

AAOIFI

هيئة المحاسبة والمراجعة
للمؤسسات المالية الإسلامية

ACCOUNTING AND AUDITING ORGANIZATION
FOR ISLAMIC FINANCIAL INSTITUTIONS



► **2017**
Outstanding
Year of
Excellence &
Achievements

أَيُّوْفِي



Key Activities and Achievements

1 January - 31 December 2017

AAOIFI

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MESSAGE OF H.E. THE CHAIRMAN OF THE BOARD OF TRUSTEES



**Ebrahim Bin Khalifa
Al Khalifa**

Chairman of the Board of Trustees

Praise be to Allah and prayers and peace be upon our Prophet Muhammad and his noble household and companions.

There is no doubt that the great role of The Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and the great trust that the Islamic financial industry worldwide places on AAOIFI as the leading non-profit international organization and standards setter for the industry in the areas of accounting, auditing, governance and ethics in addition to Shari'ah standards. This is a substantial responsibility and great trust that we always appreciate and take very much seriously. Hence, we strive to continuously develop our performance to achieve the satisfaction of Allah first and then to be worthy of the great trust and expectations placed on us.

That is said, 2017 was a year of great achievement and breakthroughs which would not have been possible without Allah's grace and the great

support provided by my brothers in the Board of Trustees, all member institutions, and the pivotal technical role assumed and delivered on by the Shari'ah Board, Accounting Board, and Governance and Ethics Board and their working groups and committees, as well as the team of AAOIFI Secretariat, and all industry active stakeholders.

Therefore, it is our pleasure to present you with this imperative report which reflects part of the great historic moves and leaps that AAOIFI has achieved and its enriching contributions that will hopefully impact the broader Islamic financial industry around the world.

Yours Sincerely

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MESSAGE OF THE SECRETARY GENERAL

Praise be to Allah alone, and prayers and peace upon Prophet Mohammad.

The years are not measured up by the number of individual days but rather by the amount of achievements, outcomes and impact. The same also holds true for people.

Dear stakeholder, the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) would like to put forth herewith the harvest of a year characterized by your support and faithful dedication.

It was a distinguished year in terms of its achievements and impact.

In this report, you will find the fruitful outcomes of your efforts, support and contributions, translated into self-explanatory figures which tell you much more than well-drafted forewords or verse-like introductions.

AAOIFI has always been in self-competition for the sake of the industry because it always strives to live up to the trust placed by all stakeholders, as well as their expectations and aspirations.

Since inception, long time back, the year 2017 over the course of AAOIFI's life witnessed a great deal of activities and work.

The achievements of AAOIFI are so many so

it is difficult to refer to some of them in this short speech, but it is enough to point out that the three standards issuing technical boards, their committees and working groups have set to work in a global institutional framework of high quality and with great momentum. This is illustrated in the number of their meetings which amounted to a meeting every three days. It might be satisfactory enough to inform you of the remarkable development introduced by AAOIFI- i.e., the free access to the digital format of its Shari'ah standards which are now available for downloading, saving, printing, etc, free of charge. Also, this distinct year has witnessed the completion of three translation projects into different languages (French, Russian and Urdu) and the start and completion of three other translation projects (Chinese, translation of Shari'ah standards into Turkish and translation of accounting standards into Turkish).

During this year alone, 12 institutions joined AAOIFI as members, including a number of the key central banks and regulatory and supervisory authorities.

The Islamic finance industry has been and is still true to its stance as it has received this achievement with a heartfelt welcome and appreciation, and it is no wonder that the achievements of AAOIFI are officially lauded and well received by heads of states as well as



Dr. Hamed Merah
Secretary General

senior officials, governors of central bankers and others.

AAOIFI is rightly a source of pride for this nation, one of the manifestations of its deep-rooted civilization and a source of good deeds with a global outreach.

Before concluding, I would like to firstly praise Allah and then secondly extend thanks to those who made this success a reality, including the Board of Trustees, all the technical boards and their working groups and subcommittees, my brothers and sisters in AAOIFI's team, all member institutions and other people and institutions in this blessed industry.

May Allah bless you all.

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Executive Summary

This report contains a summary of the most important achievements made by AAOIFI and its latest developments and activities during 2017 divided into four main sections as follows:

First: Standards Development and Technical Efforts

The three technical boards (the Shari'ah Board, the Accounting Board and the Governance and Ethics Board), their committees, the working groups and the public hearings held the following meetings and sessions during this period:

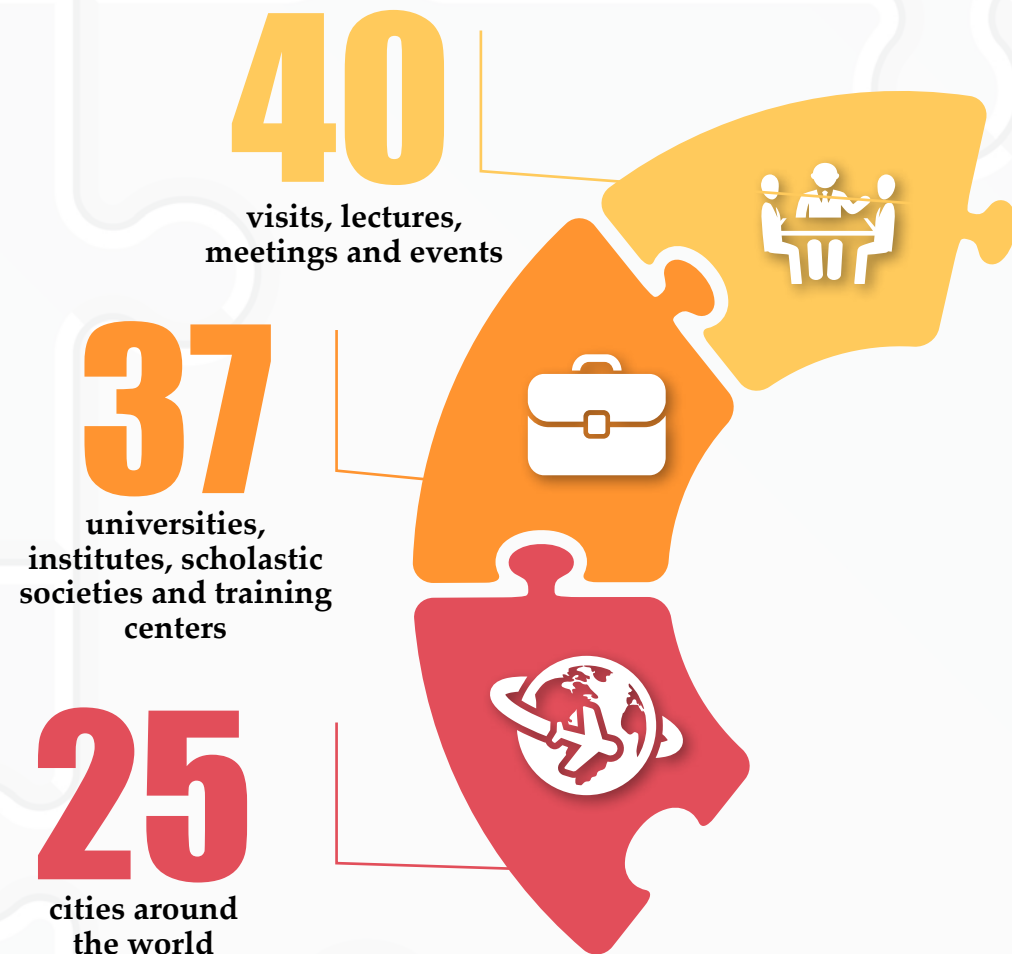


Second: Professional Development

1. About **30** exam centers have been contracted with and approved in **22** countries around the world.
2. the curricula of the Certified Islamic Professional Accountant (CIPA CIPA) was officially inaugurated in **1600** pages distributed on four books and the first exams were conducted in their new format.
3. Launching of the project of translating the Curricula of the Certified Islamic Professional Accountant (CIPA) from English to Arabic
4. Implementing a promotional campaign for Fellowship of the Certified Islamic Professional Accountant (CIPA) in a number of Islamic universities, banks and financial institutions
5. Initiation of the comprehensive development project for the Certified Shari'ah Advisor and Auditor" (CSAA), and the completion of the first phase thereof.
6. Launching the work of the Supervisory Board on professional development programs.
7. AAOIFI and the Association of Chartered Certified Accountants signed a memorandum of understanding.
8. AAOIFI launched the first professional peer-reviewed 'Journal of Islamic Finance Accountancy' (JOIFA) and issued its first edition.

The relationship with universities, research centers and academic and specialized scholastic societies has been strengthened through:

- Conducting more than **40** visits, lectures, meetings and events.
- With at least **37** universities, institutes, scholastic societies and training centers.
- In at least **25** cities around the world.



Third: Institutional and Organizational Development

1. In a historic move, the electronic version of AAOIFI standards in Arabic and English has been launched and free access (including download) was made available.
2. The project of AAOIFI's transformational strategy was initiated.

projects of translation of standards, including:

- Completion of work and accomplishment of three projects in three languages (Russian, French and Urdu)
- Celebrating their inauguration in seven official ceremonies in seven countries
- signing of agreements of the start-up of three new translation projects (translation of the Shari'ah standards into Turkish and Chinese, as well as the translation of accounting and governance standards into Turkish)

Fourth: Strategic Relations

1. AAOIFI pays great attention to strengthening its relationship with the central banks and the regulatory and supervisory authorities. This was represented in the implementation of 65 meetings, visits and events with more than 40 central banks and supervisory, regulatory and governmental authorities in 18 countries to familiarize them with AAOIFI and attract them to its membership and activate the approval of the standards of AAOIFI and complying with applying them.
2. More than 49 meetings and visits were held with more than 30 institutions within the current AAOIFI members.
3. More than 37 meetings, meetings and events were held with more than 34 institutions in 13 countries to familiarize them with AAOIFI and attract them to its membership.
4. 12 institutions from 7 countries joined the membership of AAOIFI, including 5 central banks and regulatory and supervisory authority
5. AAOIFI established relationships and strengthened collaboration with more than 20 international organizations through meetings, visits, events, partnerships and joint projects
6. AAOIFI participated in more than 41 conferences and events in 13 countries.
7. AAOIFI held two international conferences to discuss the latest developments in the industry. The total number of attendants was about 1687 people from nearly 48 countries around the world.

Maintaining the Relationship with AAOIFI's Institutional Members

49 Visits & Meetings
30 Institutions
17 Countries

65 Interviews, Visits & Meetings
40 Central Banks & Regulatory & Supervisory Authorities
18 Countries

Strengthening the relationship with Regulatory and Supervisory Authorities

Active Participation in Conferences and Events

41 Conferences, Events and Workshops
13 Countries
2 Conferences Organized by AAOIFI
 Attended by **1687** Persons
 From **48** Countries

37 Interviews, Visits & Meetings
34 Institutions
13 Countries

Admission of New Members

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First: The Standards and Related Technical Efforts

The importance of the standards of AAOIFI (especially its Shari'ah, governance and accounting standards), its international impact, depth and professionalism is taken for granted in the Islamic financial industry. In addition, the Islamic financial industry, in all its major sectors and components around the world, has become part of these standards because of the serious and urgent steps taken by AAOIFI to expand participation in the preparation, development and revision of standards, enhance transparency level and to make the industry closely aware of developments in this important field, which has contributed to the quality of standards, the extent of their acceptance and outreach and their adoption. This has resulted in the steady increase in the number of countries that recognize and adopt these standards.

While the above is promising and delightful, it also increases the responsibility for AAOIFI and increases its care to improve and intensify its work and accelerate the pace of issuing its standards to be in line with the aspirations of the industry and in parallel with the rapid development of its work. AAOIFI has thus managed to turn this care and attention into an increased level of its technical efforts by doubling the number of meetings and activities of the three technical boards (the Shari'ah Board, the Accounting Board and the Governance and Ethics Board), which is illustrated by the following figures and achievements:



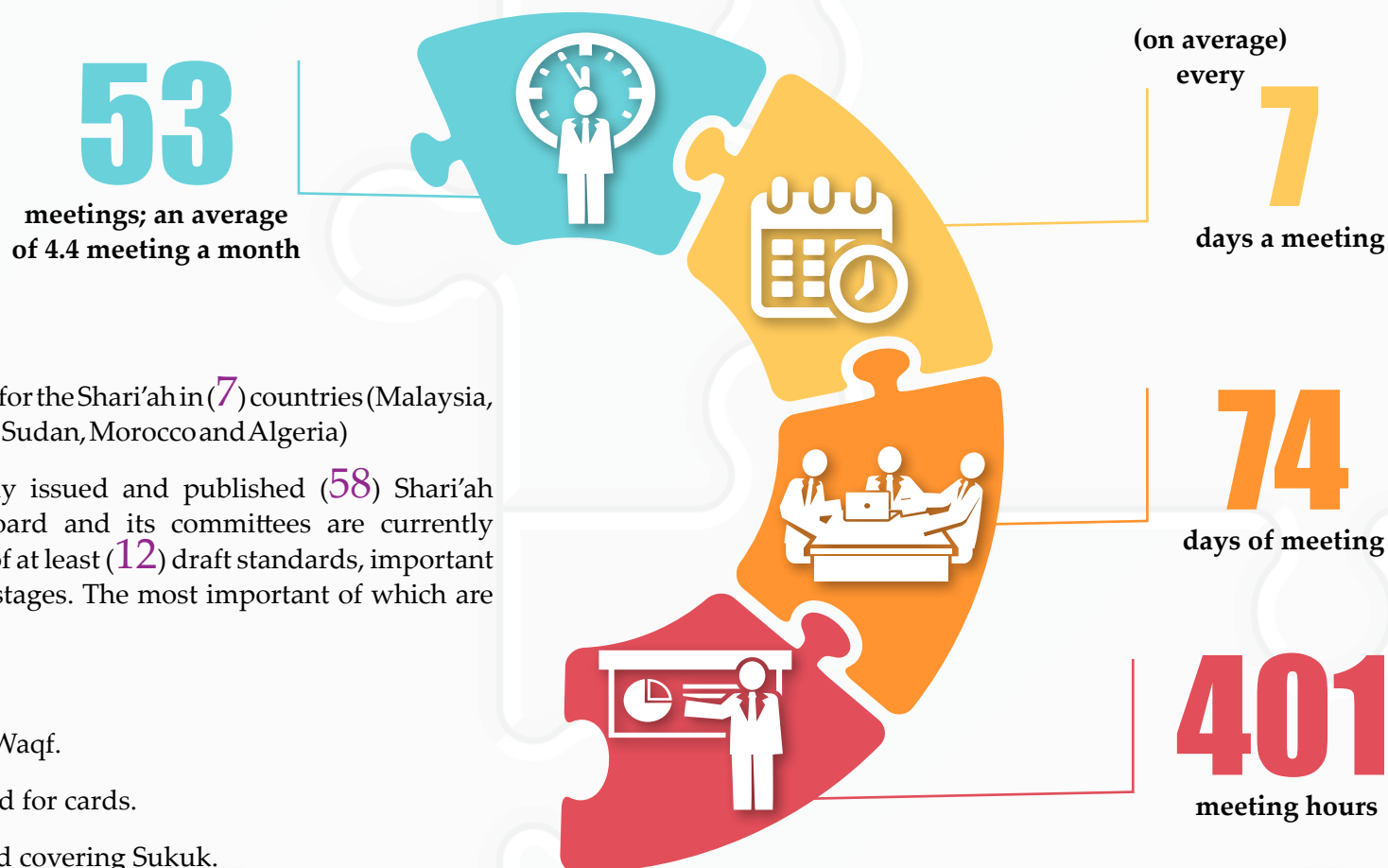




Shari'ah standards

This part of the report will review the efforts of the Shari'ah Board, its committees and its achievements related to the Shari'ah standards and the technical and vocational work related to them in 2017 according to the following:

The total number of meetings of the Shari'ah Board, its committees and hearings of standards and workshops related to Shari'ah standards in 2017 only:



AAOIFI held Seven hearings for the Shari'ah in (7) countries (Malaysia, Saudi Arabia, Kuwait, Egypt, Sudan, Morocco and Algeria)

AAOIFI has so far officially issued and published (58) Shari'ah standards. The Shari'ah Board and its committees are currently working on the completion of at least (12) draft standards, important part of which is in its final stages. The most important of which are the following:

- Draft standard of debt sale.
- Draft of the new standard of Waqf.
- Draft of new Shari'ah Standard for cards.
- Draft of new Shari'ah standard covering Sukuk.

Accounting Standards

This area which covers the development and revision/ review of accountings standards for Islamic finance contracts and products represents the main mandate of AAOIFI since inception. Therefore, AAOIFI has taken, during the reporting period, important steps and structural and executive decisions in a bid to better mobilize its efforts and resources towards accomplishment of its mandate, mainly including what had been initiated before 2017: the formation of an internal technical team equipped with a number of talents in this area for the purpose of in-house development of the majority of accounting standards. These efforts also included redrafting AAOIFI's Statute to the effect that a dedicated technical board was established to take care of accounting standards development and revision/ review. The composition of the board (AAOIFI's Accounting Board) was carried out through a transparent nomination process whereby an elite group of 15 experts hailing from 12 countries across the globe. The board diligently started its work in 2016, and since then its efforts came to fruition in succession and tangibly throughout 2017. The performance of AAOIFI's Accounting Board and its working group/ subcommittees is summarized below:

Total number of meetings (of AAB, its working groups/ subcommittees, workshops and public hearings relating to accounting standards in 2017 only:

53

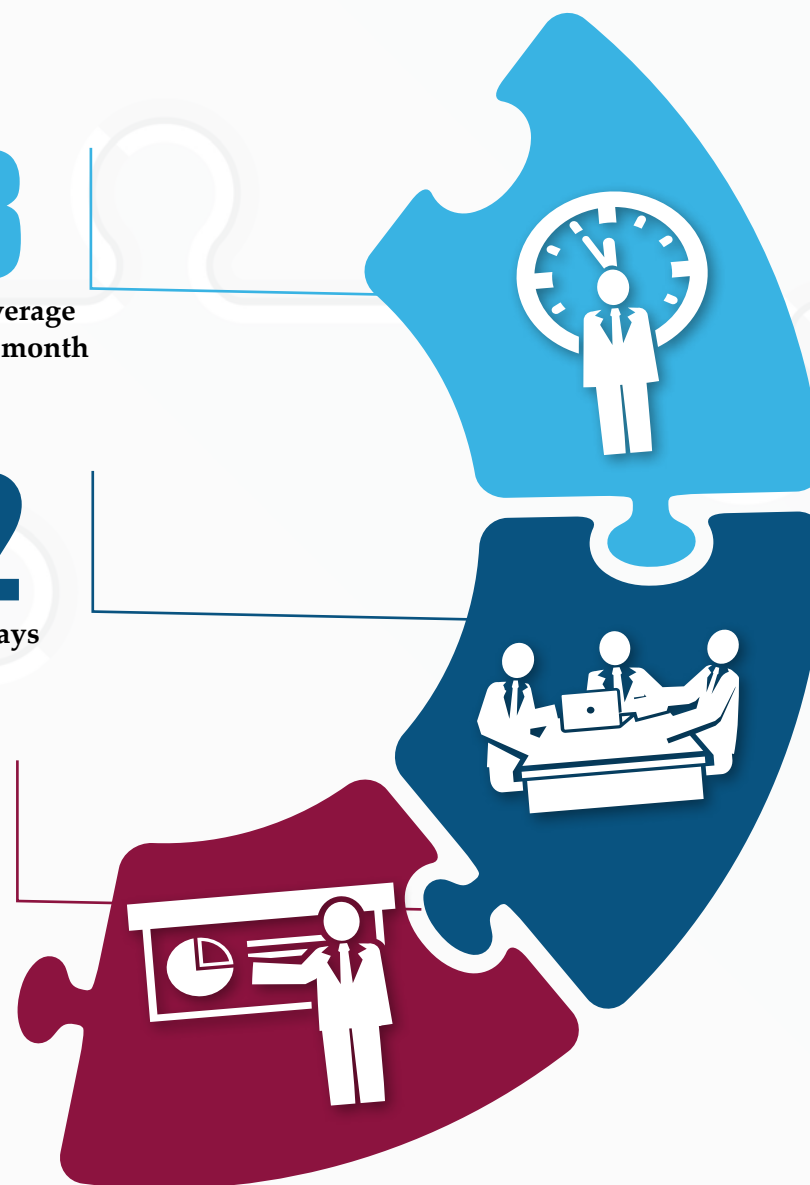
meetings; an average
of 4.4 meeting a month

32

working days

168

working hours



Deliverables of this huge institutional work, meetings, research and logistics are:

The board (AAB) has officially adopted **4** new accounting standards so far (2 of which are still being checked by the Shari'ah Committee):

- **FAS (28): "Murabaha and Deferred Payment Sales":** it provides detailed and comprehensive guidance on the initial recognition, subsequent measurement, de-recognition, revenue and profit recognition, presentation and disclosures and other related accounting treatments. It also proposes to introduce the accounting for the liability side for Murabaha and deferred payment sales transactions.

- **FAS (29): "Sukuk in the Books of the Issuer":** The objective of the standard is to prescribe the accounting and financial reporting guidance for the accounting treatment and classification with regard to the Sukuk issuance, in the books of the Islamic financial institutions or other institutions issuing Sukuk. It also covers the presentation and disclosure of Sukuk issuance with regard to Sukuk structure.

- **FAS (30): "Impairment, Credit Losses, and Onerous Commitments":** the standard sets out the accounting rules and principles for impairment and credit losses, covering current and expected losses, in line with global best practices. It takes into account the ever-changing best practices and the genuine requirements of the Islamic finance industry across the globe. It also sets out classification of assets and exposures in consideration of the credit risk and other risks involved. It applies the forward looking approach in determination of expected credit losses, in line with other standard setters for the assets and instruments that are classified as financial instruments from Shari'ah perspective.

- **FAS (31): Investment Agency (Al-Wakalah bil-Isthithmar):** The standards intends to define the accounting principles and reporting requirements for investment agency (Al-Wakala Bi Al-Isthithmar) transactions and instruments to be in line with ever-changing global best practices, in the hands of both, the principal (Muwakkil) and the agent. The use of Wakala (agency) as an investment and investment management tool has, in recent years, significantly increased in the Islamic financial institutions as it is being used for procuring deposits, placements in inter-bank market, issuing Sukuk and other permissible avenues.

- **2 exposure drafts (for accounting standards) have been issued and presented to the industry for opinion (these two standards have not been officially adopted so far):**

- **FAS (34): "Financial Reporting for Sukuk Holders"**

- **FAS (35): "Risk Reserves"**

- **5 Preliminary studies for accounting standards (no exposure drafts have been issued so far):**

- **Revision of FAS 25**

- **Ijarah**

- **Wa'ad, Khiyar and Islamic Derivatives**

- **Tawarruq and Commodity Murabaha**

- **Zakah**

Governance and Ethics Standards

Out of its belief in the importance of governance and the role it plays in the development and institutionalization of the Islamic financial industry, AAOIFI General Assembly decided, at the end of 2015 A.D., to establish a technical board for governance and ethics. This board consists of 15 experts from all over the world and has various work groups and committees. The aim of this board is to enhance AAOIFI activities in this field and serve the industry in a better way.

Despite the fact that the Governance and Ethics Board held its first meeting in March 2015 A.D., the results of its work are obvious in 2017, and its most important are:

Total number of meetings (of AGEB, its working groups/ subcommittees, workshops and public hearings relating to accounting standards in 2017 only:

26

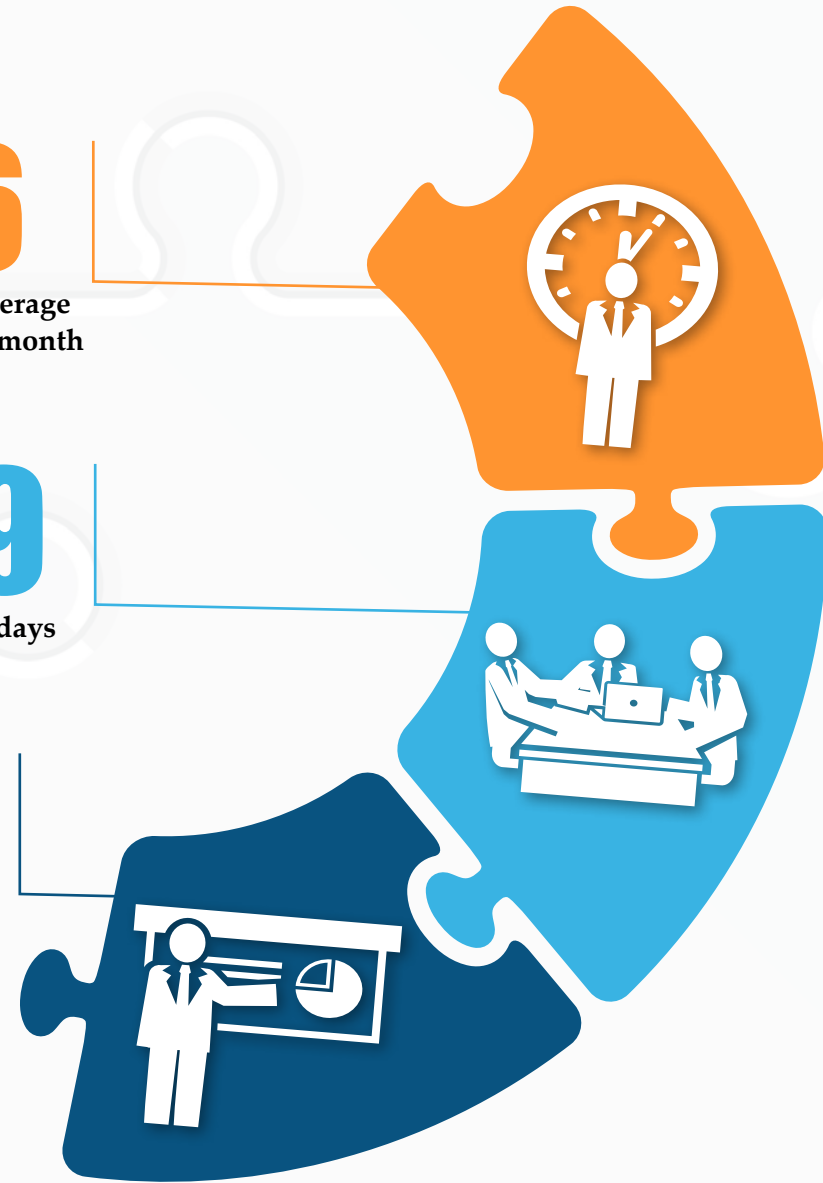
meetings; an average
of 2,1 meeting a month

29

meeting days

134

meeting hours



Deliverables of this huge institutional work, meetings, research and logistics are:

AGEB adapted 4 new standards officially (one is still being reviewed by the Shari'ah committee) and these are:

- **Governance Standard number 8: "Central Shari'ah Boards":** The exposure draft provides guidance on the definition, scope of work, responsibilities, appointment, composition, independence, terms of reference of a Central Shari'ah Board and other relevant issues. It's an important project where best practices were surveyed. Currently 17 countries have Central Shari'ah Boards.
- **Auditing Standard Number 6: External Shari'ah Audit:** The standard aims at stressing on the importance of External Shari'ah Audit role as an important part of Islamic Finance governance, which is in line with the initiatives taken by a number of regulatory and supervisory bodies. It provides comprehensive guidance to the professionals performing the external Shari'ah audits of Islamic Financial Institutions (IFIs), outlining the key professional requirements related to external Shari'ah audit, enhancing the quality and uniformity of practices, across the Islamic finance industry, throughout the world and strengthening public confidence in the global IFIs auditing process.
- **Governance Standard number 9:** This standard aims to provide guidelines for establishing and managing a robust Shari'ah compliance function within Islamic Financial Institutions (IFIs) and for standardizing the practices across the globe. The standard includes guidelines in establishing the Shari'ah compliance function

with regard to the responsibilities and key considerations, along with the internal controls and processes within IFIs. The standard also details structure, scope and functioning of a Shari'ah compliance department, key functions and reporting lines. It also touches upon human resources aspects of the same.

- **Governance Standard Number 10:** Shari'ah Compliance and Fiduciary Rating: The standard provides guidance for IFIs Shari'ah governance and fiduciary ratings. This standard applies to the Shari'ah compliance and fiduciary rating engagements conducted by independent rating agencies with an intention of providing independent comparable, assessment based rating (or scoring) to various stakeholders with regard to an IFI's Shari'ah compliance, governance and adherence to fiduciary responsibilities.
- **3 Research studies for governance and ethics standards (no exposure drafts have been issued so far):**
 - **Governance standard on Waqf (preliminary study is completed)**
 - **Internal Shari'ah Audit Standard (preliminary study is completed)**
 - **Comprehensive Ethics and Code of Conduct (project in process)**

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Second: Professional Development

This section of the report includes the latest updates on the activities of AAOIFI in 2017 related to the following:

- ⚖️ AAOIFI's two professional fellowships (certificates), their development and exam centers.
- ⚖️ AAOIFI's peer-reviewed 'Journal of Islamic Finance Accountancy'.
- ⚖️ Relationship with universities, academic and research institutions.

This is outlined in the following:

AAOIFIProfessionalFellowships(Certificates)

The AAOIFI initiative, more than a decade ago, to launch the first two professional certificates in the Islamic finance industry a milestone and a qualitative leap in their specialization, namely:

- ⚖️ "Certified Shari'ah Advisor and Auditor" (CSAA)"
- ⚖️ "Certified Islamic Professional Accountant (CIPA CIPA)"

Since 2014, the two certificates have witnessed a qualitative development in all their scientific, formal, methodological and logistical aspects, much of which was presented in AAOIFI's Report in 850 Days issued on 31st December 2016. In order to complete the ambitious development project related to the two certificates, 2017 has witnessed important steps and initiatives in this context, the most prominent of which shall be briefly highlighted in this part of the report.

The Official Launch of the Curricula of the Certificate of the "Certified Islamic Professional Accountant CIPA" and Holding its First Tests in its New Format

The 15th AAOIFI Annual Shari'ah Conference held in April 2017 marked the launch of the curricula of the fellowship of the Certified Islamic Professional Accountant "CIPA" in its new format, printed in the finest form and content after the comprehensive development of the curricula of the certificate and all its aspects in accordance with the highest international specifications in partnership with one of the most famous houses of international experience, **in four books containing nearly 1600 pages of large pieces, detailed as follows:**

- ⚖️ Accounting for the products and contracts of the Islamic financial industry
- ⚖️ Audit and ethics of the profession
- ⚖️ Shari'ah and Shari'ah governance
- ⚖️ Business and legal environment

The registration in CIPA Certificate in its new format has started since then and, thanks to Allah, the first CIPA test was completed in September 2017.



Launching the Project of Translating the Curricula of CIPA Certificate from English to Arabic

In line with the methodology of AAOIFI to facilitate access to its activities, standards and professional fellowships in various languages and in different places around the world, AAOIFI awarded, through a public bid, the project of translating the Curricula of CIPA certificate to the Specialized Translation Center at Taibah University in Al-Madinah Al-Munawarah. Work is being carried out extensively and the project has now reached its final stages. It will be completed, printed and published during 2018.



Mohammad Majd Bakir, Project supervisor

Initiation of the Comprehensive Development Project for the certificate of the Certified Shari'ah Advisor and Auditor" (CSAA)

AAOIFI has decided to renew the certificate of the Certified Shari'ah Advisor and Auditor (CSAA) in the same manner as the CIPA Certificate has been earlier renewed. The project was awarded after a professional and transparent mechanism during which a number of offers were received from different parts of the world. The project was awarded on the basis of the evaluation of the Technical Committee of the Coalition of two Islamic Financial Advisory Firms (Britain) and the International Shari'ah Research Academy (ISRA) (Malaysia).

The project began very seriously during 2017. One of the results of the first phase of the project was the decision to divide the CSAA certificate into two independent and distinct certificates: The Certified Shari'ah Advisor and Auditor (CSAD) and the Certified Shari'ah Auditor (CSAU). The first phase of the renovation project, which will finalize the curricula of the two certificates, is expected to be completed by 2018. The curriculum development will then begin and we hope that either CSAD or CSAU will be launched before the end of 2018.

The adoption of new exams' centers for the professional AAOIFI Fellowships and wider global geographical coverage

To complement the shift witnessed by AAOIFI in this area during the years 2015-2016 through the transition from the one semi-exam center in the Kingdom of Bahrain in 2014 to a large number of centers and international geographical coverage. The year 2017 continued in the same strategic direction of facilitating the access of all those wishing to receive the Fellowships of AAOIFI around the world easily and conveniently. This year witnessed increasing the number of examination centers and their geographical distribution to reach 30 centers in 22 countries including Bahrain, United Arab Emirates, Kingdom of Saudi Arabia, Kuwait, Lebanon, Jordan, Syria, Turkey, Pakistan, Malaysia, South Africa, Mauritania, Sudan, Egypt, Libya, Tunisia, Morocco, Algeria, United Kingdom, Indonesia and Sri Lanka.

It should also be noted that AAOIFI is still strengthening the relationship with the central banks and their institutes and academies, and giving them priority to be approved exam centers. One of the latest developments was the signing in December of the Central Bank of Kuwait's Institute of Banking Studies to be the official exam center in Kuwait.

“Automation” of Professional Certifications

AAOIFI is working towards automating the professional certifications to ensure, at the very least, that the potential candidates can make online registration for the respective programs, for their exam centers, as well as apply for exemptions and make payments in a smooth, hassle-free, and efficient manner. The automated e-platform will be available in two languages: English and Arabic.



AAOIFI and ACCA Sign a Landmark Memorandum of Understanding (MoU)

The Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and the London-based Association of the Chartered Certified Accountants (ACCA) – have signed a landmark Memorandum of Understanding (MoU) on Tuesday morning, 24 October 2017 at AAOIFI Headquarters in the Kingdom of Bahrain.

This MoU uniquely draws on the expertise and standing of the leading international standard setter for the Islamic finance industry (AAOIFI) and a those of a prestigious international organization that is an over 100 year- old issuer of one of the most important accounting fellowships around the world; the MoU includes a group of technical and professional activities, and reflects the intention of both parties in enhancing mutual interests in the sustainable development of the accountancy profession locally and internationally; enhancing professionalism; improving ethical standards in the accounting profession; and expanding opportunities for in getting various internationally recognized fellowships for the enhancement of their career prospects; and ultimately to further the profession and the wider economy.

The MoU aims at enhancing the cooperation and integration between the specialized professional accounting fellowship issued by AAOIFI (Certified Islamic Professional Accountant) ‘CIPA’ and the international professional fellowship (ACCA), and this cooperation is illustrated in providing special exemptions for ACCA holders in some parts of CIPA.

It is worth to note that the MoU included cooperation in different areas such as research, events and continuous development.

The Promotional Campaign of the fellowship of CIPA



Senior Manager – Professional Development during a visit to introduce CIPA

One of the most important priorities of AAOIFI in this field is raising the awareness of the CIPA certificate, its importance and added value to those working in the industry, the controlling and supervisory bodies and the institutions (the employment agencies), the extent of its professionalism and depth in addition to explaining its parts, the conditions of application, the methodology of its tests and ensuring that applicants have full details of the renewed program.

Accordingly, AAOIFI launched, during 2017, its first comprehensive advertising and promotional campaigns through interaction with a number of related parties in the Islamic financial industry, implemented field visits, introductory workshops, meetings with those in charge in regulatory and supervisory bodies, banks, Islamic financial institutions, universities and direct meetings with professionals, students and others who wish to apply for this certificate. The promotional campaign has achieved a remarkable success and we intend to carry out more promotional campaigns in different parts of the world in 2018.

New Education Partners

AAOIFI strongly believes in institutional partnerships. In a bid to harness the effectiveness of teamwork, we reached out to different institutions in various countries to either strengthen any existing partnership or forge a new one. AAOIFI is proud to partner with the following entities and award them the 'Education Partner' status in the year 2017.

The names of new Education Partners include: ACCA-UK, BIBF, IFAAS, IBA, Minhaj Advisory, MITGlobal, FGA, UPI Indonesia, IIFP and SIFPA.

The objective of having Education Partners is that local institutions may promote AAOIFI certifications to their respective audiences. We plan to engage more institutions as Education Partners in multiple different countries in 2018.



Think Ahead



Launching the work of the Supervisory Board on professional development programs

In line with international best practices, the Supervisory Board of Professional Development Programs has been established to be the responsible technical authority in AAOIFI to identify the objectives and outputs of the current professional development programs (Certified Islamic Accountant, Controller and Auditor) as well as what may be developed in the future. It shall also be responsible for the adoption of regulations and systems relating to subjects, educational curricula, training and testing programs and exemption and reliability policies. It will also supervise the development and adoption of curricula, etc. The Council is honored to include a group of leading specialists and experts in this field and with diverse geographical and practical backgrounds, practitioners, academics and others, namely:



Mr. Shadi Zahran
CFO of KFH Group
Kuwait



Dr. Abdul Rahman Al Razeen
Assistant Secretary General,
SOCPA, KSA



Dr. Saeed Al Muharimi
Associate Professor at Sultan
Qaboos University, Oman



Dr. Mehmet Asutay
Director MSc. Islamic Finance
program, Durham University, UK



Dr. A. Qurban A Turkistani
Dean, Islamic Economics
Research Centre, KAU, KSA



Prof. Dr. Mohamad Akram Ladin
Executive Director
ISRA, Malaysia



Mr. Khairul Nizam
CEO, FAA
Malaysia

AAOIFI Launches and Issues the First Edition of (JOIFA), the first scientific journal of its Kind in accounting for Islamic finance

In accordance with an initiative announced earlier, AAOIFI has officially issued the first professional journal of Islamic Finance Accountancy (JOIFA) which will be issued at this stage semi-annually

JOIFA will publish peer-reviewed researches and studies that have not been issued or published before which are currently in English only and are scheduled to be published in Arabic later. The journal promotes researches that enhance the theoretical and practical aspects and also provides the opportunity for the convergence of ideas on the revision of the Islamic Financial Accounting Standards issued by AAOIFI and other relevant specialized aspects

This initiative is of great importance to encourage scientific research and technical, academic and professional dialogue and develop it in the profession of accounting within industry; in terms of reviewing the problems faced by Islamic financial institutions and presenting developments in the field of accounting in general and in the field of Islamic finance in particular, to strengthen relations and opportunities for exchange of experiences among academics, practitioners and others interested in the field of Islamic accounting and related disciplines.

The first issue of the journal has resonated positively among specialists and experts



Vol. 1 , Issue 1 , Nov 2017

EDITORIAL

The Need for and Application of AAOIFI's Islamic Accounting Standards

PEER-REVIEWED

Measuring The Financial Growth of Islamic banks and the compliance to Maqasid Al-Shariah: An Industry wide Assessment

PEER-REVIEWED

A Comparison of MASB and AAOIFI Accounting Conceptual Frameworks

COUNTRY IN FOCUS

Pakistan: Islamic Banking and Finance Industry Update

Journal of Islamic Finance Accountancy (JOIFA) is a semi-annual peer-reviewed research journal published by AAOIFI

Strengthening the Relationship with Universities, Institutes, Scientific Societies and Training Centers

The relationship with universities, academic and research centers is of great importance in the work and activities of AAOIFI as it represents a scientific extension of standards and their development, conducting scientific and field studies on them, the measurement of its effects from the different aspects and angles of the industry as a whole. Also, the teaching of standards and the creation of adequate awareness of them and their importance, especially for university students, have a significant role in promoting their proper application in industry because the graduates of these universities are the leaders of the financial industry in the future. Accordingly, their awareness of the importance of standards, the extent of their depth and professionalism and the need to apply them will raise the level of professionalism of this industry in addition to what the social role of AAOIFI represented through the relationship with universities and research centers through adding the practical dimension and highlighting the challenges on the ground for students and researchers in their scientific and professional composition, which contributes greatly to enrich their knowledge and skills.

Although AAOIFI is very busy with its main professional activity in developing standards and reviewing them, it has taken great care of the relationship with this sector and this is illustrated by the following figures:

- Number of events is not less than **40** visits, lectures, meetings and events
- With at least **36** universities, institutes, scientific societies and training centers
- In at least **27** cities around the world

Examples of these events are the following:

- Presentation of lectures, workshops, interactive meetings with professors, students and researchers



Signing the agreement of the Shari'ah standards translation into Turkish

- Participating in workshops and professional and development meetings with the scientific departments in universities or their professors and officials
- Participation in events and conferences in universities and research centers
- Holding introductory meetings and visits and introducing AAOIFI and its standards to some of these universities
- Receiving students in AAOIFI and holding lectures for them, or training them on the job
- Signing of cooperation agreements in several aspects, most notably in the field of AAOIFI professional training fellowships



At Prince Mohammed bin Fahd University



Dr. Saadi at the Egyptian Islamic Finance Association

The following are the most prominent of these institutions:

1. Taibah University, Madinah Munawwarah
2. Hamdan Bin Mohammed Smart University (Abu Dhabi)
3. University of Cambridge, Britain
4. International Islamic University of Malaysia
5. University of Prince Abdul Qadir in Constantinople, Algeria
6. Mohammed V University, Rabat
7. University of Bahrain
8. University of Judge Ayyad in Marrakech
9. Russian Islamic University of Kazan
10. University of Durham, UK
11. INCEIF University in Malaysia
12. King Fahd University of Petroleum and Minerals in Dhahran
13. The Muhammadiyah University of Yogyakarta, Indonesia
14. Sriwijaya University, Indonesia



15. Hasanuddin University in Makassar, Indonesia
16. University of Qassim (Qassim)
17. Prince Mohammad Bin Fahd University (Al Khobar)
18. Islamic Research and Training Institute (Jeddah)
19. Financial Institute of the Saudi Arabian Monetary Agency (Riyadh)
20. Bahrain Institute for Banking and Financial (BIBF), Bahrain Central Bank (Bahrain)
21. College of Banking and Financial Studies, Omani Central Bank (Muscat)
22. Institute of Banking Studies, Central Bank of Kuwait
23. International Shari'ah Research Academy in Malaysia (ISRA)
24. Arab Academy for Banking and Financial Sciences (Cairo)
25. Arab Academy for banking and financial sciences in Djibouti
26. Bolgar Islamic Academy in the Republic of Tatarstan
27. Egyptian Islamic Finance Association
28. Tunisian Association of the Islamic Economy
29. The Saudi Shari'ah Scientific Association in Riyadh
30. The Saudi Scientific Association of Islamic Banking



أكاديمية
الدراسات الإسلامية
- بولغار



AAOIFI

هيئة المحاسبة والمراجعة
للمؤسسات المالية الإسلامية

ACCOUNTING AND AUDITING ORGANIZATION
FOR ISLAMIC FINANCIAL INSTITUTIONS



Third: Organizational and Institutional Development

Development and modernization are key to successful organizations, particularly in a position like that of AAOIFI, its global role and reach. Therefore, several quality and development projects were launched in 2017, particularly those related to the facilitation of access to AAOIFI, its activities and standards such as the launch of standards translation projects into different languages and the provision of standards in a free electronic format in addition to the AAOIFI 's transformation strategy project. The details are as follows:

First: Launching the Electronic Version of Shari'ah Standards and Availing it for Free Download

The headquarters of the Saudi British Bank (SABB), has held a formal signing ceremony with AAOIFI, through which SABB Islamic Banking services has provided exclusive sponsorship of the electronic version of AAOIFI's Shari'ah standards in Arabic and English for two years through which it is possible to download and save the content of AAOIFI's Shari'ah standards in both languages for personal use and access through AAOIFI and SABB websites and social media, for the standards issued so far, and all that will be issued, revised or updated from the Shari'ah standards in Arabic and English to 1st January 2020.

AAOIFI has already launched this large project, which has enabled downloading and saving Shari'ah standards in PDF format. Shari'ah standards will soon be provided in several electronic formats, in the form of an electronic book and all the famous e-books platforms with



During the signing of the agreement

several services and research and technical benefits in the near future. Also, downloading the full standards or parts thereof will be made available to facilitate benefitting from them and maximizing their use.

This initiative has received great positive feedback from all relevant parties, and it was

widely felt that this step will facilitate access to this great qualitative work (the AAOIFI Shari'ah standards) and maximize its utilization, which will positively reflect its acceptance, impact, global reference, its enforcement and commitment.

Second: The AAOIFI Transformational Strategy Project

After a quarter of a century of its establishment, AAOIFI, its standards and professional activity have not only gained international prestige and global influence but have also become the first reference for Islamic financial industry worldwide in some sectors and field. However, the passage of this period and the accelerating changes in the international and economic level in general and in the Islamic financial industry in particular made it necessary to re-establish to achieve greater success, achieve its mission better in light of these variables, accumulate the balance of successes and achievements, identify the mechanisms to address the risks and challenges and the required methods to redraw its objectives and location on the international map and the consequent restructuring and development of resources

Accordingly, the Board of Trustees has decided to contract with one of the world's leading specialized companies in this field to implement this historic project in a professional and technical manner. The year 2017 has already witnessed intensive work in this context in partnership between the consulting company and the AAOIFI secretariat, under the careful supervision of the Board of Trustees, which is composed of more than a third of its members.

A number of tasks and stages have been implemented, including the implementation of the study of AAOIFI reality, the analysis of strengths, weaknesses, opportunities and challenges, and the implementation of a detailed comparative study with international standards issuing organizations on governance, funding mechanism and the mechanism and the process of issuing standards. Also, another specialized comparative study with infrastructure organizations and standard issuing organizations in the Islamic finance industry has been conducted. A comprehensive and detailed market survey was also conducted, including field interviews with industry leaders in nine countries



AAOIFI Secretary-General with the Central Bank of Malaysia Governor (right)

around the world and an institutional survey for a number of financial institutions has been implemented in addition to implementation of a special questionnaire related to Shari'ah standards and other related Shari'ah activities within a long series of meetings, workshops and meetings with the three technical boards of AAOIFI. All of this has resulted in a new vision that takes into account developments in the industry and the surrounding environment and an outlook for its future. Some of the great efforts made in this project can be summarized in the following figures and facts:

- The project's consultant team made an effort and worked for hours that can be translated in 300-350 working days.
- The institutional questionnaire that was implemented was completed by more than 39 financial institutions from different parts of the world, including senior management, financial management and

Third: Standard Translation projects

The (Shari'ah standards) issued by the Shari'ah Board of AAOIFI are considered a source of pride for this nation. One of the most important results of the modern jurisprudence of financial transactions as the elite of the nation's scholars have spent hundreds of thousands of hours of their time writing them in a meticulous methodology, which has never been carried out in a collective work in contemporary history. It has accepted all over the world, benefitted Muslims and other and become a professional guide, a universal law, a reference to the legislative and regulatory bodies, a doctrinal and academic curriculum. In short, it is one of the most important manifestations of the civilization of the Muslims and the greatness of their religion.

This accomplishment was worthy to be facilitated so that all people can have access to and make full use of it by translating it into the most important languages of the world with meticulous methodology and fine language. Therefore, there was an initiative to launch several translation projects for a number of international languages as well as to develop a clear methodology and technical and professional conditions that must be adhered to in any language.

This year of 2017 was distinguished and characterized by a distinguished achievement in this context as it witnessed the completion of work and the completion of three projects in three languages (Russian, French and Urdu). It witnessed the celebration of launching them in seven official ceremonies in seven countries, some under the patronage of Heads of States. This year also witnessed the start of three new translation projects (translation of Shari'ah standards into Turkish and Chinese, as well as translation of accounting and governance standards into Turkish)

Accordingly, in this part of the report we will briefly review each of them as follows:



During the presentation of the Strategy at the AAOIFI-World Bank 12th Conference

Shari'ah management in these institutions.

- More than 69 private meetings and visits were held in 9 countries around the world during which field meetings were held with the elite and senior leaders of a group of central banks, capital market bodies, national accounting bodies and international organizations such as the The International Monetary Fund (IMF), the World Bank, the International Accounting Standards Board, infrastructure organizations and an elite of the Islamic financial industry leaders.
- The questionnaire on Shari'ah standards and related Shari'ah activities was answered by 231 persons from 41 countries in 150 institutions and bodies.

Although the project has achieved a large part of its technical targets, it is still in its final stages, and is expected to be completed during 2018.

Launching Russian and French translations and Events of Introducing Them

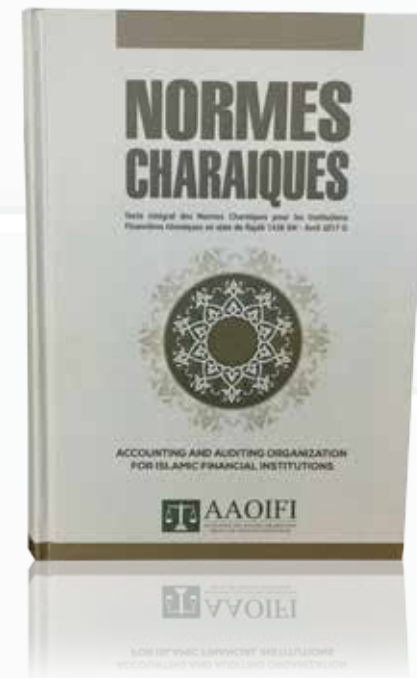
After the English translation, the initiative was to begin to translate into both the Russian and the French languages. These two languages are of great importance and priority, which are reflected in several aspects, including the number of speakers of approximately 500 million people spread across most continents of the world. The translations were implemented with a large 450-day team effort that was carried out by teams of about 50 experts from multiple countries and a large number of meetings and working hours.

AAOIFI began inaugurated these two languages officially in the opening ceremony of the Fifteenth Annual Conference of Islamic Organizations in the Kingdom of Bahrain on the morning of 15th Rajab 1438, corresponding to 12th April 2017, in the presence of approximately 800 people from 48 countries around the world, including ministers, central bank governors, scientists, senior officials and the media. In order to maximize their use, AAOIFI organized a series of events and ceremonies in a group of countries around the world on an international journey that began on 18th Sha'ban 1438 H corresponding to 14 April 2017 and ended on 4th Ramadan 1438 corresponding to 30th May



2017 which included (Djibouti, Tatarstan, Kyrgyzstan, Kazakhstan, Tunisia and Russia). In all of these countries, AAOIFI has organized a series of events, meetings and launching ceremonies in partnership with official bodies under the patronage and presence of the heads of some of these countries, prime ministers, governors of central banks and ministers, as will be detailed in this report.

In addition to the official launching ceremonies, this trip included workshops in some central



banks, meetings with the regulatory and supervisory authorities, the concerned ministries, lectures and meetings in universities, religious opinions and departments and with businessmen and representatives of companies and small and medium enterprises, as well as Islamic and conventional banks and financial institutions, training centers, and last but not least interaction and meetings with various media, so some of these events have become main news in the official channels of some of these countries.

The Inauguration of the First Edition of the Russian Translation of Shari'ah Standards Under the Auspices and in The Presence of His Excellency The President of The Republic of Tatarstan and a Group of Senior Officials and Representatives of Some Islamic Countries

At the official invitation of the President of the Republic of Tatarstan, Mr. Rustam Minikhanov, AAOIFI participated in the 9th annual international economic summit in Kazan (which was attended by nearly 2000 people from 51 countries), and in the presence of His Excellency the President of the Republic and a number of senior representatives of Islamic countries and international organizations and celebrated the inauguration of the Russian translation of the Shari'ah standards of AAOIFI, and gave His Excellency the President the first edition thereof.

On this occasion, the Secretary-General of AAOIFI referred in his speech at this forum that in November 2015, AAOIFI launched a project to translate Shari'ah standards to the Russian language, and here today in Tatarstan we celebrate the inauguration and give the first edition to the President of Tatarstan.



Secretary-General presents a copy of the Standards Book to The Tatarstan President



Secretary-General presents a copy of the Standards Book to the Mufti of Tatarstan

The Delegation of AAOIFI Visits His Eminence the Mufti of the Republic of Tatarstan and Presents him a copy of the Russian Translation of the Shari'ah Standards

His Eminence the Grand Mufti of Tatarstan, Sheikh Kamel Samea Allah bin Iskandar, head of the religious administration of the Muslims of the Republic of Tatarstan, received in his office The delegation of AAOIFI and welcomed them and praised their great positive role in raising awareness of the Shari'ah rulings of Islamic financial transactions around the world. His Eminence commended the initiative and its great positive impact on the Muslims of the Central Asian region in particular and on all Russian speakers in general.

The Inauguration of the Russian Translation of Shari'ah Standards in the Kyrgyzstan

The inauguration ceremony of the Russian translation of Shari'ah standards was held in partnership and hosted by the Central Bank of Kyrgyzstan at its headquarters in the capital city of Bishkek, under the patronage of the Governor of the Central Bank, Mr. Tolkunbek Apdikolonov and the presence of a group of the leaders of the Central Bank and relevant government agencies. The ceremony included an opening speech by His Excellency the Governor of the Central Bank in which he praised AAOIFI's standards, activities and role in serving the Islamic finance industry worldwide. He also highlighted Kyrgyzstan's interest in Islamic finance and supporting it locally because of its positive impact in supporting and developing the economy. His Excellency commended the important positive step taken by AAOIFI in translating its standards into Russian as this translation will help many countries in Central Asia to benefit more from the standards of AAOIFI. The ceremony included giving a copy of the Russian translation of Shari'ah standards to His Excellency the Governor of the Central Bank.



AAOIFI launches Russian translation of Shari'ah standards at the Central Bank of Kyrgyzstan & presenting a copy of the Shari'ah Book to the Governor

AAOIFI Visits His Eminence the Grand Mufti of Kazakhstan and Presents him a Copy of the Book

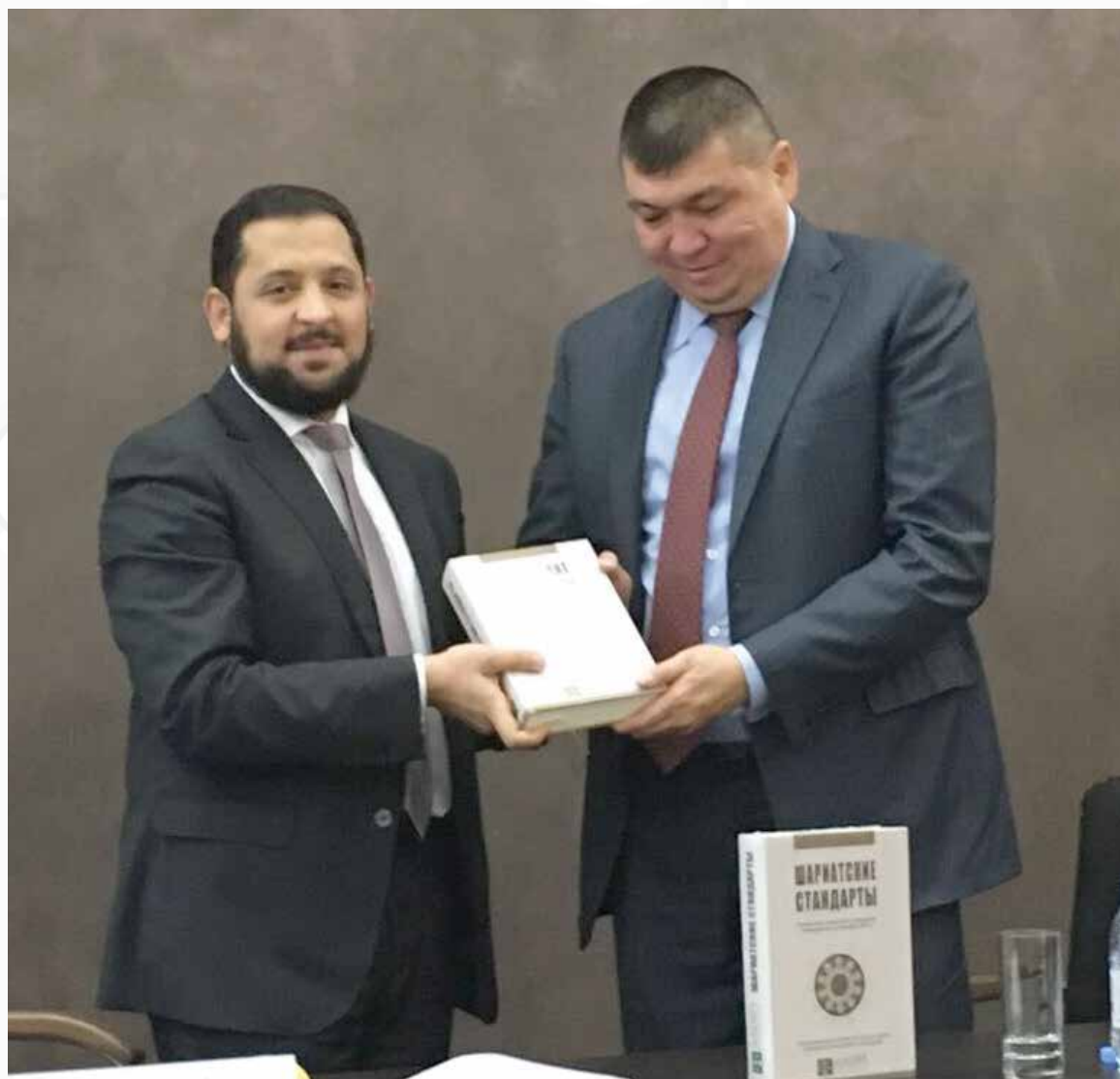
The delegation of AAOIFI visited the headquarters of the religious administration of the Muslims of Kazakhstan during which they met His Eminence the Grand Mufti of the Republic and some leaders of the religious administration, and discussed the possibility of cooperation between the two sides. The delegation of AAOIFI was honored to present a copy of the Russian translation to the representative of the Grand Mufti, who welcomed the role of AAOIFI in developing and raising awareness of the Shari'ah aspects of Islamic financial transactions in a practical and useful form, especially in light of the provision of Shari'ah standards in the Russian language, which will have a significant impact in benefitting and enriching scholars and preachers in Kazakhstan.



Mr. Amier Mousa with the Deputy Grand Mufti of Kazakhstan

The Inauguration Ceremony of the Russian Translation of Shari'ah Standards in Kazakhstan

The delegation of the Republic of Kazakhstan visited Astana, the capital of Kazakhstan, which included a number of events and activities. The most important of which was the hosting of the Astana International Financial Centre (AIFC) the inauguration ceremony of the Russian translation of the Shari'ah standards of AAOIFI, held at the headquarters of the Center under the patronage and in the presence of its CEO, Mr. Nurlan Kussainov and it was attended by a group of representatives of the Central Bank, regulatory and supervisory authorities, banks, financial institutions, the private sector, universities, research and training centers in addition to the presence of the official media and others. In his opening speech, the President of the Center praised AAOIFI, its standards, activities and role in the service of the Islamic financial industry worldwide. He also stressed the importance of the distinguished professional relationship between AAOIFI and the financial industry in Kazakhstan. The delegation of AAOIFI then gave a presentation on the great technical and professional effort that was carried out during the Russian translation project for Shari'ah standards and the great linguistic, artistic and scientific efforts included in the project. The ceremony included a lengthy episode that was characterized with a rich and great discussion with the attendants who represent different parties from the industry which reflected the great interest and the great influence of AAOIFI, its work and activities.



AAOIFI in partnership with the Astana Financial Center, in the launching of the Shari'ah standards into Russian

The Inauguration Ceremony of the Russian Translation of Shari'ah Standards in Partnership with the Russian Central Bank

In a further demonstration of the great global impact of AAOIFI and its standards and in a reflection of the strategic importance of projects translating their standards into the most important global languages, the Central Bank of the Russian Federation hosted at its headquarters in Moscow the inauguration ceremony of the Russian translation of the Shari'ah standards of AAOIFI. The ceremony was attended by a number of central bank leaders and officials, representatives of the Russian Parliament, banks, financial institutions and some relevant ministries and experts.

In his speech, the adviser to HE the Governor of the Central Bank of Russia praised the important positive step taken by AAOIFI in translating its standards into Russian. This translation will help many countries in Central Asia to benefit more from these standards. The central bank will read and study them carefully.

The ceremony also included a presentation by a legal expert and an adviser to a representative in the Russian Parliament, in which he showed the compatibility of the standards of AAOIFI with the Russian regulations and legislation in general and reviewed the evidence of this through a set of important principles and legal rules.



AAOIFI inaugurates the Russian translation of Shari'ah standards at the headquarters of the Russian Central Bank and under the patronage of His Excellency the Governor

AAOIFI Visits the Grand Mufti of the Russian Federation and Presents a Copy of the Book

The delegation of AAOIFI visited the headquarters of the religious administration and the Board of Mufti of the Russian Federation in Grand Mosque in Moscow. The representative of Mufti of the Russian Federation Sheikh Roshan Abbasov was also given a copy of the Russian translation of the Shari'ah standards of AAOIFI. His Eminence praised the positive step that will have a great positive impact on more than 20 million Muslims in the Russian Federation and that will raise more awareness of the Shari'ah provisions of the financial transactions between them.



Inauguration of the First Edition of the French Translation of Shari'ah Standards under The Patronage and in the Presence of the President of Djibouti and a Group of Senior Officials



Secretary-General presents a copy of the Standards Book to the President of the Republic of Djibouti with in the presence of His Excellency Sheikh Prof. Dr. Mohammed Al-Tabtabai

In cooperation with the Central Bank of Djibouti and the Arab Academy for Financial and Banking Sciences, AAOIFI held a distinguished ceremony in the Republic of Djibouti under the patronage of His Excellency Mr. Ismail Omar Guelleh, Prime Minister of the Republic of Djibouti, HE the Prime Minister Mr. Abdul Qader Mohammed Kamel, and the Governor of the Central Bank Mr. Ahmed Othman, and a group of ministers, ambassadors, representatives of the Diplomatic Corps, a



Secretary-General presents to the Central Bank of Djibouti Governor the AAOIFI trophy

group of scholars, experts and the media to celebrate the launch of the French translation of AAOIFI's Shari'ah standards.

One of the highlights of the ceremony was the speech of His Excellency the President, in which he welcomed AAOIFI and its representatives. HE also praised its standards, activities and impact on the service of Islamic finance worldwide.

The Inauguration Ceremony of the French Translation of Shari'ah Standards under The Auspices of the Central Bank of Tunisia and a Partnership with "Al Imtithal For Islamic Finance" and "Tunisian Association for Islamic Economics"



Under the patronage of the Central Bank of Tunisia and in partnership with «Imtithal» and the «Tunisian Association for Islamic Economics», AAOIFI launches legal standards in French

With the generous sponsorship of the Central Bank of Tunisia and a partnership with "Al Imtithal For Islamic Finance" and the "Tunisian Society for Islamic Economics", AAOIFI held a distinguished ceremony on Friday, 30th May 2018, at the Ramada Plaza Hotel Gammarth in Tunis to launch the French translation of Shari'ah standards. The gathering was attended by a number of ministers, Parliamentarians, representatives of the central bank, supervisory bodies, bank managers, Islamic financial institutions, scientists, academics, experts and the media.

The ceremony included a presentation on the great effort exerted in this important project, which was awarded to the Alliance of "Al Imtithal For Islamic Finance" and the "Tunisian Society for Islamic Economics" after a competition with seven distinguished parties from several countries in Europe and North Africa. A large number of experts including translators, reviewers, language auditors and experts with legal, financial, jurisprudence and banking background. The project was implemented in nearly 450 days to serve millions of French speakers around the world interested in Islamic finance industry from Muslims and others.

Starting the Project of the Chinese translation of Shari'ah standards

AAOIFI and the specialized Academy of Islamic Finance Development (AIFDC) of China have signed an agreement to start the project of translating the Shari'ah standards of AAOIFI from Arabic to the Chinese language (Mandarin).

The official ceremony was held during the official opening ceremony of the International Conference (China and the United Arab Emirates on Islamic Banking and Finance) in its second edition held in Shenzhen, People's Republic of China, organized for the second consecutive year by the Dubai Center for Islamic Banking and Finance at Hamdan Bin Mohammed Smart University, Dubai Center for the Development of Islamic Economics, Jishang Institute for Belt Economy, Road and Trade Strategies, the Islamic Finance Club of China and the Jishang Cultural Communication Foundation. The agreement was signed by senior officials, scientists and experts from a group of countries around the world, especially from China and the GCC.

The significance of this great project is that Chinese is the world's first language in terms of the number of speakers, with more than 1.2 billion speakers as well as the growing interest in Islamic finance in the People's Republic of China at the official level and at the level of its banks and companies, particularly those operating across continents



From the signing ceremony on the Translation of Shari'ah Standards into Chinese

Starting the Project of the Turkish translation of Shari'ah standards

An Signing agreement ceremony was held in which the Turkish translation of the Shari'ah standards of AAOIFI was initiated through a partnership of four parties: the BDDK as the main supporter of the project, represented by its Chairman HE Mr. Mehmet Ali Akben, and the Turkish Partnership Bank (TKBB), as the financier and supervisor of the project, represented by the Chairman of the Board of Directors HE Mr. Melikşah Utku and the Istanbul Sabahattin Zaim University (IZU) as an artistic authority doing the translation as one of the most important

specialized universities in Turkey in the Islamic economy and finance as well as in Arab and Shari'ah studies and it represented at the signing ceremony by its Prof. Dr. Mehmet BULUT President, and (AAOIFI) as the intellectual property owner of the Arabic and Turkish texts, co-supervisor and project manager.

The signing ceremony was attended by the executive heads of the participating banks and other leaders of the Turkish financial sector who consider that this project will contribute significantly to the development and deepening of the Islamic financial industry and to increase the harmonization and standardization of contracts and practice, especially in Turkey.

Starting the Project of the Turkish Translation for Accounting Standards, Governance and Ethics

In view of the important position of the Republic of Turkey in the map of global Islamic finance industry, the steady growth in this context at the level of assets, the number of Islamic banks and financial institutions, the parallel legislative and regulatory development, the project of translating the standards of accounting, auditing, governance and ethics to the Turkish language through work that extended over several months of coordination and preparation were culminated in the signing ceremony of an agreement through which translation was initiated through a partnership with the Turkish Accounting and Auditing Organization as the principal supporter and supervisor of the project, represented by the Chairman of the Board of Directors HE Dr. Genç Osman YARAŞLI as the technical authority executing the translation in its capacity as the official technical authority specialized in these standards, which are the core of its work and specialization, and AAOIFI as the owner of intellectual property, partner in the supervision and manager of the project, represented at the signing ceremony by Mr. Mohamad H. Khaled the head of Marketing and Public Relations.

The signing of the Agreement was attended by members of the Turkish Audit and Governance Board, a group of experts and professionals from the legislative and supervisory bodies of the financial sector and a group of cadres of banks, financial institutions and Islamic and academic institutions in Turkey.



Mohamad Khaled, Head of Marketing & PR and Dr. Genç Osman YARAŞLI, Chairman of KGK, during the signing of the agreement

AAOIFI

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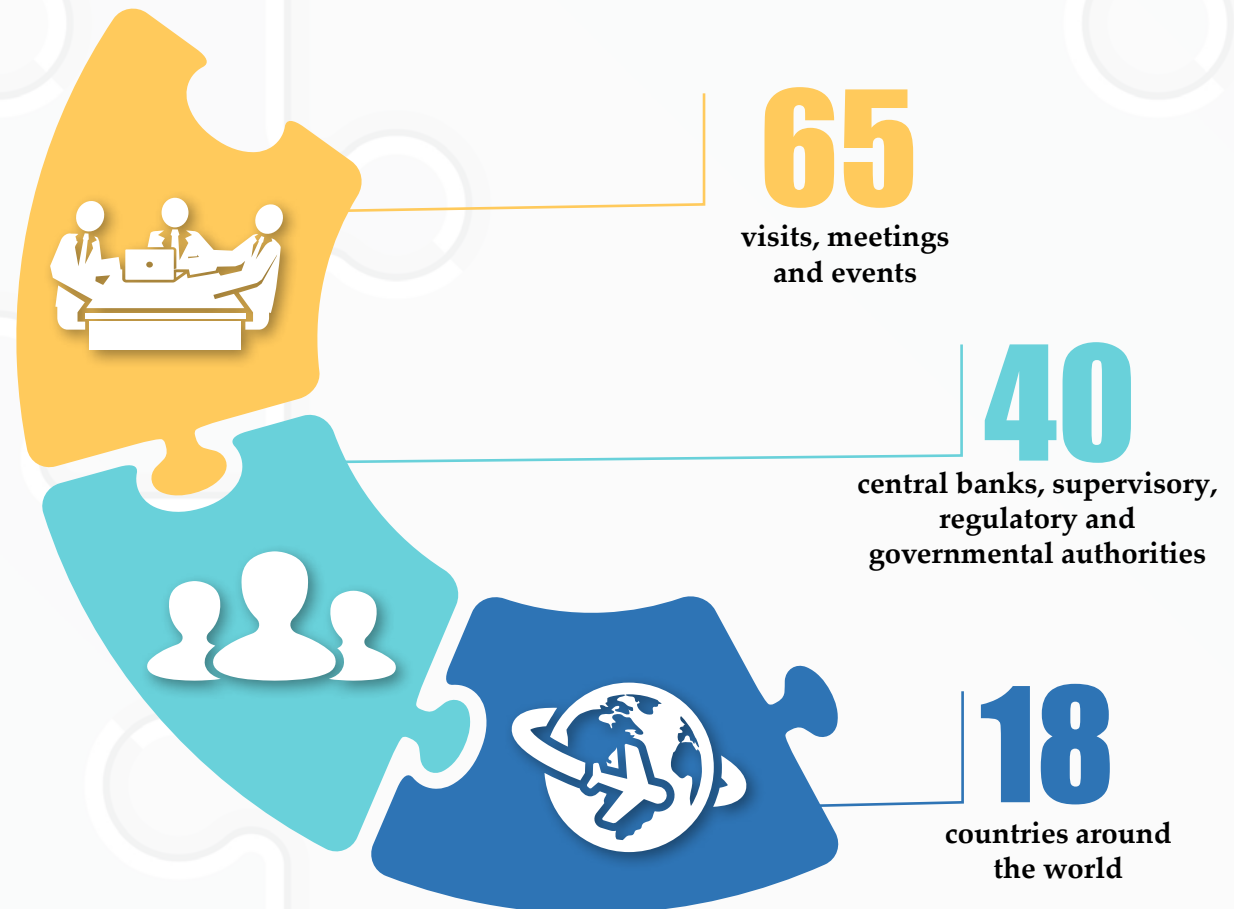


Fourth: Strategic Relations

One of the most important reasons for the success of AAOIFI and its international status is the number and quality of its members who are distributed to around 45 countries around the world on most continents. In addition, they vary according to the membership categories to five types and each segment represents importance from a certain angle. At the same time, AAOIFI has the responsibility to provide work that is suitable to of each category of members. In addition, the implementation and recognition of standards require constant interaction in local, regional and international forums, conferences, seminars and workshops in addition to the importance of working with international organizations and holding AAOIFI's quality activities and conferences. Therefore, this part of the report highlights this important part of the work and activities of AAOIFI, as follows:

Relationship with Central Banks and Regulatory, Supervisory and Official Authorities

AAOIFI pays great attention to communicating with the central banks and the regulatory, supervisory, and governmental authorities in general because of their pivotal role in supporting the Islamic financial industry and its development, especially in terms of adopting standards and enforcing them. In this context, the main focus of the activities of the public relations of AAOIFI's secretariat is to strengthen and enforce the relationship with the central banks and regulatory and supervisory authorities through visits to senior leaders, holding meetings with their work teams, giving lectures, workshops and specialized courses and attending their conferences and events. The year 2017 was an exceptional in this regard as it has resulted in the accession of some of the most prominent of these bodies as they have become more convinced of the importance of adopting the standards of AAOIFI. This can be illustrated in the following figures:



The following are some of these bodies:



(CBK) Holds a Course for the Leaders of the Financial Sectors on AAOIFI and its Standards



Secretary-General during his first part «Shari'ah Standards» of the training



Mr. Waleed Al-Awadhi, Executive Director, Supervision Sector at the CBK, honors the Secretary-General

The Central Bank of Kuwait (CBK) held at its headquarters a detailed training course on The Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), its professional standards, its positive impact on the industry and its professionalism. The training lasted for two days and was attended by a large number of leaders and staff of the Central Bank of Kuwait, Capital Markets Authority of Kuwait, Kuwait Stock Exchange and a number of banks and investment companies. It thoroughly dealt with the professional course of issuing standards, which consists of about 13 technical stages. Then, it discussed in detail the importance of implementing the standards of AAOIFI, the impact of complying with them on the development of Islamic banking at the domestic and international levels and raising their efficiency and then the standards issued by AAOIFI were reviewed.



Omar Mustafa Ansari Deputy Secretary-General during his part «Accounting Auditing & Governance Standards» of training

Hosted by the Central Bank of the UAE

AAOIFI Holds Public Hearing of the new Governance Standard on «Central Shari'ah Boards»



AAOIFI have been honored to hold a Public hearing for draft of the new Governance Standard No. (8) on «Central Shari'ah Boards», hosted by the Central Bank of the UAE at its headquarters in Abu Dhabi. The Public hearing was attended by a group of experts and professionals from the Central Bank cadres, leaders, directors of Shari'ah supervision from different of Islamic financial institutions, traditional financial institutions and other related parties. The Public hearing witnessed an in-depth dialogue and discussion on the Central Shari'ah Boards and the importance of the standard, which will positively reflect on the development and upgrading of the standard.

AAOIFI Offers SAMA Leaders a Workshop on «Islamic Finance, Governance and Future Prospects in the Kingdom of Saudi Arabia»

His Excellency Deputy Governor of the Arab Monetary Agency for Research and International Affairs, Dr. Fahd bin Ibrahim Al-shathri started the workshop of «Islamic Finance, Governance and Future Prospects in the Kingdom of Saudi Arabia» which was held at the Financial Institute in Riyadh. The workshop included important axes, the most important of which is the talk about AAOIFI, its international status and standards. A great portion of the workshop included reviewing the most important international developments and best practices in the governance of Islamic and financial banking work. The prospects for the development of the Islamic financial industry in the Kingdom were also explored.

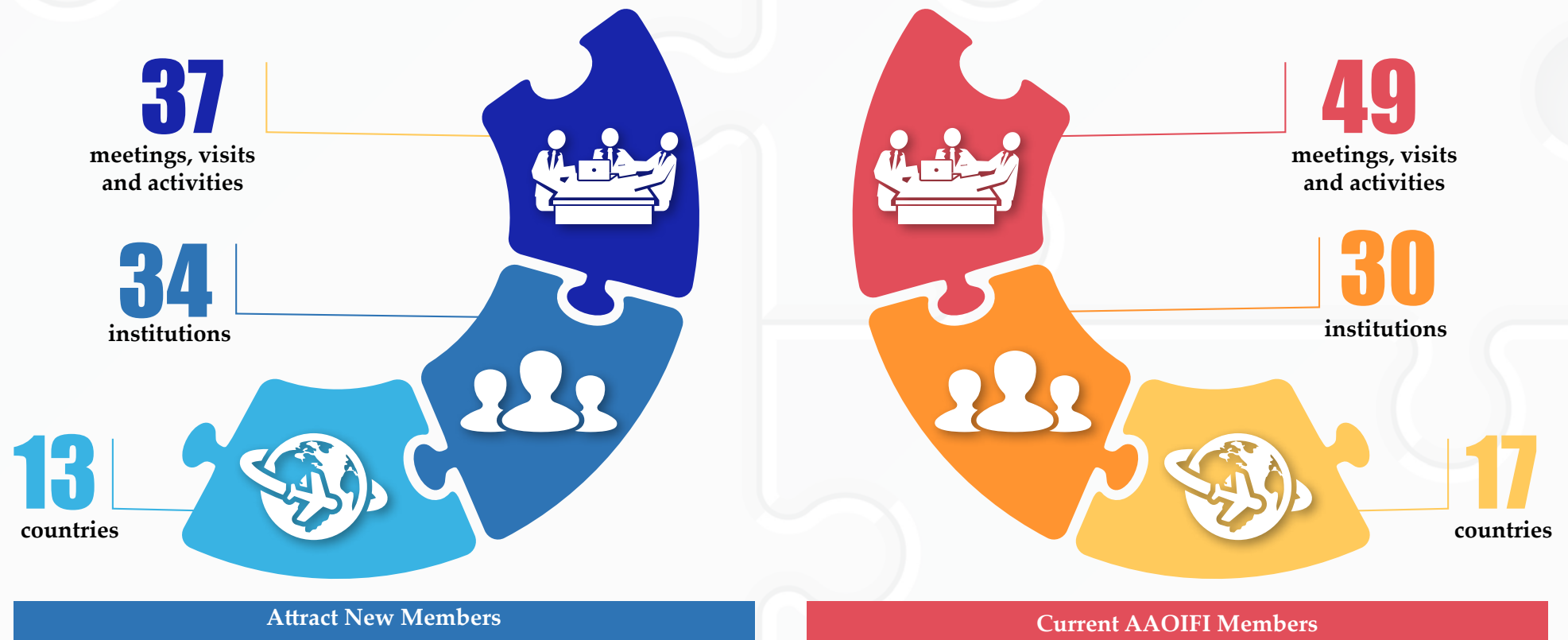


Strengthening the Relations with Member Institutions and Attracting New Members

In its belief that its member institutions are its capital through which the interaction with regard to the development and application of standards is carried out and the bridge of communication with the financial industry in the countries in which these institutions are located will take place, AAOIFI has been keen to strengthen this relationship by rebuilding the membership database, updating the contact information and paying visits to a large part of them to inform them of the latest activities of AAOIFI and its work, as well as accepting the invitations of member institutions to participate in and enrich their events of conferences, seminars and workshops.

More than **49** meetings and visits were held with more than **30** organizations within the current AAOIFI members.

More than **37** meetings, visits and activities were held with more than **34** institutions in **13** countries to familiarize them with their AAOIFI and to attract them to its membership.



Thanks to Allah Almighty, this great effort resulted and only during 2017 in the completion of the accession of 12 institutions to the membership of the AAOIFI. These institutions are as follows:

Members	country	Membership Type
Saudi Arabian Monetary Agency (SAMA)	KSA	In the Category of Central Banks and Regulatory And Supervisory Authorities
The Central Bank of Iraq	Iraq	
Astana Financial Services Authority,	Kazakhstan	
Capital Markets Authority	Sultanate of Oman	
Central Bank of Djibouti	Djibouti	
South Islamic Bank for Investment and Finance	Iraq	In the Category of Participating Members
Bedaya Home Finance Company	KSA	
Jumhouria Bank	Libya	
Salaam African Bank	Djibouti	
Islamic World Bank for Investment and Finance	Iraq	
Iraqi Certified Accountants Association	Iraq	From the Category of Supporting Members and Observers
Tabbir Payments	UAE	

AAOIFI Celebrates Admission of SAMA as Institutional Member at Official Ceremony



In recognition of Kingdom of Saudi Arabia's pioneering role and distinguished spot on the map of the global Islamic finance industry, and its important contributions in this area, both locally and internationally, the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) has always been keen to deliver on its mission as the leading international organization for the Islamic finance industry, through multiple initiatives aiming to foster professional, technical, and scholarly ties with the Kingdom at various levels mainly including

regulatory and supervisory authorities, Islamic financial institutions, academic and research institutes, etc. The latest manifestations of these efforts has been recently revealed in the admission of Saudi Arabia Monetary Agency (SAMA) (the central bank of Saudi Arabia), as a new institutional member of AAOIFI along with an elite group of existing members including central banks and regulatory and supervisory authorities in areas of capital markets, insurance, and financing, hailing from a number of countries across the world.

AAOIFI has strengthened the relationship and enforced cooperation with more than 20 international institutions through holding more than 32 visits, meetings and events, holding partnerships and carrying out joint projects.



1. International Monetary Fund
2. The World Bank
3. International Accounting Standard Board IASB
4. International Federation of Accountants
5. World Council Bank
6. Arab Monetary Fund
7. Union of Arab Banks
8. GCC Accounting & Auditing Organization
9. Islamic Development Bank
10. Islamic research and Training Institute
11. Islamic corporation for the Development of the Private Sector
12. International Islamic Trade Finance Corporation
13. The Islamic Corporation for the Insurance of Investment and Export Credit
14. Standing Committee for Economic and Commercial Cooperation of the Organization of Islamic Cooperation COMCEC
15. Statistical, Economic and Social Research and Training Centre for Islamic Countries SESRIC
16. International Islamic Fiqh Academy
17. Islamic Financial Services Board
18. General Council for Islamic Banks and Financial Institution
19. International Islamic Financial Market
20. International Islamic Liquidity Management Corporation
21. Islamic International Rating Agency
22. International Islamic Centre for Reconciliation and Arbitration
23. Organization of Islamic Cooperation
24. KGK Turkish Accounting Standards
25. Islamic Fiqh Academy Sudan
26. Dubai Islamic Economy Development Centre
27. Mastercard
28. Standard & poor's



AAOIFI Participation in Conferences and Events

Due to the great position it represents on the map of the Islamic financial industry, AAOIFI is invited to the most important conferences and events held by the different parties in the industry. AAOIFI participates, gives principal speeches and submits researches and worksheets. It also participates in the main dialogues to talk about its standards, activities and vision for a variety of different topics related to Industry.

The AAOIFI Secretariat participated in at least **41** conferences, workshops, lectures, seminars and regional and international events in at least **13** countries

It has had a significant positive role in enhancing its presence and position, enabling it to interact with decision-makers, to know the latest developments and to consolidate the status of AAOIFI as the world's first non-profit world standard issuing institution.

Examples of AAOIFI's distinguished contributions:

- Holding a scientific session to introduce AAOIFI and its standards and translating them into Russian within the activities of the 9th Kazan Economic Summit
- The program of the events of the Kazan International Economic Summit, which was attended by nearly **2000** people from **51** countries, held a one-and-a-half-hour session attended by a large number of people and its activities were interpreted into Arabic, English and Russian to show the impact of the implementation of the standards and commitment to them at the local and international levels, especially in the new markets in Islamic finance.
- Participation with a keynote paper at the International Islamic Center for Reconciliation and Arbitration, Dubai, United Arab Emirates



- The ceremony of launching the Shari'ah Standards, Dubai, United Arab Emirates
- Hamdan Bin Mohammed Smart University Conference in Shenzhen, China, in partnership with the Dubai International Center for Islamic Economics
- A keynote speaker at the Conference and the Award of Corporate Social Responsibility in the Islamic Banks 2017, Kingdom of Bahrain
- A keynote speaker at the 6th Annual Standard & Poor's Islamic Finance Conference on Standards and AAOIFI at the Dubai International Financial Center (DIFC), United Arab Emirates
- A keynote speaker in the conference of the International Shari'ah Research Academy for Islamic Finance (ISRA), Kuala Lumpur, Malaysia

AAOIFI's Conferences

As the first non-profit international professional standard issuing institution in the Islamic financial industry, AAOIFI's international conferences have been and continue to be annual events of a unique quality and are of the most important activities of the industry and its activities worldwide.

In the course of 2017, AAOIFI held two international conferences as follows:

AAOIFI's 15th Annual Conference of Shari'ah Bodies

In a high-level international presence, the 12th annual AAOIFI -World Bank conference entitled «Islamic Finance, the stage of achieving distinguished growth and standardization» was held in the Kingdom of Bahrain on Sunday and Monday, 17-16 Safar 1439 H, corresponding to 6-5 November 2017, at the Diplomat Hotel, Manama, in partnership with the World Bank and under the auspices of the Central Bank of Bahrain. A high-level panel of 30 experts from 15 countries gave speeches in the conference which was attended by 798 persons from 48 countries around the world



Speakers



7

Sessions



32

Speakers

Number of Attendees



From

48

Countries



798

persons

The 12th Annual AAOIFI- World Bank Conference

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A high-level panel of 30 experts from 15 countries gave speeches in the conference which was attended by 798 persons from 48 countries around the world.




Speakers

From
16
 Countries


33
 Speakers

Number of Attendees

From
18
 Countries


889
 persons



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مؤتمر أيوفي - البنك الدولي الثاني عشر
المالية الإسلامية ومرحلة تحقيق النمو النوعي وتوحيد المعايير

AAOIFI - World Bank 12th Annual Conference
Towards Qualitative Growth and Standardization of Islamic Finance

Sunday & Monday 16 - 17 Safar 1438 H 5 - 6 November 2017
Diplomat Hotel, Manama, Kingdom of Bahrain

الأحد والثنين ١٦ - ١٧ صفر ١٤٣٨ هـ الموافق ٥ - ٦ نوفمبر ٢٠١٧م
فندق الدبلوماسيات، المنامة، مملكة البحرين



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النمو النوعي



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AAOIFI

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للمؤسسات المالية الإسلامية

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