



## Press release

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### **Joint International Association of Deposit Insurers (IADI), Islamic Financial Services Board (IFSB), and Arab Monetary Fund (AMF) Webinar on the Core Principles for Effective Islamic Deposit Insurance Systems**

The International Association of Deposit Insurers, the Islamic Financial Services Board and the Arab Monetary Fund hosted a joint webinar on the Core Principles for Effective Islamic Deposit Insurance Systems (CPIDIS). The webinar promoted understanding of the key elements of the CPIDIS and how they reflect issues specific to Islamic banking. The Islamic Financial Services Industry (IFSI) has developed in recent years and spread beyond Muslim-majority economies to other emerging markets and advanced economies, bringing new products and services. As such, the IFSI has gained significant market share and has become a relevant element of the financial system in many jurisdictions, raising a number of challenges for them and their financial safety net.

An Islamic Deposit Insurance System (IDIS) has the potential to promote stability and resilience in the IFSI by enhancing depositor confidence. The IADI-IFSB Core Principles for Effective Islamic Deposit Insurance Systems (CPIDIS), building upon the existing IADI Core Principles for Effective Deposit Insurance Systems, are meant to:

- serve as a benchmark international framework to facilitate the development and implementation of an effective IDIS;
- enable existing IDIS to identify best-practice gaps in their current systems; and
- facilitate an independent, third party or self-assessment of the compliance with the CPIDIS.

The joint webinar also provided a platform for IADI, IFSB, and AMF to collaborate and strengthen relations for the benefit of their combined membership.

David Walker, Secretary General of IADI, delivered the Welcome Speech. Subsequently, Dr. Bello Lawal Danbatta, Secretary General of IFSB, and Dr. Abdulrahman A. Al Hamidy, Director General Chairman of the Board of AMF delivered Opening Remarks. This was followed by presentations on salient features of the Core Principles for Effective Islamic Deposit Insurance, Sharia'h governance, and Sharia'h issues. David Walker delivered closing remarks.

Mr. David Walker indicated that IADI and IFSB signed a historic memorandum of understanding, in recognition of a common interest in promoting the sound and stable development of global financial systems, and this provided the basis for the process of jointly developing the CPIDIS. Mr Walker added that, due to the significance and development of Islamic finance in most jurisdictions, it is now the time for jurisdictions that have Islamic finance to consider the introduction of Islamic Deposit Insurance Systems.

Dr. Bello Lawal Danbatta highlighted that providing protection to depositors' funds through a credible Islamic deposit Insurance scheme is one of the major challenges for maintaining depositor confidence in the global Islamic financial services industry. Dr. Bello pointed out that the CPIDIS are expected to complement existing international standards, particularly the revised IADI Core Principles for Effective Deposit Insurance Systems. He also highlighted that the CPIDIS are intended to provide a benchmark for national authorities to assess and establish effective Islamic deposit insurance practices in their respective jurisdictions along with any supplementary measures deemed necessary to address specificities of each jurisdiction related to Islamic deposit insurance.

Dr. Abdulrahman A. Al Hamidy advised that the AMF is pleased to work with IADI and IFSB for such an important event and indicated that he looked forward to continuous cooperation in areas of common interest and important for the supervisory institutions and the industry at large in the AMF region. Dr. Al Hamidy highlighted that, following the lessons learned from the global financial crisis of 2007, financial authorities agreed on the need to create resolution systems that provide a set of tools, including deposit insurance, to enable them to intervene early and quickly to resolve failed financial institutions. This ensures the continuity of the financial system functions while minimizing the impact on the economy.

The remaining presentations highlighted the uniqueness of Islamic Banking and the need to comply with Shari'ah principles, as well as the challenges in implementation of Islamic deposit insurance systems and the specificities of Islamic banks and Shari'ah governance requirements leading to the need to develop a set of Core Principles to address these issues. In total, 12 CPs from the original IADI Core Principles for Effective Deposit Insurance Systems were adjusted to align the CPIDIS with Sharia rules and principles. A new Core Principle on Shari'ah Governance was introduced. This new Core Principle emphasizes that the Islamic deposit insurance system should have in place a comprehensive and properly functioning Shari'ah governance system.

The webinar was attended by 222 participants from the Financial Stability Task Force in Arab Countries, the Arab Committee on Banking Supervision, IADI, IFSB, and AMF Members, highlighting the importance of deposit insurance systems in contributing to financial stability.

David Walker  
IADI Secretary General

Dr. Bello Lawal Danbatta  
IFSB Secretary General

Dr. Abdulrahman A. Al Hamidy  
AMF Director General  
Chairman of the Board

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The International Association of Deposit Insurers (IADI) was formed in May 2002 to enhance the effectiveness of deposit insurance systems by promoting guidance and international cooperation. Members of IADI conduct research and produce guidance for the benefit of those jurisdictions seeking

to establish or improve a deposit insurance system. Members also share their knowledge and expertise through participation in international conferences and other forums. IADI currently represents 85 deposit insurers. IADI is a non-profit organisation constituted under Swiss Law and is domiciled at the Bank for International Settlements in Basel, Switzerland.

The IFSB is an international standard-setting organisation, which was officially inaugurated on 3 November 2002 and started operations on 10 March 2003. The organisation promotes and enhances the soundness and stability of the Islamic financial services industry by issuing global prudential standards and guiding principles for the industry, broadly defined to include the banking, capital markets and insurance sectors.

Arab Monetary Fund is a Regional Arab Organisation, Founded in 1976, and has started operations in 1977 and aims to be the closest partner for the Arab countries in their interactions with changes, to strengthen economic, financial and monetary stability, and development process.