activities



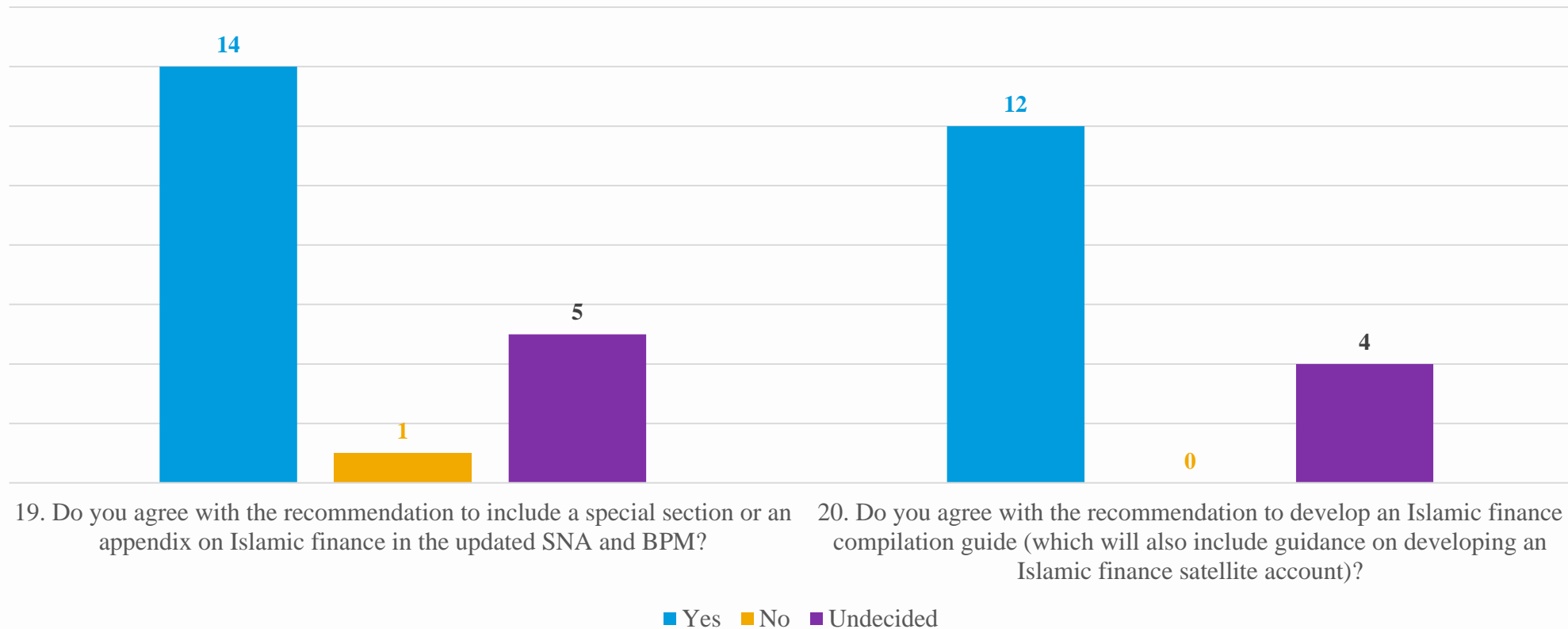
General recommendations:

The guidance note focuses on main **conceptual aspects** to capture Islamic financial transactions, other flows and positions. Further guidance on **practical aspects** may be needed for implementation in countries with widespread Islamic financial activities. Two general recommendations are therefore suggested:

- Include a **special section or an appendix on Islamic finance** in the updated SNA and BPM which highlights the differences between conventional and Islamic finance, brings together all the entries in the accounts connected with Islamic finance and explains their interconnections
- Develop an Islamic finance **compilation guide**



Results for the general recommendations:



Arguments:



- Provides clear elaboration on the differences and interconnections between conventional and Islamic finance and how this will be reconciled in the updated SNA and BPM.
- This will provide more context and clarity as well as guidance.
- This will assist compilers to understand the functioning of Islamic accounts.



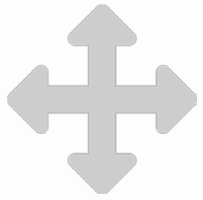
Undecided

Duplicate the content in the proposed compilation guide

Instead;

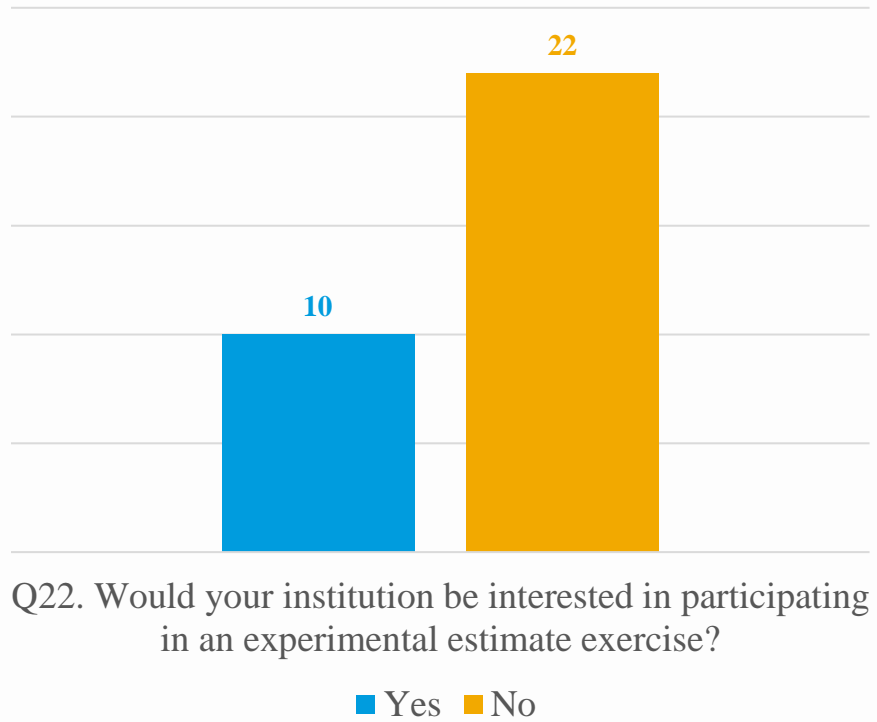
Developing the compilation guide only.

Experimentation and Testing



Testing and experimentation exercises

Volunteers



Previous Empirical Tests:

Under the work of the previous Islamic Finance Task Force:

The TF evaluates the use of two reference rates (one for conventional FISIM and one for Islamic FISIM) versus a single reference rate for both.

Indonesia, Malaysia and the State of Palestine noted that for each currency type, they use two different reference rates to calculate the FISIM, one for Islamic loans and deposits and another for conventional loans and deposits. On the other hand, **Turkey** uses a single reference rate to calculate the FISIM on Islamic and conventional loans and deposits for each type of currency

Indonesia, Malaysia and the State of Palestine were invited to participate in empirical tests to calculate the nominal FISIM on loans and deposits using a single reference rate for each currency type

The results show that the difference in calculating FISIM in the case of *Indonesia and the State of Palestine* when using a single reference or when using separate reference rates appears to be quite significant.

Suggestions for the Experimentation and Testing:

- ❑ The reference rate for calculating the FISIM on Islamic deposits and loans
- ❑ Organizing workshops on Islamic finance involving the banking community, statistical offices, macroeconomic teams and other relevant stakeholders.
- ❑ The need for technical assistance for experimentation and testing : (*Assistance would be needed to asses current data availability for the purpose of the experimental exercise*).

Thank you