

SEC NIGERIA WEBINAR: THE IMPERATIVES OF NON-IN CAPITAL MARKET PRODUCTS FOR PENSION INDUS

27 October 2021



Dr. Bello Lawal Danbatta
Secretary General
Islamic Financial Services Board (IFSB)



IFSB MANDATE

- The IFSB is an International standard-setting body for prudential regulation to ensure the soundness and stability of the Islamic financial services industry, covering Islamic banking, Islamic capital market and *Takāful* sectors

KEY OBJECTIVES

Develop standards for regulation of IFSI & recommend implementation

Produce quality research

Provide guidance on effective supervision and regulation

Facilitate implementation & development of human capital

Establish cooperation with international standard-setting bodies & member countries

Establish a database on Islamic finance

The work of the IFSB complements those of other standard-setters



Collaboration with Other Multilaterals



GLOBAL IFSI ASSETS AS AT Q3-2020



The global IFSI maintained its positive growth by 10.7% growth (y-o-y) with the IFSI's total worth estimated at USD 2.70 trillion.

US\$2.19 Trillion



6.9%



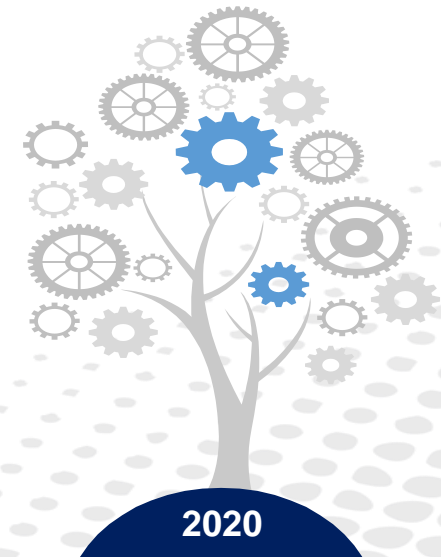
US\$2.44 Trillion



11.4%



US\$2.70 Trillion



Breakdown of the Global IFSI Assets by Segment and Region (USD billion, 2020*)

Region	Islamic Banking Assets	Şukūk Outstanding	Islamic Funds Assets	Takāful Contributions	Total	Share %
GCC	979.7	280.4	46.3	12.3	1,318.7	48.9
South-East Asia (SEA)	258.2	366.4	41.9	4.1	670.6	24.9
Middle East and South Asia (MESA)	499.0	18.9	22.8	5.5	546.2	20.3
Africa	43.1	1.7	1.5	0.6	46.9	1.7
Others	61.8	22.1	31.3	0.6	115.8	4.3
Total	1,841.8	689.5	143.8	23.1	2,698.2	100.0
Share%	68.3	25.6	5.3	0.9	100.0	

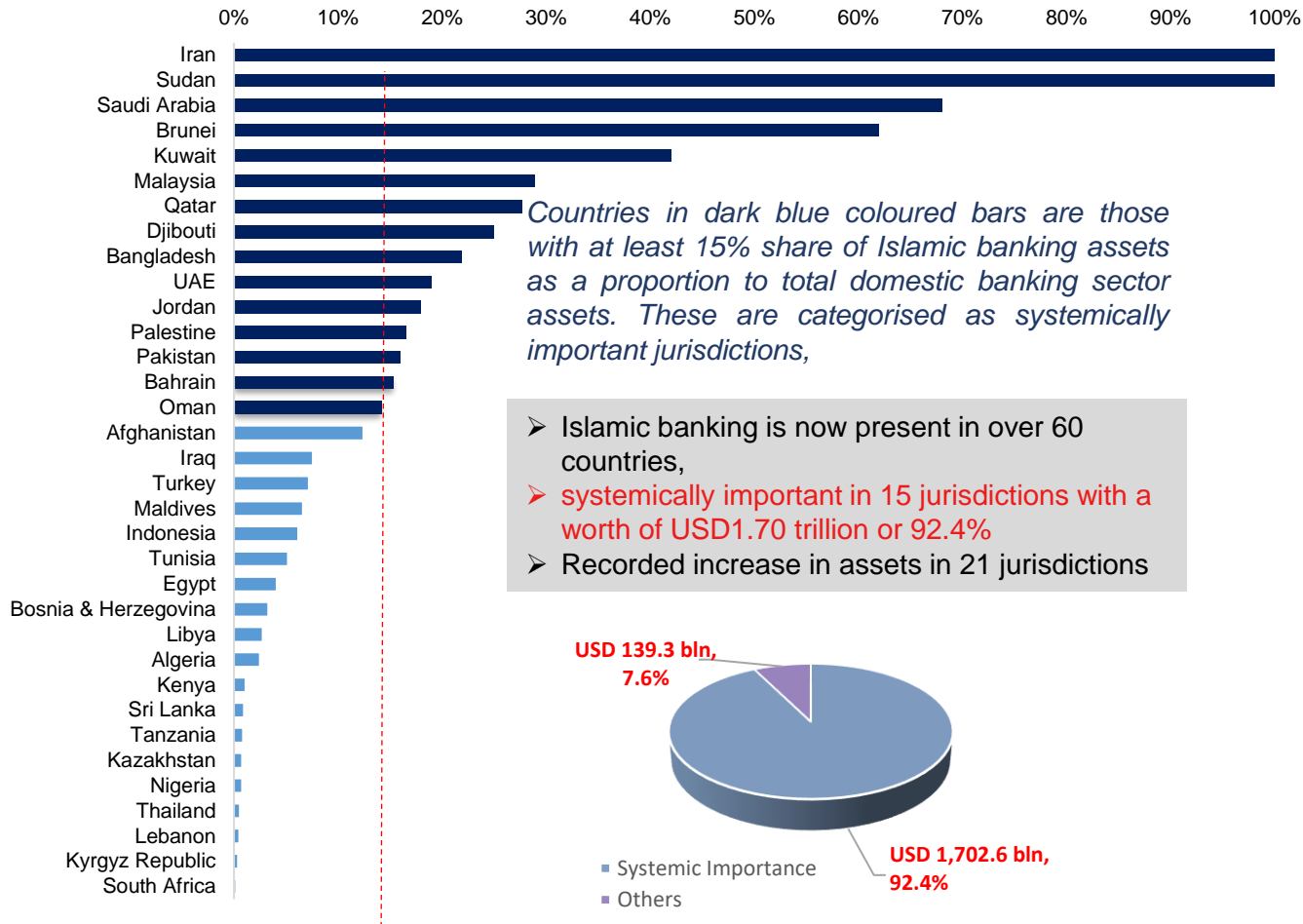
*Data for şukūk outstanding and Islamic funds are for full-year 2020; for Islamic banking, they are as at 3Q20; and for takāful, they are as at end-2019..



ISLAMIC FINANCIAL SERVICES BOARD

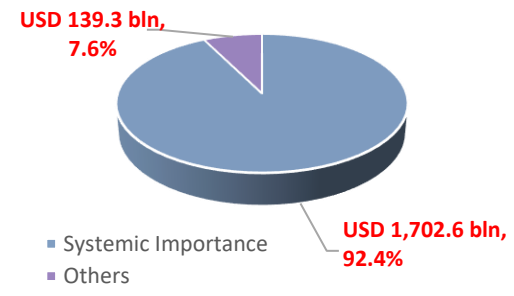
ISLAMIC BANKING ASSETS

Islamic Banking Share in Total Banking Assets by Jurisdiction (3Q20)

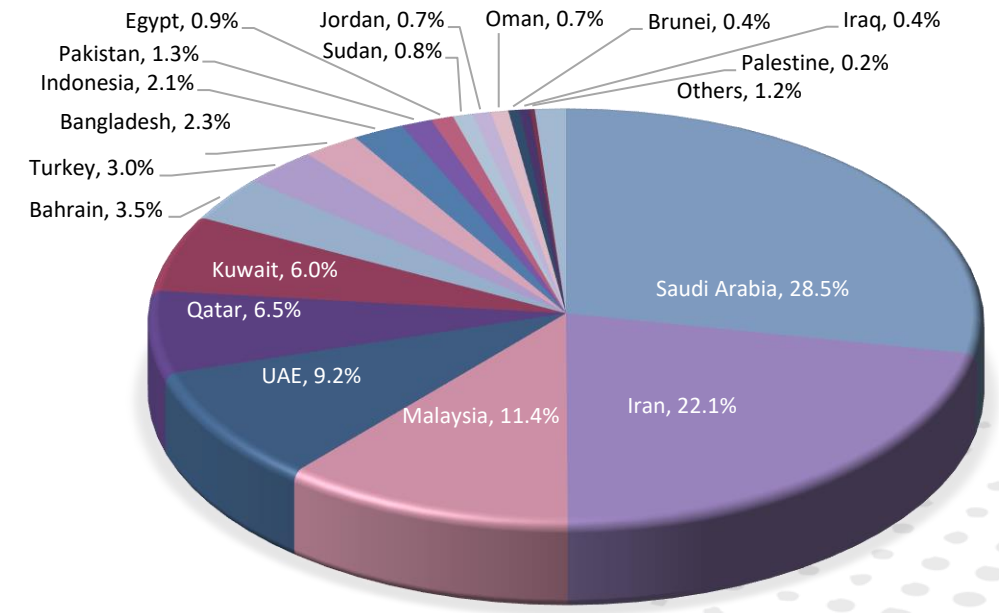


Countries in dark blue coloured bars are those with at least 15% share of Islamic banking assets as a proportion to total domestic banking sector assets. These are categorised as systemically important jurisdictions,

- Islamic banking is now present in over 60 countries,
- systemically important in 15 jurisdictions with a worth of USD1.70 trillion or 92.4%
- Recorded increase in assets in 21 jurisdictions



Shares of Global Islamic Banking Assets* (3Q20)



Top five jurisdictions based on share of global Islamic banking assets are:

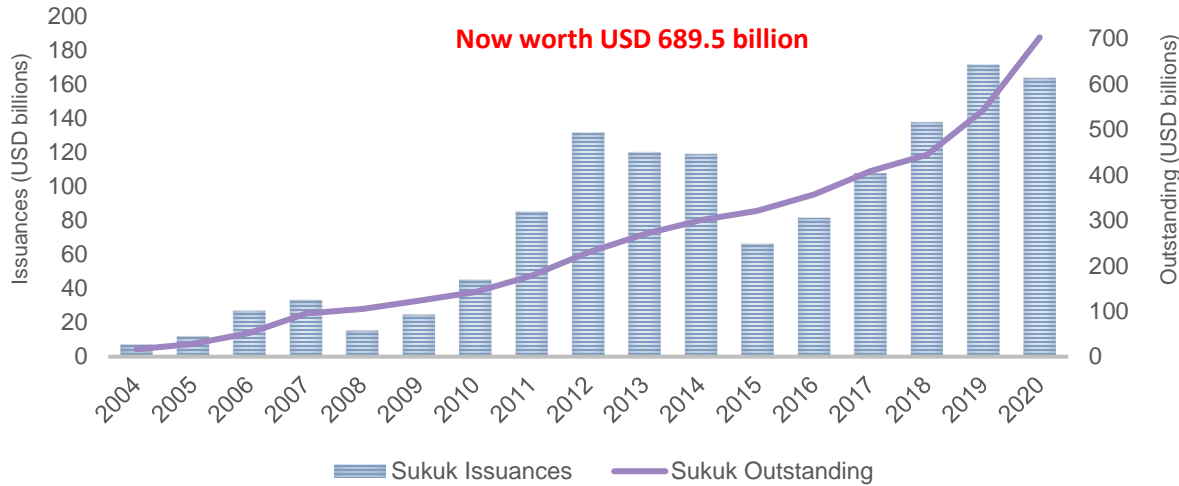
Saudi Arabia 28.5% (3Q19: 24.9%), Iran 22.1% (3Q19 28.6%)
 Malaysia 11.4% (3Q19: 11.1%), UAE 9.2% (3Q19: 8.7%) and Kuwait 6.0% (3Q19: 6.3%)



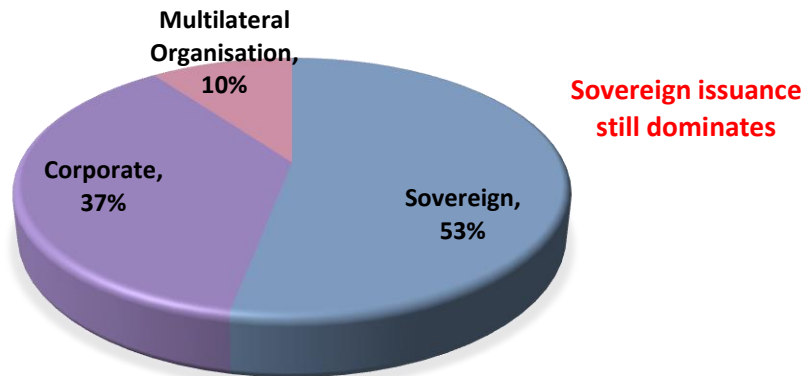
ISLAMIC FINANCIAL SERVICES BOARD

ISLAMIC CAPITAL MARKET STATISTICS: *SUKŪK*

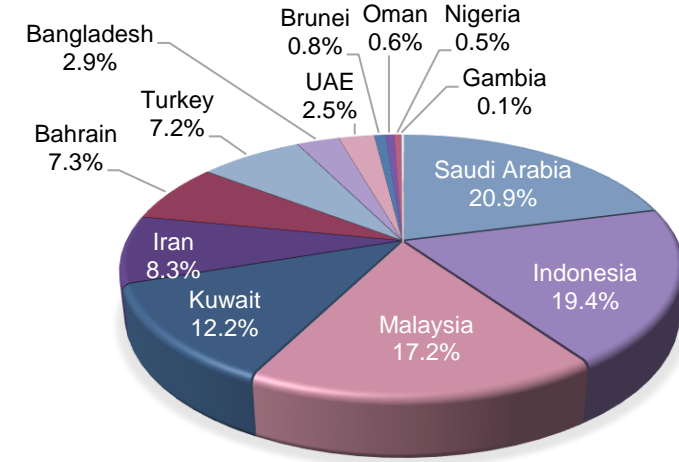
Global *Sukūk* Issuances and *Sukūk* Outstanding Trends (2004–19)



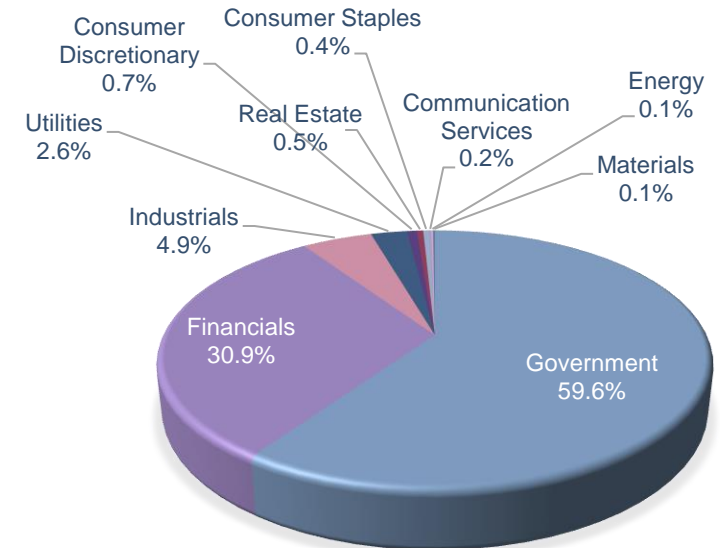
***Sukūk* Issuances by Issuer Type (2020)**



***Sukūk* Issuance by Jurisdiction of Originator (2020)**



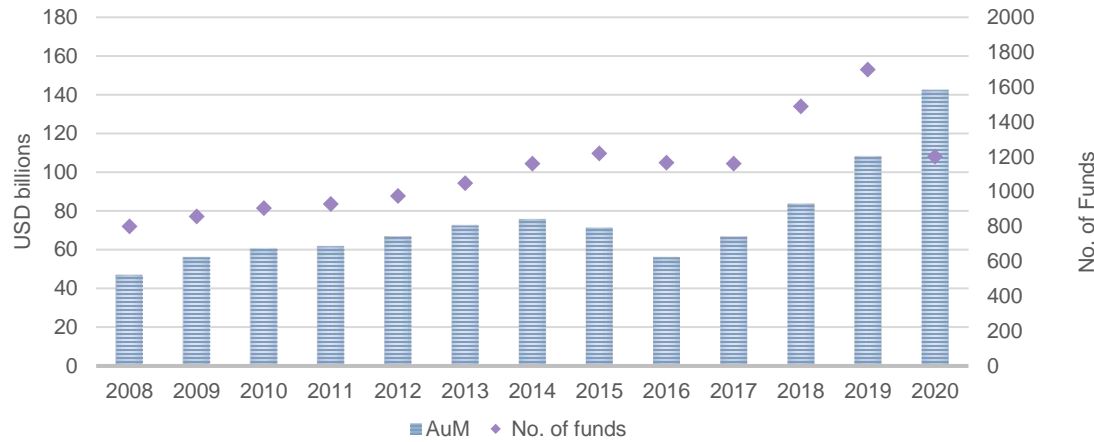
Global *Sukūk* Issuances by Sector (2020)



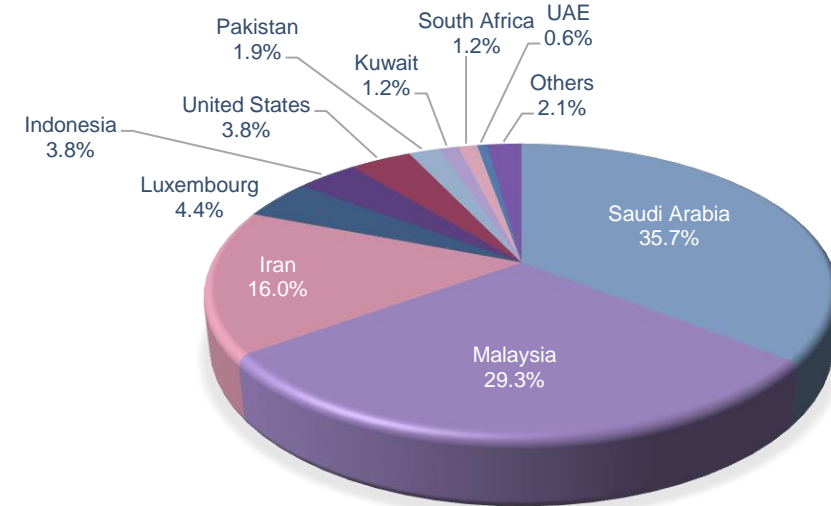
ISLAMIC CAPITAL MARKET : ISLAMIC FUNDS

The distribution of Islamic funds still remains concentrated in FIVE jurisdictions which account for about 90% of the total Islamic funds' AuM in 2019 [2018: 85%].

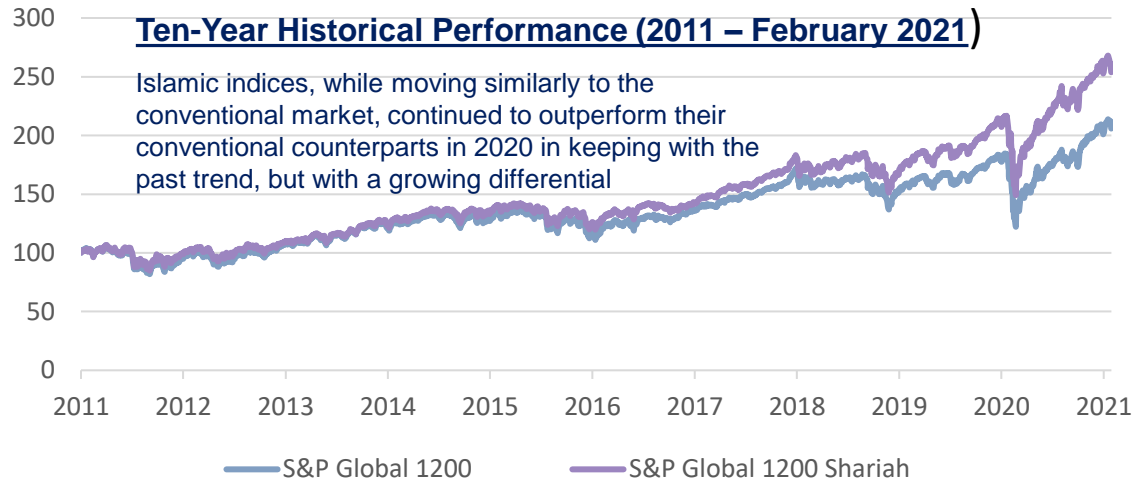
Growth in Assets under Management and Number of Islamic Funds (2008–20)



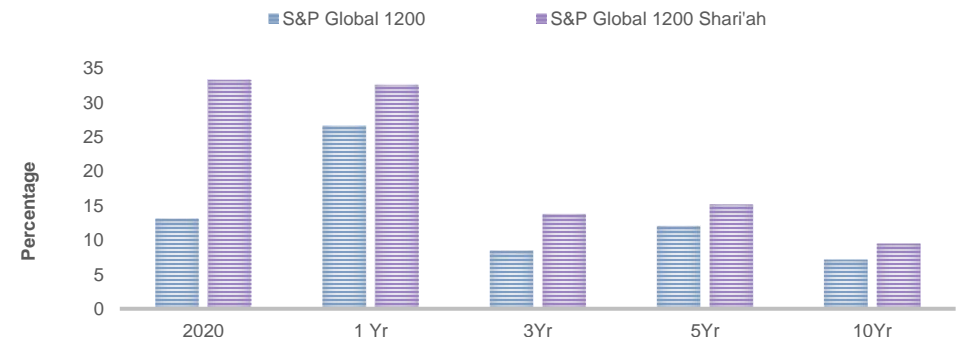
Islamic Fund Assets by Domicile (2020)



Ten-Year Historical Performance (2011 – February 2021)



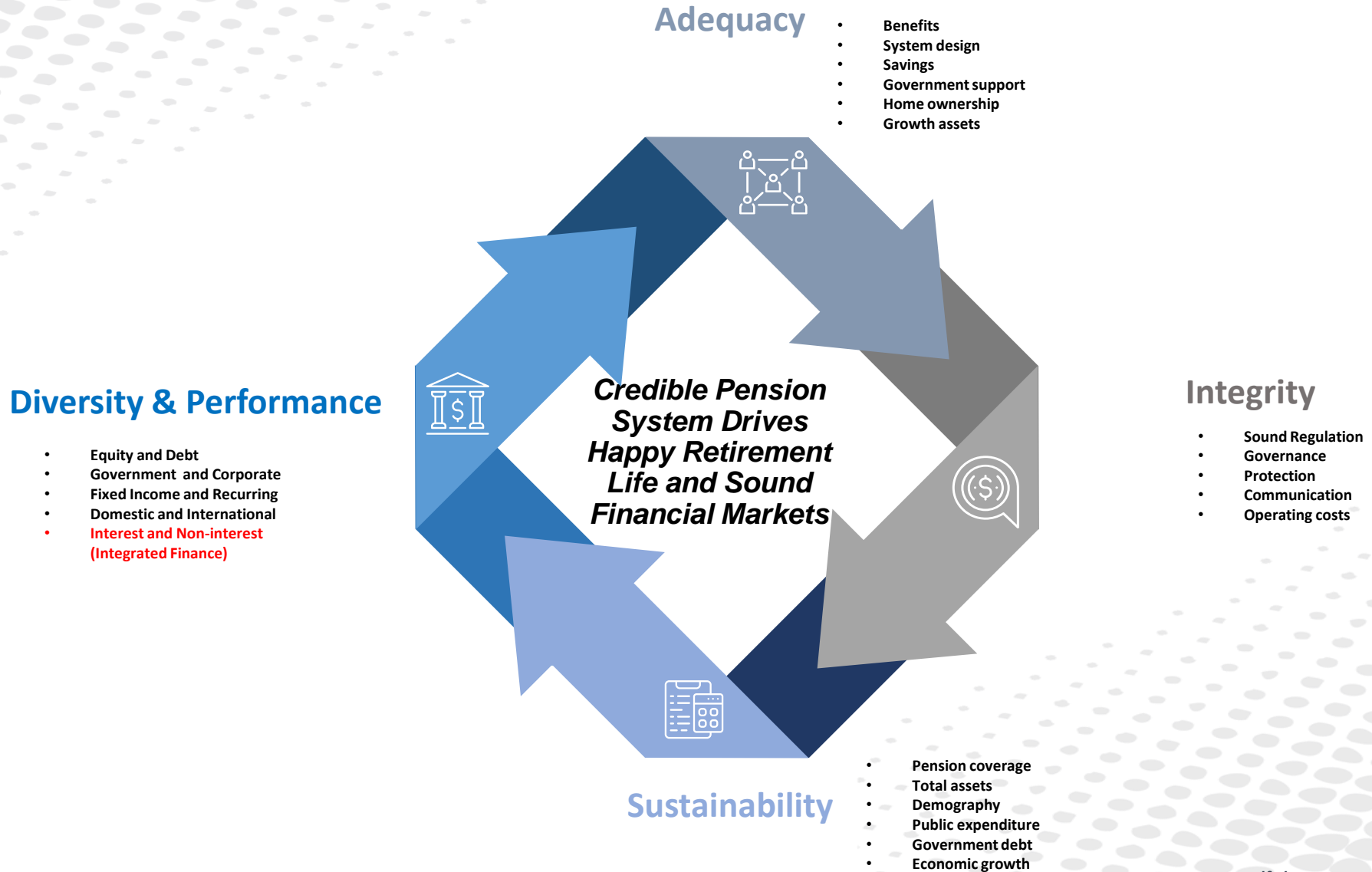
FinTech Firms in the ICM by Type





ISLAMIC FINANCIAL SERVICES BOARD

IMPERATIVES OF CREDIBLE PENSION SYSTEM



WHY NON-INTEREST CM PRODUCTS?



Diversification of Pension Portfolio

Sukuk is only 0.69% of the total Pension Assets Portfolio as at 31 March 2021 in Nigeria.

Value of quoted investment reduced by N12.58billion due to depreciation in stock prices *(source: Q1 Pencom Report 31 March 2021)*



Inherent Features and Safeguards of Non-Interest (Islamic Finance) Products

Shari'ah compliance and non-diversion of funds are key features of Non-interest Products.



Inclusiveness and Diversity Management

Managing diversity of expectations and needs in multiracial and multireligious society in order to achieve inclusiveness. UK pension system is currently losing 14.8 billion of potential contributions/asset from among the Muslims working in the UK.



Flexibility of returns/performance over time

Payments are tied to underlying returns of assets rather than to fixed schedules



Integrated Financial System

Non-interest (Islamic) Finance is no longer a niche or alternative but complimentary

COMMENDABLE INITIATIVES



Digitalization, Global Pension Index and Integrating non-interest capital market products is now a global benchmarks race and best practices for pension industry's excellence.



PENCOM's Guidelines effective February 2019 to allow FUND VI has driven pension Assets growth and portfolio diversification in Nigeria, a great milestone.



SEC Nigeria's non-interest capital market master plan implementation, robust licensing requirement/regulatory framework and committed leadership has made FUND VI and NSE 40 initiatives possible in Nigeria.



NSE 40 Index (Islamic Equity Index) initiatives by Nigerian Stock Exchange.

THANK YOU