

**MEETING OF CENTRAL BANKS AND MONETARY AUTHORITIES
OF THE ORGANIZATION OF ISLAMIC COOPERATION (OIC) MEMBER COUNTRIES**



**ORGANIZATION OF ISLAMIC COOPERATION (OIC)
EXPERTS' GROUP WORKSHOP**

Dealing with Financial Stability Risks: Macroprudential Policy and Financial Deepening in Islamic Finance

Surabaya, Indonesia

Venue: Ball Room A-B, 2nd Floor, W Marriot Hotel

PROGRAMME

5 November 2014

08.30am - 09.00 am	Registration (Pre Function 2 nd Floor)
09.00 am - 09.15 am	Welcoming Remarks by Mr. Mirza Adityaswara, Senior Deputy Governor, Bank Indonesia
09.15 am - 09.30 am	Opening Remarks by Prof. Savas Alpay, Director General, SESRIC
09.30 am - 10.00 am	Coffee Break (Pre Function 2 nd Floor)
10.00 am - 11.35 am	<p>Session 1 : 'Implementation of Macroprudential Policy Framework in Sustaining Financial Stability'</p> <p><i>Macroprudential regulatory framework has been one of the central themes after recent global financial disruption. Macroprudential policy aims at promoting greater financial system stability by reducing the systemic risks and adding the financial system resilience. This session will discuss the nexus between the macroprudential policies and financial stability, as well as some Islamic countries' experience in safeguarding financial stability.</i></p>
(10')	Chair: Dr. Perry Warjiyo , Deputy Governor, Bank Indonesia
(20')	<p>Lead Speakers:</p> <ul style="list-style-type: none"> Dr. Frank Packer, Head of Economics and Financial Markets at the BIS Representative Office for Asia and the Pacific <i>BIS' existing work on the effectiveness of macroprudential policies.</i>
(20')	<ul style="list-style-type: none"> Dr. Stephen Swaray, Monetary and Capital Markets Department, IMF <i>The global financial crisis triggered major changes in the countries' approach to formulate financial regulation. With a recognition to ensure macroeconomic stability, economic policy has to include financial stability as an additional objective. Lessons learnt from the crisis highlighted the need for a better understanding on macro</i>

financial linkages between monetary policy and financial system, including Islamic financial sectors in safeguarding price stability as well as financial stability.

Panel Discussion on Session 1

(15')

- **Prof. Iwan Jaya Azis**, Head, Office of Economic Regional Integration, Asian Development Bank

Lesson learnt from the global financial crisis for Islamic countries in promoting financial stability as well as the need for the implementation of macroprudential policy framework in Islamic countries

(15')

- **Mrs. Loobna Farooq**, Director of Islamic Banking Department, State Bank of Pakistan

Pakistan's experience as one of pioneers in Islamic banking development in the implementation of macroprudential policy framework and financial stability assessment

(15')

- **Discussion**

11.35 am- 12.50 pm

Session 2 :“Islamic Financial Sector Assessment Program (IFSAP):Implementation of Macroprudential Frameworks for Islamic Finance”

The prudential regulatory framework has been one of the central themes after the recent financial crisis. Most countries have participated in the Bank-Fund Financial Sector Assessment Program (FSAP) in order to have a comprehensive assessment process for financial stability and development needs of the system. As a part of global financial system, an Islamic financial industry is required to develop the regulatory framework which suits their characteristics. IRTI-IDB has proposed a solution in term of Financial Sector Assessment Program for Islamic Finance (iFSAP) in order to assess the development and stability of the Islamic financial services industry while filling the gaps between the current FSAP assessment methodology and the existing measures in the Islamic financial industry. The urgency for OIC countries in implementing iFSAP is also discussed in this session.

(10')

Chair:Dr. Mulya E. Siregar, Deputy Commissioner, Financial Sector Services Authority, Indonesia

(20')

Lead Speakers:

- **Prof. Dr. M. Azmi Omar**, Director General of IRTI-IDB (Islamic Research and Training Institute –Islamic Development Bank)

The Islamic financial system has shown a growing presence in many countries indicated by higher growth compared to the global financial growth. However, there are challenges to the financial authorities to mitigate potential vulnerabilities in such an Islamic financial system. Hence, iFSAP is needed for OIC member countries to incorporate Islamic financial development into the national policy including mitigating systemic vulnerabilities in the system. Within the system, there are commercial and social economic system in particular zakah institutions. As such, setting out core principles for zakat system in order to set governance aspect in managing and supervising zakat collection and distribution is indisputable and covered by IDB. This initiation was introduced in the mid of this year, and will be launched for the next two years.

(15')	<p>Panel Discussion on Session 2</p> <ul style="list-style-type: none"> • Dr. Zamir Iqbal, Lead Investment Officer, World Bank <i>World Bank has been reviewing the methodology and procedures used in the joint World Bank-IMF Financial Sector Assessment Program (FSAP) in order to identify the areas where additional guidance and benchmarks would be helpful to FSAP assessors in order to assess the development and stability of the Islamic Financial Services Industry (IFSI).</i>
(15')	<ul style="list-style-type: none"> • Mr. Zahid Ur Rehman Khokher, Assistant Secretary General of the Islamic Financial Services Board (IFSB) <i>As the international standard setting body for Islamic financial institutions, IFSB may have responded to the current issues in macroprudential policies such as working groups on liquidity management, stress-test, Crisis Management Protocol (CMP) and others. The standards set by the IFSB should be kept compatible to the global framework to address current financial challenges and to minimize potential adverse impact to the Islamic financial system internationally.</i>
(25')	<ul style="list-style-type: none"> • Discussion
13.00 pm-02.00 pm	Lunch (Ball Room C) and Pray (Prayer Room 3rd floor)
02.00 pm – 03.15 pm	<p>Session 3 : “The Importance of Micro Sector Development through Zakat and Awqaf System for Financial Deepening” <i>It has been evidenced that current financial and economic structure is incapable of delivering equitable economic development. The gap between the have and the not have gets wider since the financial opportunities cannot reach the low income society. In order to address that issue, financial deepening in Islamic finance has its role not only from macro level to spur the growth of financial market, but also at the micro level to support financial inclusion and poverty eradication for real sector development. Financial deepening, more particularly when promoted in the wider context of economic inclusion, can uplift financial conditions, improve the standards of lives of the poor and the disadvantages, increase economic activities and employment opportunities with a possible multiplier effect on the economy. It is difficult to envisage continuing financial stability without financial inclusion, especially in the long term.</i></p>
(10')	Chair: Dr. Halim Alamsyah , Deputy Governor, Bank Indonesia
(20')	<p>Lead Speaker :</p> <ul style="list-style-type: none"> • Dr. Kenneth Baldwin, Head of Financial Policies and Planning Office, IDB <i>Proper designs of financial contracts for micro sector need to be developed that represent Islamic norms and values. The design should be able to fulfill both sharia compliance issues and correct incentive mechanism to facilitate financial inclusion and poverty eradication in an effective manner.</i>

	<p>Panel Discussion on Session 3</p> <ul style="list-style-type: none"> • Dr. MonzerKahf, Professor in Islamic Finance Program, Qatar Foundation of Islamic Studies (QFIS) <i>Sharia-compliant financial inclusion represents the confluence of two rapidly growing sectors: microfinance and Islamic finance. Now Sharia-compliant financial inclusion has recently galvanized considerable interest among regulators, financial service providers, and other financial inclusion stakeholders.</i>
(15')	
(15')	<ul style="list-style-type: none"> • Prof. AslamHaneef, Professor in the Department of Economics & Director of Centre for Islamic Economics, International Islamic University Malaysia <i>Zakat and Aqwf sectors roles in providing low cost of funds to support the economic productivity of the poor in terms of basic consumption, health and education support, low cost funds for micro business start-up, and infrastructure support; which serves as the financial safety net for the micro sector development.</i>
(15')	<ul style="list-style-type: none"> • Discussion
03.15 pm– 03.30 pm	Coffee Break(Pre Function 2nd Floor) and Pray (Prayer Room 3rd floor)
03.30 pm-04.15 pm	<p>Drafting of Final Communiqué</p> <ul style="list-style-type: none"> • Broad agreement and action plans on areas of development: <ul style="list-style-type: none"> - The iFSAP serves as one of the important vehicles to encourage recognition and financial reformation of the newly established system, which could complement the current FSAP. IFSAP is expected to provide constructive recommendations for further development of Islamic financial system, in safeguarding financial stability. - Financial deepening for the micro sector development could not be segregated from the effort to reach the financial stability. <p><i>Chair: Dr. Halim Alamsyah, Deputy Governor, Bank Indonesia</i> <i>Co-chair: Mr. Nebil Dabur, Director of Research Department, SESRIC</i></p>
	END OF EXPERT GROUP WORKSHOP
06.00 pm – 07.00 pm	<p>Informal Dinner (Ball Room C) Host :Dr. Halim Alamsyah, Deputy Governor, Bank Indonesia Participants : All Delegations <i>Venue: JW Marriot Hotel</i></p>
07.00 p.m. – 09.00 p.m.	<p>Opening Ceremony of the OIC Central Bank Governors Meeting Participants : All Delegations <i>Venue: Makodam V Brawijaya</i></p>

MEETING OF CENTRAL BANKS AND MONETARY AUTHORITIES OF
THE ORGANIZATION OF ISLAMIC COOPERATION (OIC) MEMBER COUNTRIES



Governors Meeting on

Dealing with Financial Stability Risks: Macprudential Policy and Financial Deepening in Islamic Finance

Surabaya, Indonesia

Venue: Ball Room A-B, 2nd Floor, W Marriot Hotel

5 - 6 November 2014

PROGRAM

5 November 2014

- 06.00 p.m. – 07.00 p.m.** **Welcoming Dinner (Vis a Vis 2nd floor)**
Host : H.E. Agus D.W. Martowardojo, Governor, Bank Indonesia
Participants : Governors only
Venue: JW Marriot Hotel
- 07.00 p.m. – 09.00 p.m.** **Opening Ceremony of the OIC Central Bank Governors Meeting**
Participants : All Delegations
Venue: Makodam V Brawijaya

6 November 2014

- 08.30 a.m. – 09.00 a.m.** Registration
- 09.00 a.m. - 09.15 a.m.** Welcoming Remarks by H.E. Agus D.W Martowardojo, Governor, Bank Indonesia
- 09.15 a.m. – 09.25 a.m.** Opening Remarks by H.E. MouhamadouDoudou Lo, Director General of the Department of Economic Affairs in the OIC General Secretariat
- 09.25 a.m. – 09.35 a.m.** Opening Remarks by H.E. Prof. SavasAlpay, Director General, SESRIC
- 09.35 a.m. – 10.00 a.m.** Keynote Address on 'The Roles of IDB in iFSAP Implementation and Poverty Alleviation in Sustaining Economic Development in OIC Member Countries'
 - H.E. Dr. Abdul Aziz AlHinai, VicePresident of IDB
- 10.00 a.m. – 10.30 a.m.** Photo Session and Coffee Break
- 10.30 a.m. – 11.50 p.m.** Panel Discussion on "How to Foster and Manage the Impact of MacprudentialPolicies and Financial Deepening in OIC Member Countries: IFSAP and Micro Sector Development"
Chair :H.E.AgusD.W.Martowardojo, Governor, Bank Indonesia
This panel discussion underscores the importance of the implementation of iFSAP within macprudential policy framework and financial deepening in

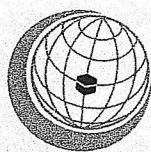
OIC member countries. Besides, OIC representative countries' current conditions and readiness in implementing IFSAP that includes zakat and waqf institutions is also discussed. This panel discussion is expected to produce fruitful outcomes for the way forward solutions for implementing IFSAP that has the spirit of micro socialsector development.

Lead Speakers:

- *H.E. AbdulazizAlfuraih, Vice Governor of Saudi Arabia Monetary Authority*
- *H.E. Muhammad bin Ibrahim, Deputy Governor of Bank Negara Malaysia*
- *Discussion*

- 11.50 a.m. – 12.00 p.m.** ***Next Meeting and Other Issues***
- *Discussion*
- 12.00 p.m. – 12.15 p.m.** **Concluding Remarks and adoption Final Communique by H.E. Agus D.W Martowardojo, Governor, Bank Indonesia**
- 12.15 p.m. – 01.30 p.m.** **Lunch |(Ball Room C) and Pray (3rd Floor)**
Venue: JW Marriot Hotel
Participants: Governors
Hosted: H.E. Agus D.W Martowardojo, Governor, Bank Indonesia
- 02.00 p.m. – 08.00 p.m.** **Social Program**

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BANK INDONESIA



Governors Meeting on

Dealing with Financial Stability Risks: Macroprudential Policy and Financial Deepening in Islamic Finance

Surabaya, Indonesia

Venue: Ball Room A-B, 2nd Floor, JW Marriot Hotel

6 November 2014

PROGRAMME

6 November 2014

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| 10.00 a.m. – 11.15 a.m. | Panel Discussion on “How to Foster and Manage the Impact of Macroprudential Policies and Financial Deepening in OIC Member Countries: IFSAP and Micro Sector Development”
<i>Chair : H.E . Agus D.W. Martowardojo, Governor, Bank Indonesia</i>
<i>This panel discussion underscores the importance of the implementation of iFSAP within macroprudential policy framework and financial deepening in OIC member countries. Besides, OIC representative countries’ current conditions and readiness in implementing IFSAP that includes zakat and awqaf institutions is also discussed. This panel discussion is expected to produce fruitful outcomes for the way forward solutions for implementing IFSAP that has the spirit of micro social sector development.</i>
<i>Lead Speakers:</i> <ul style="list-style-type: none">• <i>H.E. Abdulaziz Alfuraih, Vice Governor of Saudi Arabia Monetary Authority</i>• <i>H.E. Muhammad bin Ibrahim, Deputy Governor of Bank Negara Malaysia</i>• <i>Discussion</i> |

11.15 a.m. – 11.30 a.m.	Adoption Final Communique
11.30 a.m. – 11.45 a.m.	<i>Next Meeting and Other Issues</i>
11.45 a.m. – 12.00 a.m.	Concluding Remarks by H.E. Agus D.W Martowardojo, Governor, Bank Indonesia
12.00 a.m. – 12.15 a.m.	Photo Session
12.15 a.m. – 01.15 p.m.	Lunch Venue: Ballroom C, JW Marriot Hotel Hosted: H.E. Agus D.W Martowardojo, Governor, Bank Indonesia
02.00 p.m. – 08.00 p.m.	Social Program