



Potential and Future of OIC Capital Markets

Dr. Zamir Iqbal

Vice President and CFO, Islamic Development Bank

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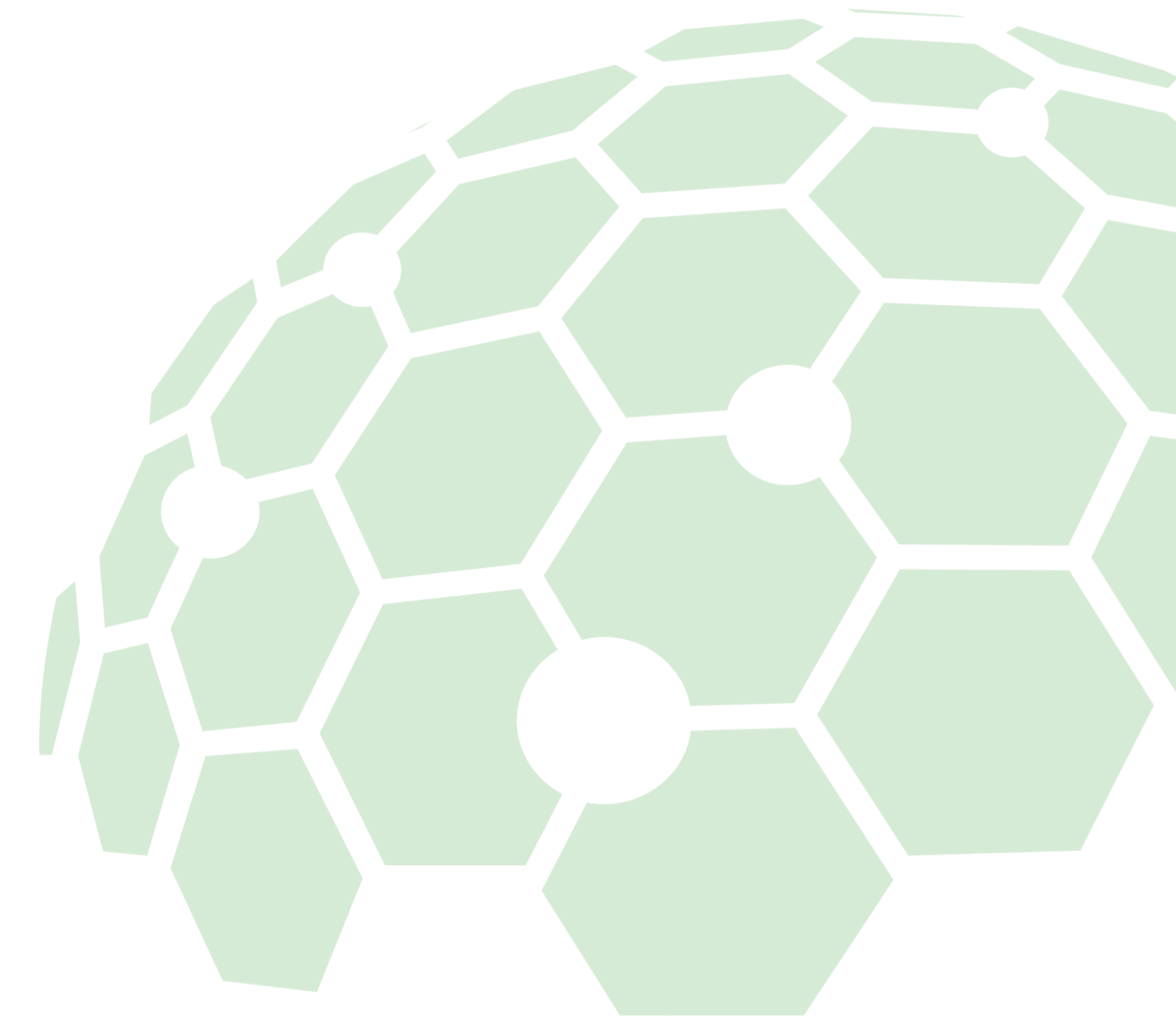
Agenda

I. Current Status of Islamic Capital Markets

II. Challenges

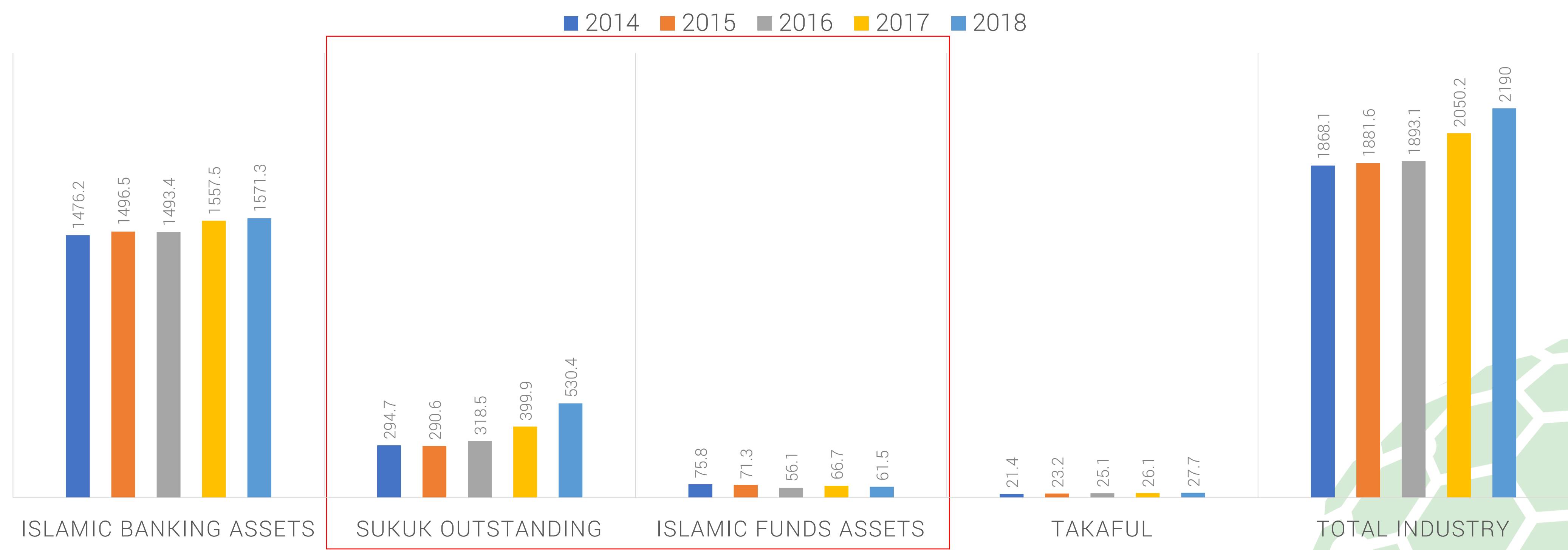
III. Systematic Progress – Review of 10-Year Framework

IV. Opportunities and The Way Forward



Islamic Financial Markets

ISLAMIC FINANCE TOTAL ASSETS 2014-2018



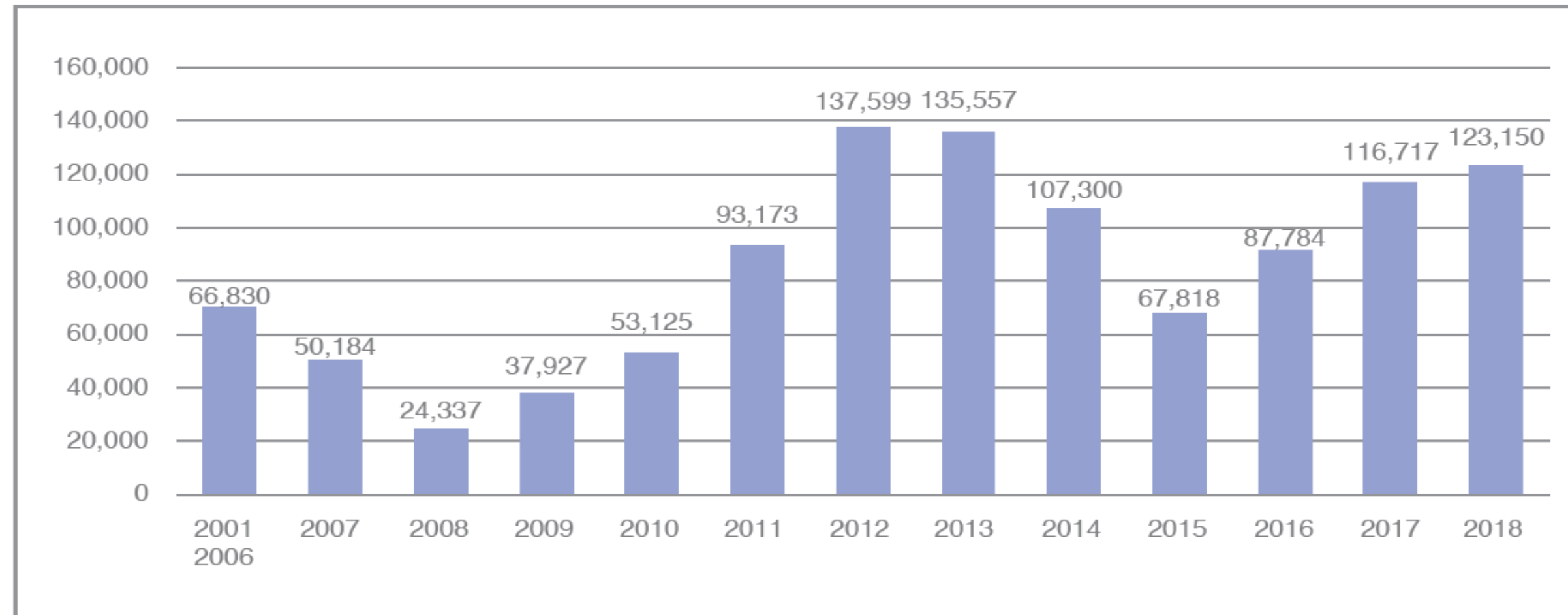
Source: IFSB reports

The industry’s total worth across its three main sectors (banking, capital markets and *takāful*) is estimated at USD2.19 trillion in 2018 marking a year on year (y-o-y) 6.9% growth in assets in US Dollar terms.

The growth was contributed actively by all three sectors of the IFSI, but the key rebound in performance was experienced by the Islamic capital markets.

Islamic Capital Markets

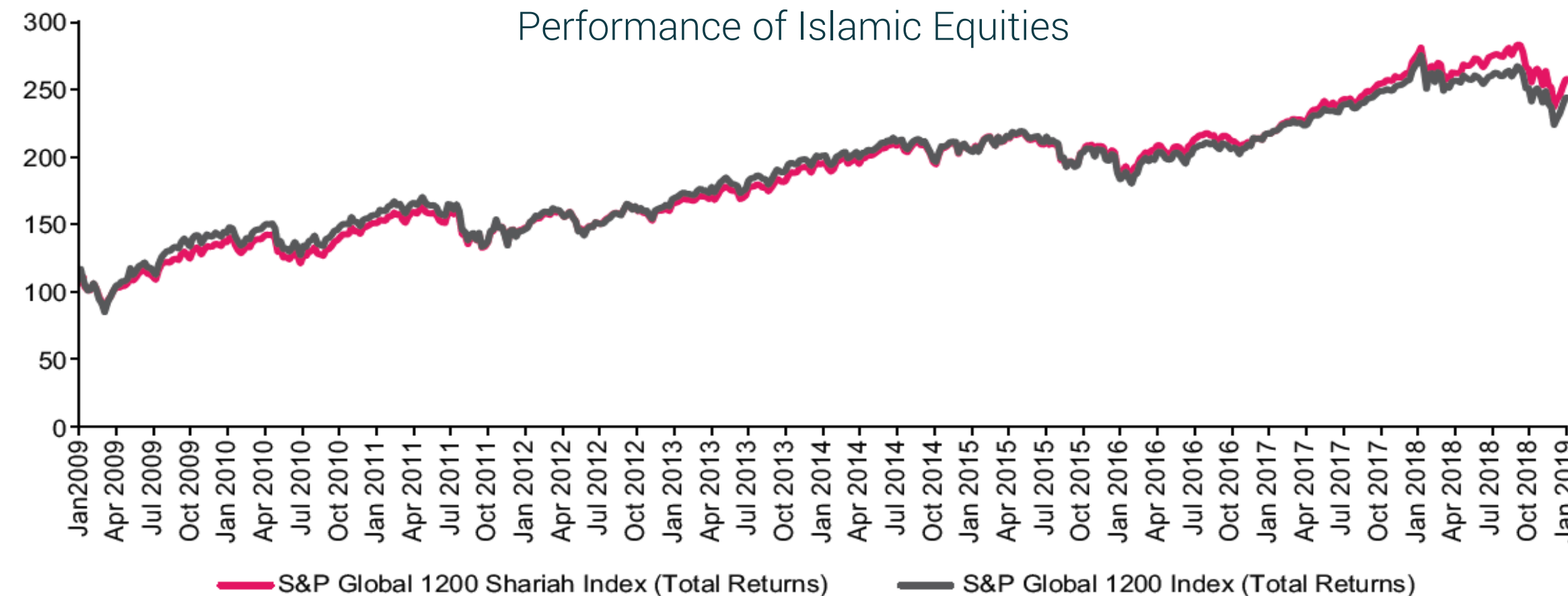
Total Global Sukuk Issuances



Total Global Sukuk Issuance USD 1,101,502 Millions

Source: IIFM Sukuk database

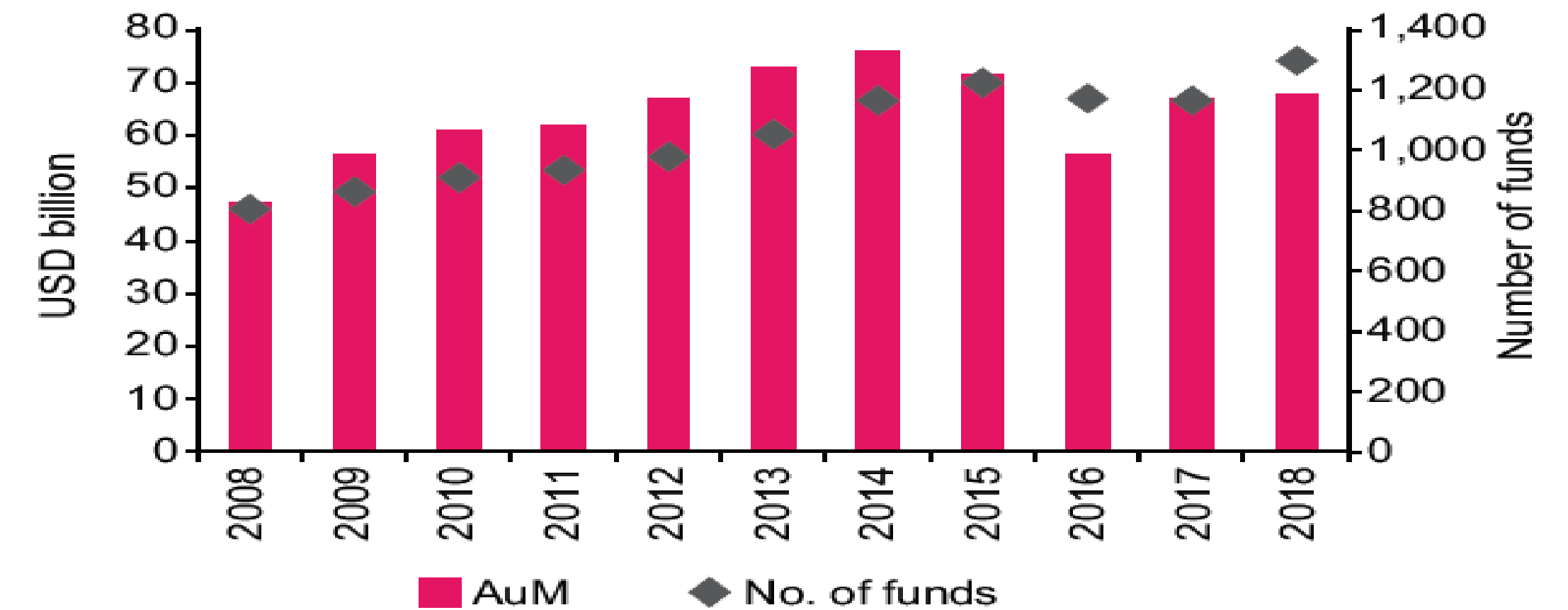
Performance of Islamic Equities



Note: Data have been rebased at 100.

Source: Bloomberg, IFSB

Assets under Management and Number of Islamic Funds



Source: Bloomberg (Islamic funds primary share), IFSB

Global Sukuk issuances have increased slightly because of domestic issuances. International issuances have slightly reduced in 2018.

Over a 10-year horizon from Jan-2009 to Jan-2019, the S&P Global 1200 Sharī'ah Index generated overall higher returns than its conventional benchmark at 11.11%, compared to 10.29% returns generated by S&P Global 1200 during the same period

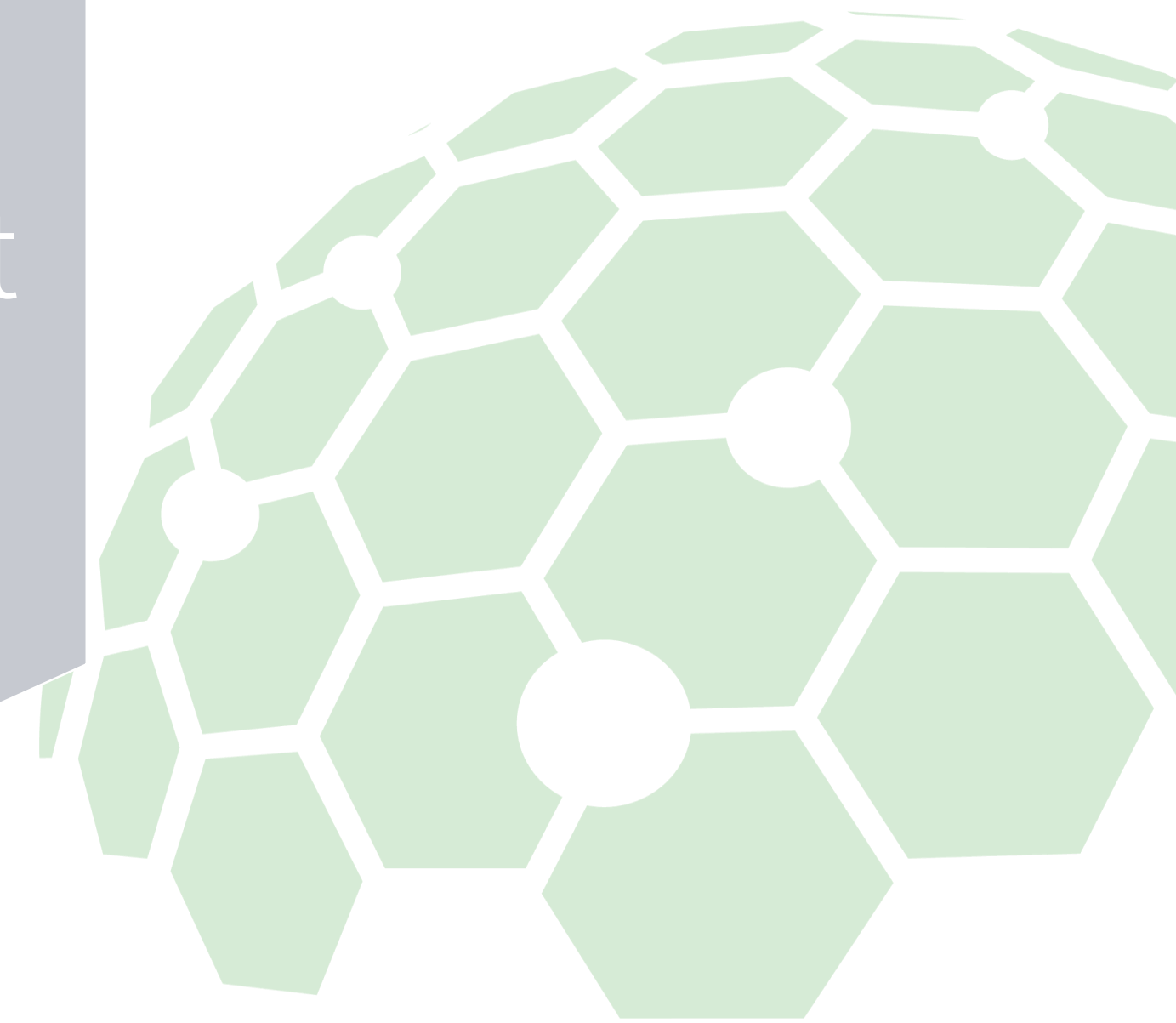
The number of Islamic funds increased by 11% after a slight drop the previous year, however, the total AuM increased by a mere 1.0% indicating that the overall size of funds have not seen a significant increase.

Challenges

Macro-
economic
Challenges

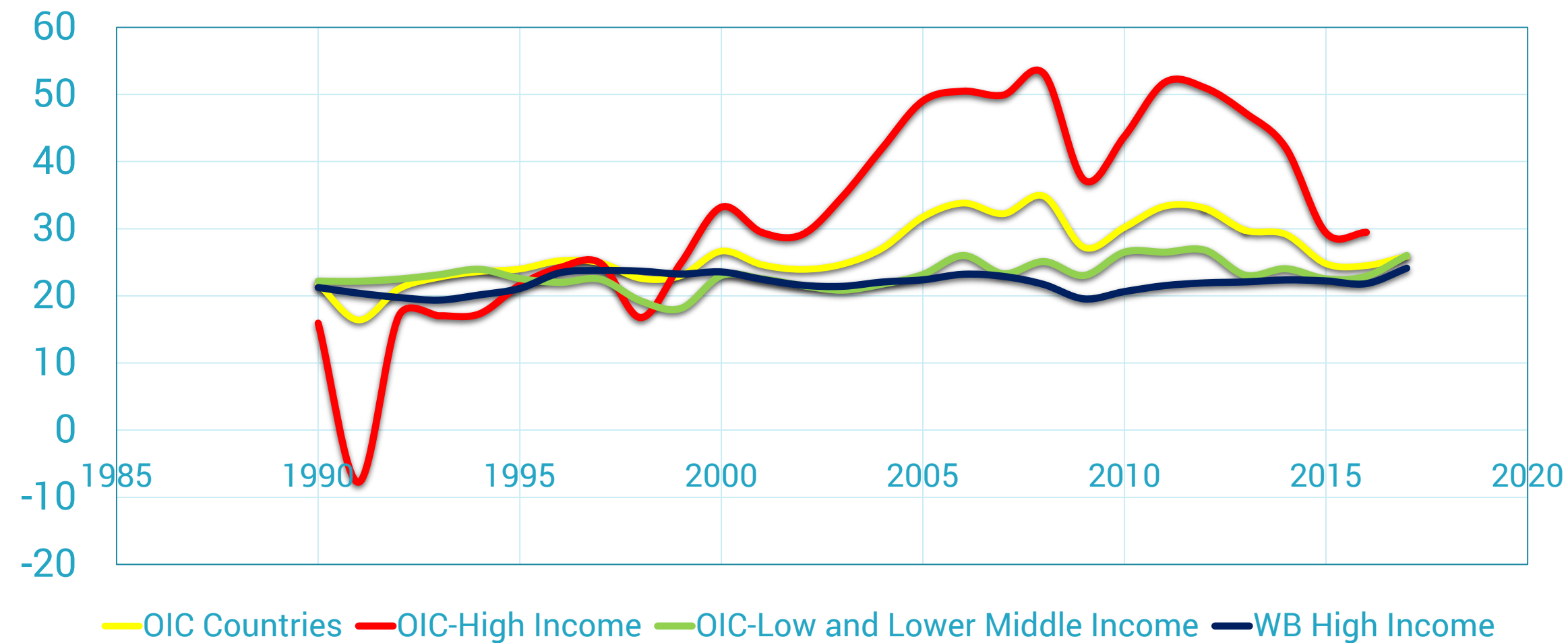
Slow
Progress in
Financial
Engineering

Creating an
Enabling
Environment

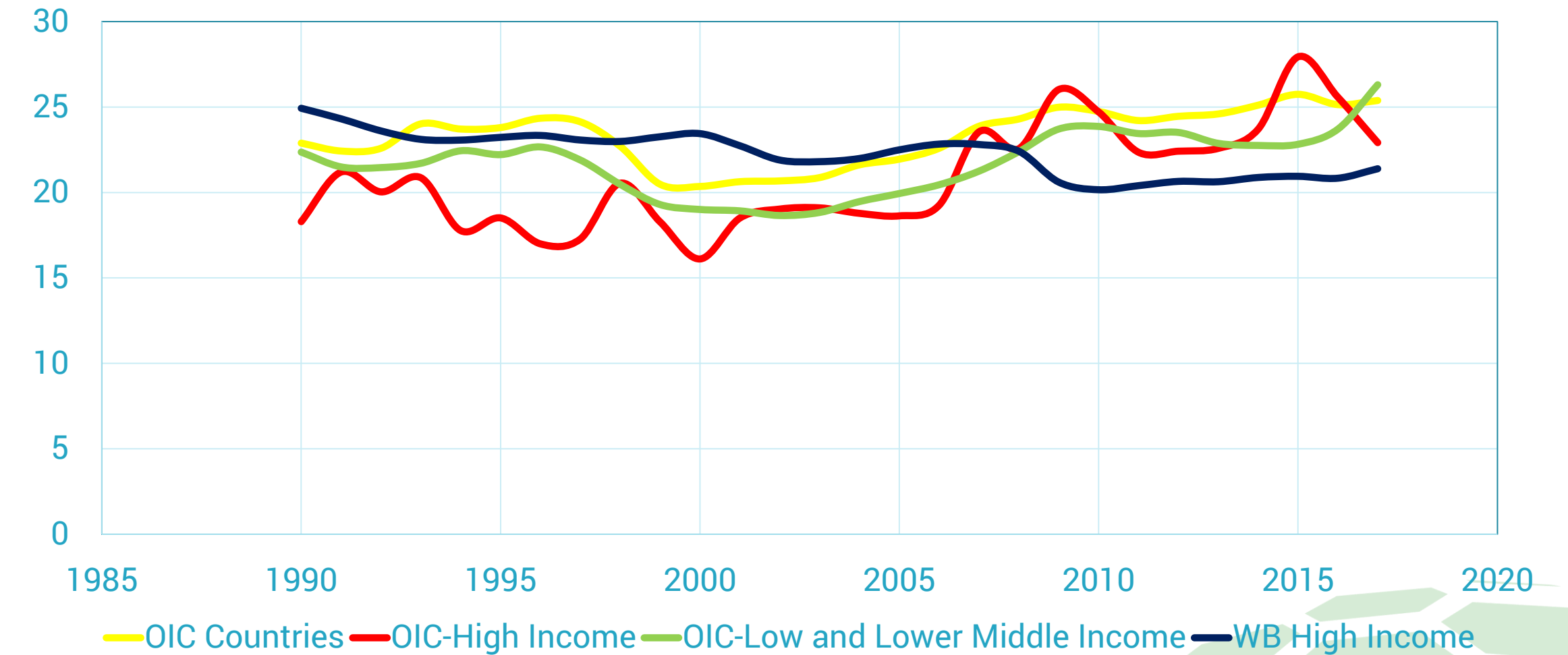


Savings and Market Capitalization

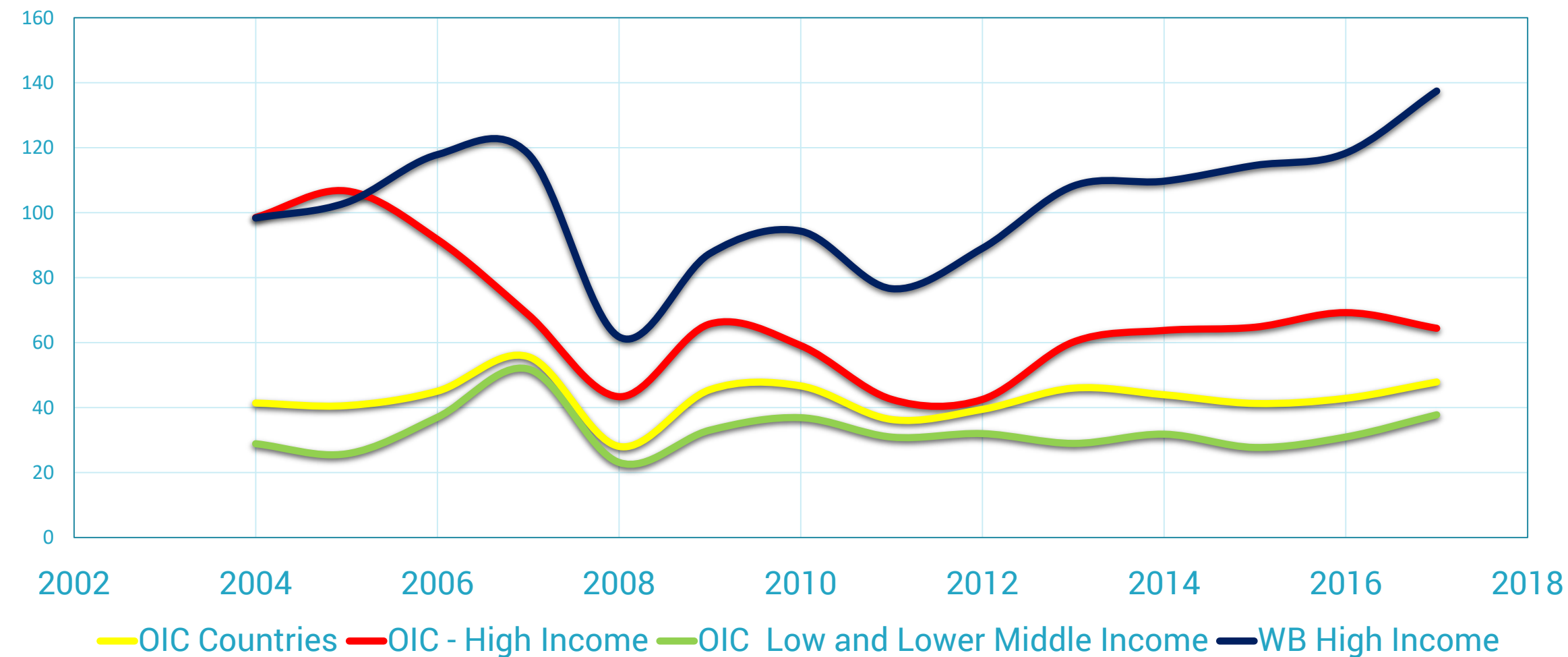
Gross Savings/GDP



Gross Capital Formation (Investment)/GDP



Market Capitalization/GDP

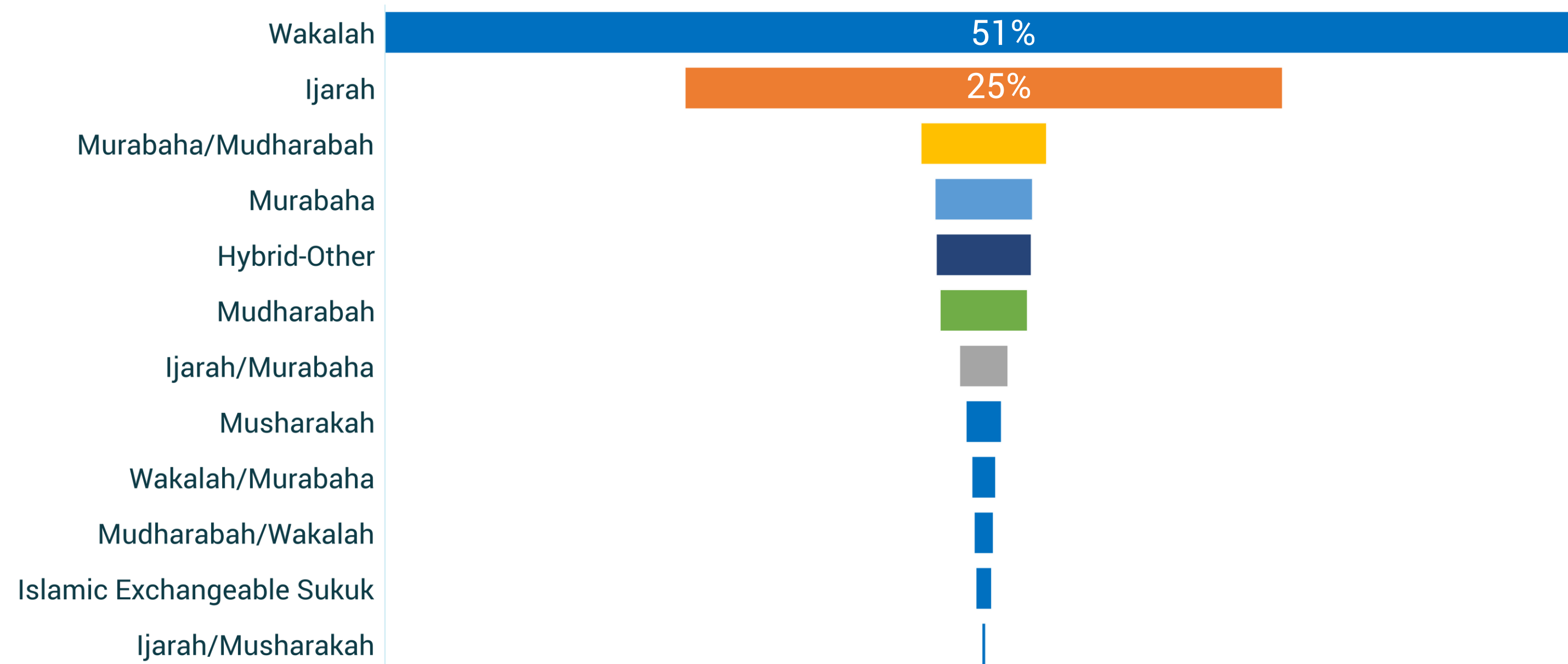


Market capitalization does not translate into capital formation in any income group, including the high-income countries. However, there is a stark difference between the low-income and higher-income groups of countries.

Stock markets in their current form contribute relatively less to economic development than their potential and expectations because of the speculative nature of these markets

Sukuk Structures

Global Sukuk Issuances 2010 - 2018



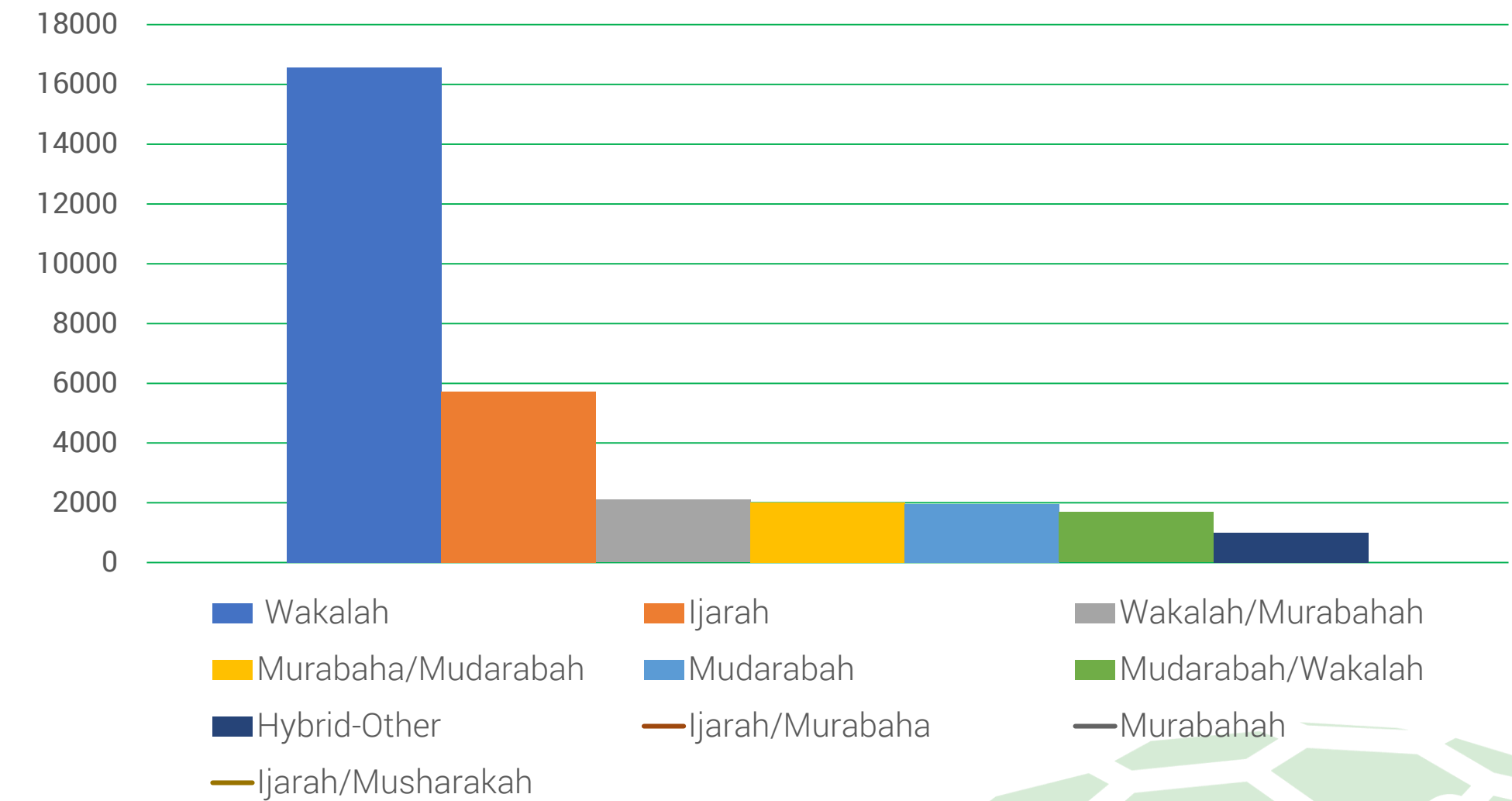
Source: IIFM Database

Sukuk Al Wakalah is the most used structure during 2010-2018 period followed by the Sukuk Al Ijarah. The Sukuk Al Wakalah provides flexibility in structuring and the issue of shortage of available assets is reduced.

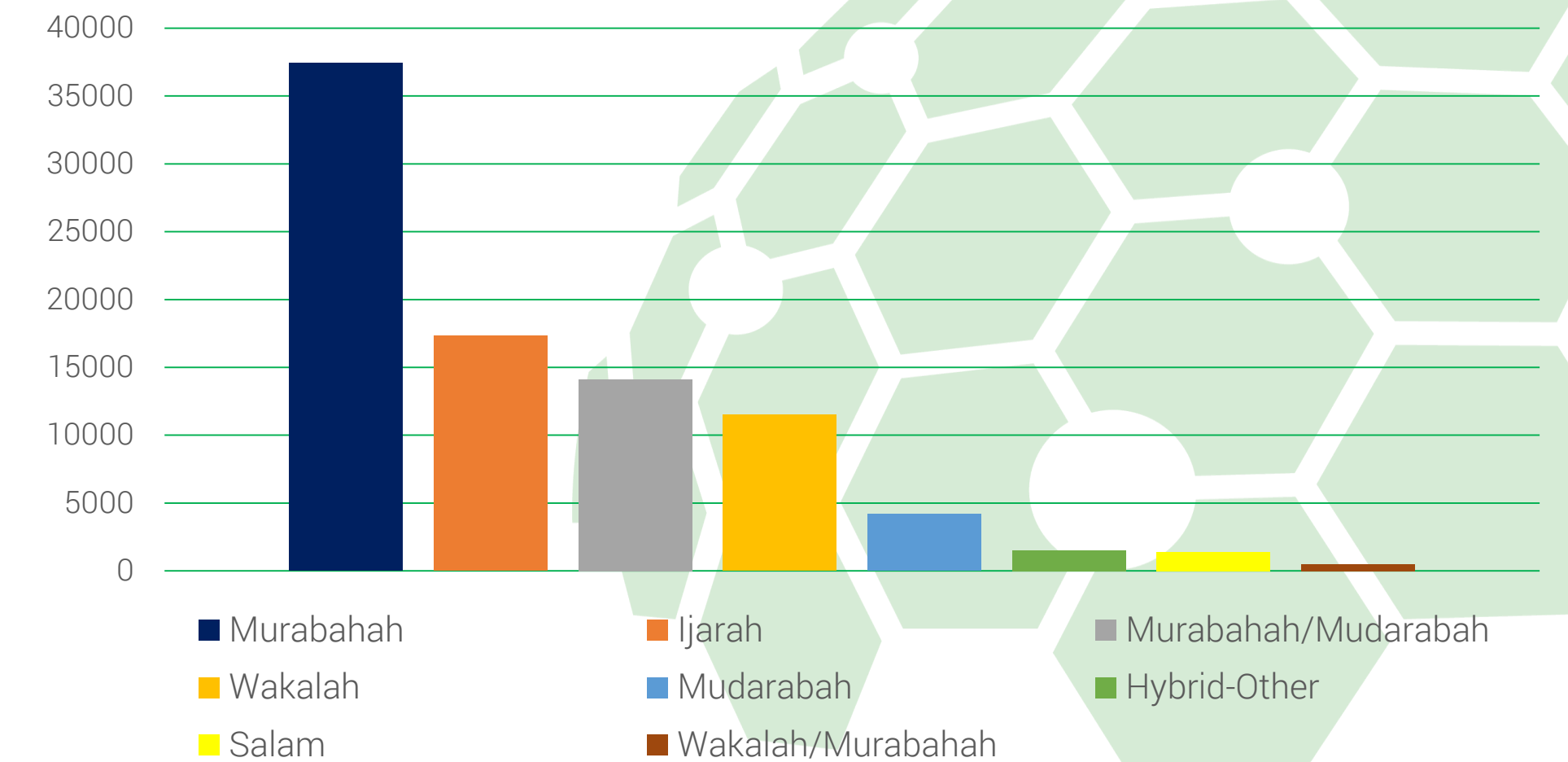
In 2017 the Issuance by Saudi Arabia's 9.00 billion Sukuk led to the introduction of new hybrid structure consisting of Mudarabah and Murabahah.

In the domestic market, Sukuk Al Murabahah has historically been and continues to be the most dominant structure for Sukuk issuance. In 2018 Ijarah, Mudharabah and Wakalah is also part of the structural mix which is desirable from the diversity point of view.

International Sukuk Issuances Jan 2018-Dec 2018

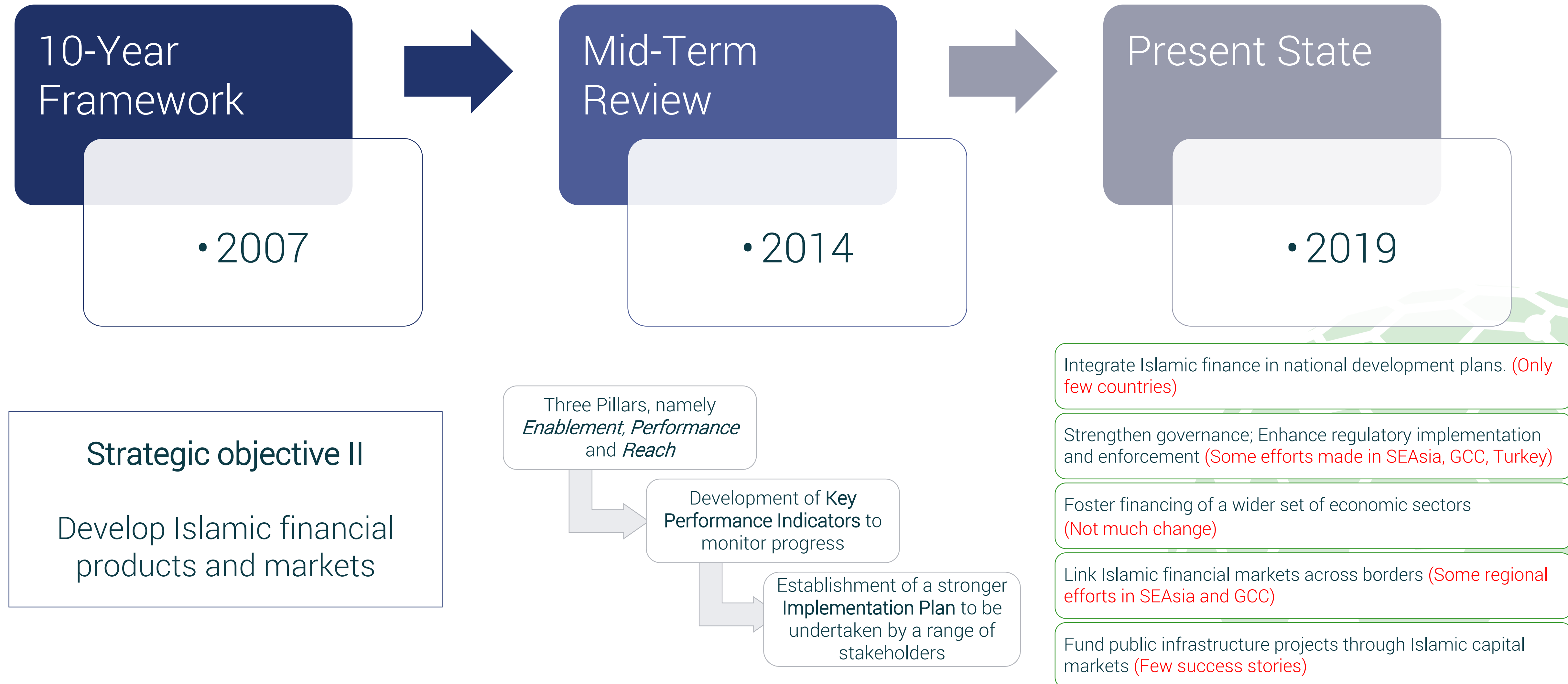


Domestic Sukuk Issuances Jan 2018-Dec 2018



Source: IIFM

Infrastructure Development and Planning



Recommendations by Mid-Term Review

Create More Incentives for risk sharing instruments

Standardize and Harmonize the Approach to Islamic Capital Market Regulation

Develop comprehensive and sophisticated interbank, capital and derivatives market infrastructures for the IFSI

Enhance access by the large majority of the population to financial services

Strengthen Resolution Frameworks and Investor Protection

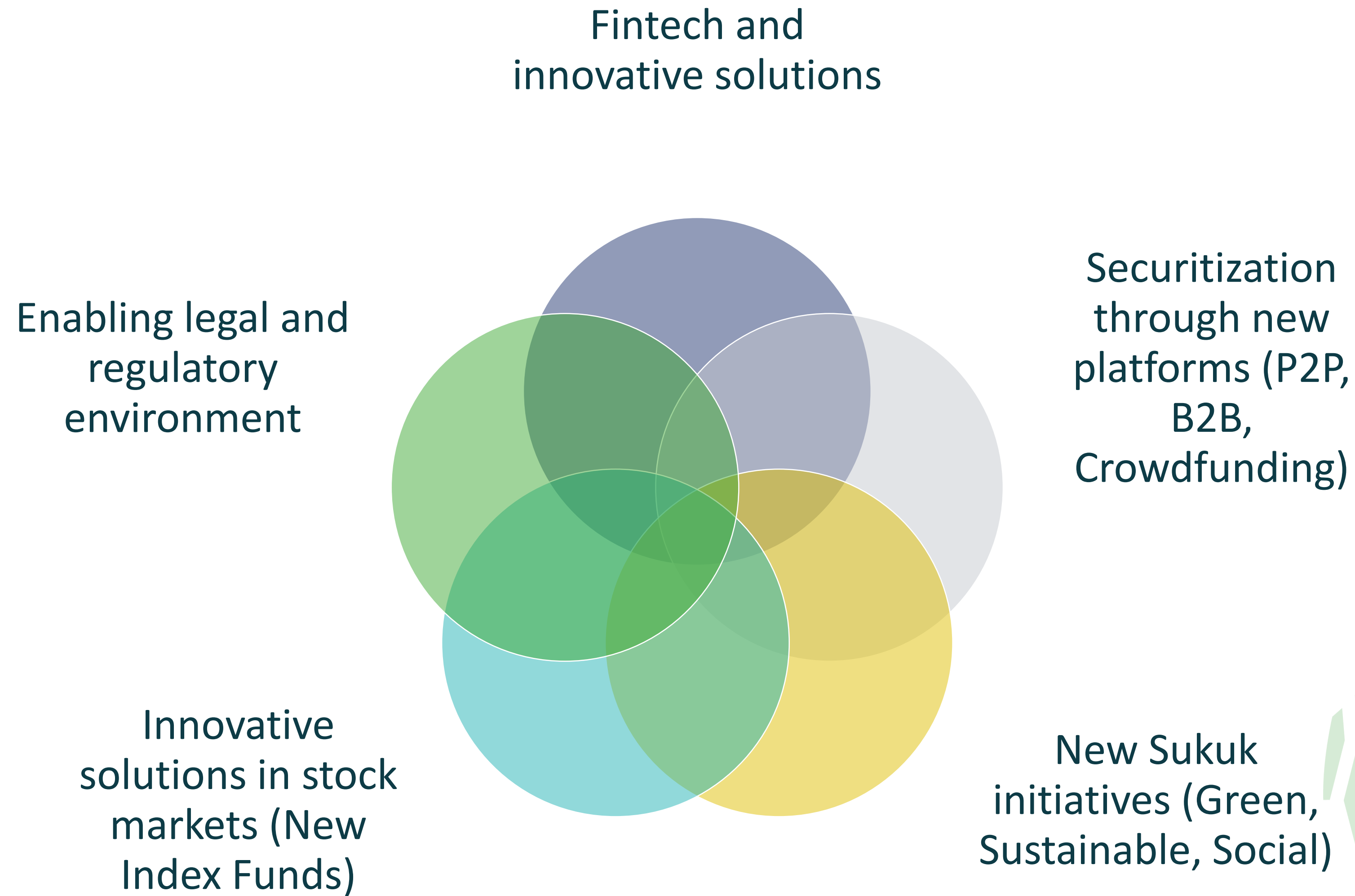
Conduct initiatives and enhance financial linkages to integrate domestic IFSIs with other (domestic, regional and international) financial markets

Improve Shari'ah Governance

Improve Market Liquidity by Addressing the Constraints

Develop the required pool of specialized, competent and high-calibre human capital

Opportunities and Going Forward





THANK YOU