

Ayman M Al-Sayari: 20th anniversary of the Islamic Financial Services Board's establishment

Commemorative speech by Mr Ayman M Al-Sayari, Governor of the Saudi Central Bank, at the 20th anniversary of the Islamic Financial Services Board's establishment, Riyadh, 15 August 2023.

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In the name of Allah, the most merciful and compassionate,

Peace and Blessings be upon the most honorable of prophets and messengers, our Prophet Muhammad, and upon his family and companions,

Your Excellencies, Brothers and Sisters, Honorable Guests,

I am honored to welcome you to the annual meetings of the Islamic Financial Services Board (IFSB) in Riyadh.

I would like to begin by expressing my sincere gratitude to the Secretary-General of the IFSB, the members of the Secretariat, and my colleagues at SAMA for their efforts in organizing this event, which coincides with the 42nd meeting of the Board and the 21st General Assembly. I am also grateful for your presence and participation in this historic occasion.

It is a pleasure and privilege for me to assume the presidency of the IFSB as we celebrate its 20th anniversary. This is a significant milestone for Islamic banking and finance. I would like to commend the IFSB for its constant commitment and tireless efforts to promote and develop the Islamic financial sector.

In 2002, eight founding central banks, including the Saudi Central Bank and the Islamic Development Bank, signed the founding documents of the IFSB. The IFSB began its work in 2003 at its headquarters in Kuala Lumpur, Malaysia. Over the past two decades, the IFSB has remained steadfast in pursuing its vision and implementing its plan to enhance Islamic financial services, and develop and implement global prudential and supervisory standards.

Today, the IFSB has 187 members from 57 countries in various geographic regions. It has issued approximately 40 standards, technical notes, and guiding principles on banking, capital markets, and insurance.

Moreover, the IFSB's annual financial stability report has become a global reference for Islamic financial data and a database for prudential and structural Islamic financial indicators. IFSB has made continuous progress since its inception, serving as a cornerstone for regulatory and supervisory authorities and an important forum for sharing ideas and experiences for all stakeholders in the sector.

SAMA and the IFSB have maintained a strong relationship since the establishment of the IFSB. SAMA has actively participated in the IFSB's committees and working groups, contributing to the development of standards and guidelines for key topics such as risk

management, capital adequacy, liquidity risk, disclosure requirements, and Sharia governance, among others.

SAMA also seeks to collaborate with the IFSB on Islamic finance research. In addition, SAMA has hosted numerous IFSB-organized events, workshops, and training programs aimed at enhancing the skills and knowledge of regulators, market participants, and sector stakeholders.

Furthermore, SAMA looks forward to continuing its relationship with the IFSB, particularly in the context of digital transformation and the qualitative developments in the financial services sector.

The Islamic finance sector has experienced rapid growth, with global assets exceeding USD 3 trillion and an average growth rate of approximately 9.6% over the past three years.

This growth has been accompanied by strong financial stability indicators, including an average capital adequacy ratio of around 19% for Islamic banks, a low non-performing financing ratio of 2.5%, and a return on assets exceeding 14%.

Furthermore, 15 countries now have Islamic banking market shares exceeding 15% of total banking assets, a threshold considered systemically significant by the IFSB. The sector has also demonstrated notable resilience during the COVID-19 pandemic and the subsequent macroeconomic pressures.

However, while the Islamic banking and capital markets sectors have continued to grow, the global Islamic insurance market growth remains low. This underscores the urgent need for further work and efforts to develop this vital sector and establish its presence in the Islamic financial sector.

The Kingdom, with a profound and longstanding relationship with Islamic finance, has the world's largest Islamic finance market, with total assets across various sectors exceeding SAR 3.1 trillion. The Islamic banking sector alone represents approximately 33% of the total assets of Islamic banks worldwide.

The Kingdom is also the largest sovereign issuer of Sukuk in the world, and its cooperative insurance sector recorded the highest global growth rate of nearly 27% in the previous year.

The IFSB, through its vision, objectives, and responsibilities, prioritizes the development of a stable, robust, and dynamic Islamic financial market. At SAMA, we are committed to continuing our relationship with the IFSB in support of these objectives.

In closing,

I would like to thank everyone who has worked hard to make these events possible. I look forward to hearing from the distinguished speakers, representatives of the institutions and individuals who have collaborated with the IFSB since its inception. Their efforts have been crucial to the success of the IFSB and the Islamic finance sector.

Thank you and May Allah bless and grace you all.