



Meeting of the Central Banks and Monetary Authorities of the Member Countries of the Organization of Islamic Cooperation (OIC)

“Dealing with Financial Stability Risks: Macro-prudential Policy and Financial Deepening in Islamic Finance”

5-6 November 2014, Surabaya, Republic of Indonesia

REPORT

Organized jointly by the Statistical, Economic and Social Research and Training Centre for Islamic Countries (SESRIC) and Bank Indonesia, the 2014 Annual Meeting of the Central Banks and Monetary Authorities of the OIC Member Countries was held from 5 to 6 November 2014 in Surabaya, Republic of Indonesia. Delegates from more than 30 OIC member countries including Governors, Deputy Governors, central bank experts, and senior representatives of relevant OIC and other international organisations including the Islamic Development Bank (IDB), International Monetary Fund (IMF), Asian Development Bank (ADB), Islamic Financial Services Board (IFSB), and the Bank for International Settlements (BIS) attended the Meeting. Themed “Dealing with Financial Stability Risks: Macro-prudential Policy and Financial Deepening in Islamic Finance”, the two-day 2014 Meeting was comprised of an Expert Group Workshop (EGW) in the first day and a Governors Meeting in the second.

The EGW was inaugurated with the welcoming and opening remarks by two key representatives of the organising institutions, namely, H.E. Prof. Savaş Alpay, Director-General of SESRIC, and H.E. Mr. Mirza Adityaswara, Senior Deputy Governor of Bank Indonesia. The workshop was divided into three panel sessions, each featuring a number of

lead speakers and discussants, and a final communiqué drafting session. The first panel session titled “Implementation of Macro-prudential Policy Framework in Sustaining Financial Stability” focused on the nexus between the macro-prudential policies and financial stability, as well as experiences of some Islamic countries in safeguarding financial stability. During the session, Dr. Frank Packer, Head of Economics and Financial Markets at the BIS Asia and the Pacific, made a presentation on the on-going work of BIS on the effectiveness of macro-prudential policies. In another presentation titled “Macro-prudential Framework in Sustaining Financial Stability”, Dr. Stephen Swaray from the Monetary and Capital Markets Department at the IMF underlined the need for a better understanding on macro-financial linkages between monetary policy and financial system, including Islamic the financial sector in safeguarding price stability as well as financial stability.

The second panel session deliberated on the implementation of macro-prudential frameworks for Islamic finance, with particular emphasis on the Islamic Financial Sector Assessment Programme (IFSAP). Prof. Dr. M. Azmi Omar, Director General of IRTI and Lead Speaker of Session 2, made a presentation on the implementation of IFSAP and its necessity for OIC member countries in incorporating Islamic financial development into the national policy and mitigating systemic vulnerabilities in the national financial system. In the third and final panel session, which was titled “The Importance of Micro Sector Development through *Zakat* and *Awqaf* System for Financial Deepening”, Dr. Kenneth Baldwin, Head of Financial Policies and Planning Office at IDB, made a presentation on the design of financial contracts for the micro sector, including the associated sharia compliance issues and incentive mechanisms to facilitate financial inclusion and poverty eradication. A separate working session was then devoted to the discussion and preparation of the Draft Final Communiqué of the 2014 Annual Meeting, which was presented to the Governors for adoption in the second day.

In the second day, the Governors Meeting started with welcoming and opening remarks by H.E. Agus D.W Martowardojo, Governor of Bank Indonesia, H.E. Mouhamadou Doudou Lo, Director-General of the Department of Economic Affairs at OIC, and H.E. Prof. Savas Alpay, Director-General of SESRIC. The Meeting continued with a keynote address by H.E. Dr. Abdul Aziz AlHinai, Vice President of IDB, on IDB’s work in the area of poverty alleviation in sustaining economic development in OIC member countries. The Governors Meeting also

featured an open discussion session on “How to Foster and Manage the Impact of Macro-prudential Policies and Financial Deepening in OIC Member Countries: IFSAP and Micro Sector Development.” During this session, H.E. Abdulaziz Alfuraih, Vice Governor of Saudi Arabian Monetary Agency (SAMA), and H.E. Muhammad bin Ibrahim, Deputy Governor of Bank Negara Malaysia (BNM), presented their country experiences in implementing macro-prudential policy frameworks and measures taken to increase the depth of Islamic financial sector. High-level representatives of a number of OIC Central Banks and Monetary Authorities, including those of Brunei Darussalam, Sudan, Palestine, Indonesia, Pakistan and Jordan, also shared their views related to the theme of the session.

The Governors finally reviewed and adopted the Final Communiqué of the 2014 Annual Meeting, which had been drafted in the last session of the EGW. The Governors welcomed the offer of the Republic of Suriname to host the meeting in 2015. H.E. Agus D.W Martowardojo, Governor of Bank Indonesia, concluded the Meeting by thanking the representatives of the Central Banks and Monetary Authorities of the OIC member countries who attended the Meeting and the speakers for their valuable contributions made during both the EGW and Governors Meeting.