

Keynote Address

H. E. Tahir Salim Al Amri

Executive President
Central Bank of Oman

**IIFM Awareness Seminar on Islamic
Finance**

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بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

Dear Brother **Khalid Hamad Abdulrahman Hamad**, Executive Director, Central Bank of Bahrain

Dear Brother **Ijlal Ahmed Alvi**, Chief Executive, International Islamic Financial Market

Dear Brother **Ali Hassan Moosa**, Chief Executive Officer, Oman Banks Association

Excellencies, Distinguished guests, Ladies and Gentlemen!

السلام عليكم ورحمة الله وبركاته

A very good morning to all of you!

I am indeed quite pleased to be here and deliver Keynote Address at this *Awareness Seminar on Islamic Finance*, which is being organised by IIFM and hosted by OBA in this beautiful city of Muscat. Central Bank of Oman is very happy to support this initiative which, I believe, will help the delegates to further appreciate valuable standard setting and awareness building work being undertaken by IIFM on the standardized documentation of Islamic products and other standards related to wholesale business of Islamic finance institutions. Mr. Alvi visited my office in February 2019 where we discussed the possibility of organizing an awareness event in Oman and I am really glad to see that in a span of few months, this event has become a reality, for which all the relevant parties deserve my deepest appreciation.

Excellencies, Ladies and Gentlemen!

Since its launch in 2012, Islamic banking sector in Oman has become a key components of national financial sector. With eight players - two full-fledged Islamic banks and six Islamic banking windows – this sector has already achieved 13.4% market share in terms of total assets at the end of June 2019, with total assets of over RO 4.59 billion (USD 11.92 billion).

These substantial gains correspond to double digit growth of Islamic banking sector in Oman, an average year-on-year growth rate of about 13.43%. The latest IFSB Stability Report 2019, issued a few weeks ago, highlights that Oman's Islamic banking sector is now amongst the 15 largest in the world in terms of total assets. Islamic banking sector in Oman has been able to significantly improve its profitability during the year 2018 with a profitability of over RO 34 Million, a growth of over 76% from the previous year.

With the growing size and significance of this sector, CBO is taking further steps to strengthen financial infrastructure as well as legal and regulatory framework for Islamic banking industry. I will briefly mention few such initiatives:

1. As a part of review exercise of Oman's Banking Law, we are contemplating several amendments to strengthen the provisions related to Islamic banking sector;
2. We are coordinating with concerned authorities for the review of amendments in the Bank Deposits Insurance Scheme Law which will pave the way for the formal introduction of Shari'ah compliant Deposits Insurance Scheme in Oman. This scheme has already been vetted by our High Shari'a Supervisory Authority; and
3. Only a few weeks ago, High Shari'a Supervisory Authority has also reviewed and approved a number of liquidity management products that CBO will offer to Islamic banking industry. These products cover all key aspects of liquidity management support by the Central Bank such as Shari'a compliant standing liquidity and lender of last resort facility in various tenors, remunerative deposits and issuance of short term Sukuk on a regular basis. We are now internally working on finalizing the operational details of these products, after which they will be introduced in the market.

Excellencies, Ladies and Gentlemen!

Apart from taking these initiatives to strengthen local Islamic banking market, CBO is also reinforcing our coordination with global bodies involved in promoting Islamic finance. We have hosted five working group meetings of Islamic Financial Services Board (IFSB) in June/July 2019. Similarly, we are glad to welcome IIFM for this seminar. We are also finalizing the arrangements for a four-day IFSB training workshop in Oman in a few weeks' time. With this support and coordination, CBO stands committed to the promotion of Islamic financial services industry at the regional and international level.

I also want to appreciate the role IIFM is playing for strengthening Islamic financial services industry through its standardization, documentation and market awareness initiatives. While these initiatives have direct relevance for the market players in this fast growing industry, its documentation standards are also a useful source of reference for the central banks and supervisory authorities in conducting monetary operations with Islamic financial institutions as well as supporting industry-level initiatives to enhance the standardization in interbank and money market transactions. I believe that your standards on documentation for Ijarah and Mudarabah Sukuk will not only benefit corporate issuers but also directly benefit Islamic banks that generate their most of Additional Tier 1 and Tier 2 capital through Mudarabah Sukuk. I also notice with interest regular issuance of Annual Sukuk Report by IIFM which is one of the most comprehensive publication on this subject globally, with numerous case studies and practical insights.

The programme of this Awareness Seminar covers a broad range of issues on which IIFM has been working, which include: Sukuk, Islamic liquidity management, Shari'a compliant hedging, benchmarks and takaful sector. As all these issues are quite pertinent to various players of Islamic finance industry, I am confident that you will greatly benefit from the deliberations during the today's Seminar.

With these remarks, I wish you a very productive day which not only offers deep insights and intellectual fulfilment but also helps to further harmonise and strengthen the operations of Islamic finance sector in Oman and globally.

Thank you and والسلام عليكم ورحمة الله وبركاته