

**Welcome Address at the opening ceremony of proposals on
“Establishment of Centre of Excellence for Promotion of Islamic Finance”**

**Mr. Ashraf Mahmood Wathra,
Governor - State Bank of Pakistan
25th March 2015, Karachi**

Hon’ble Senator Muhammad Ishaq Dar, Federal Minister for Finance, Revenue,
Statistics, Economic Affairs and Privatization,

Deputy Governor SBP and Chairman of the Steering Committee for Promotion of Islamic
Finance, Mr. Saeed Ahmad,

Distinguished Guests, Colleagues, Ladies and Gentlemen

Assalamu alaikum and Good Evening!

I would like to express my gratitude to all the distinguished guests: the Chief Guest, Honorable Finance Minister Senator Muhammad Ishaq Dar, Shariah scholars, government officials, higher education institutions, representative of all Banks, and other stakeholders for joining us today.

It is my great pleasure to extend a warm welcome to all of you at this auspicious occasion of opening proposals tendered by various parties to establish the Centre of Excellence in Islamic Finance (CEIF).

Ladies and gentlemen!

Islamic finance has witnessed tremendous growth in the last four decades and its outreach currently spans across the globe, with an asset base of US\$ 1.8 trillion. According to estimates, the global Islamic finance industry is likely to grow to US\$ 5 trillion by 2020. Having established itself as a viable alternative during the last financial crises, standard-setting bodies are increasingly viewing Islamic finance as means to promote broad-based, inclusive economic growth.

Islamic banking industry in Pakistan has also grown significantly since its re-launch in 2001. The industry now accounts for over 10 percent of the country's banking system. Presently 22 Islamic Banking Institutions (IBIs) are operating in the country with a network of over 1,550 branch network. With this given growth trend, increasing interest of the banking segment and strong commitment of the Government, the future outlook of the Islamic banking industry looks quite positive and by 2018, the industry is likely to exceed the target of acquiring a 15 per cent share in the overall banking industry as envisaged in its Strategic Plan 2014-18.

Ladies and Gentlemen!

Despite showing significant growth, Islamic banking industry in Pakistan is still confronted with a number of challenges. Among these, one of the biggest challenges is a shortage of qualified Islamic finance professionals, who can lead the industry into the next level of growth and development. The growing interest in this sector coupled with expansion and consolidation by some of the current players, warrants availability of required level of skilled human resources. Pakistan's Islamic finance industry needs to enhance and upgrade its human capital base including Shariah scholars, financial experts, economists, academicians and researchers to realize its true market potential and emerge as a formidable player in the arena. Further, as the industry moves forward, there is a need to develop innovative Shariah compliant solutions to cater to the divergent financial needs of the entrepreneurs. This necessitates enhanced focus on carrying out research to develop out of box solutions for the market. Thus the need is there to have in place a platform which facilitates in nurturing desired human force for this fast growing banking segment.

Over the years SBP has undertaken a number of capacity building initiatives to develop Islamic finance professionals through structured focused training programs, seminars and conferences in collaboration with local and international organizations for Islamic bankers and Shariah scholars. The extensive program by National Institute of Banking and Finance, which is the training arm of SBP, has contributed significantly to develop both local and international Islamic finance professionals. We also held joint training programs in collaboration with Islamic Research and Training Institute (IRTI) and Islamic

Development Bank (IDB). While these programs are a regular feature, we believe the pace of growth of the industry has remained higher than the supply of trained Islamic finance professionals.

Ladies and Gentlemen!

In pursuit of sustaining the pace of growth and to realize the target of acquiring 15 percent market share by 2018, Islamic finance industry in Pakistan needs human capital in the form of Islamic finance specialists including Shariah scholars, banking professionals, academicians and researchers. In this backdrop, the Steering Committee for the Promotion of Islamic Banking constituted by the Ministry of Finance had proposed to establish a Centre of Excellence for Islamic Finance in the country with the objective to provide qualified human resource to the Islamic banking industry. SBP recently launched a challenge round for establishment of Centre for Excellence in Islamic Finance. Higher Education institutions were invited to submit their proposals for award of smart grants through a competitive process. We have received 8 proposals (6 individual proposals and two joint proposals) for establishing Centre of Excellence in Islamic Finance in the country. A high level Technical Advisory Committee headed by Deputy Governor SBP and industry experts will review the proposals and award grants on well-defined criteria.

The Centre would aim at providing a comprehensive set of quality assured education, training and research programs for various audience groups. Since currently there is no minimum threshold or uniform quality control standards for skill development of Islamic banking professionals, the programs will also serve as a benchmark for similar future endeavors. Further, since most of the programs and institutes are not connected with the latest international developments in Islamic finance industry, the Centre would also create strong linkages with related international institutions which will be integral to promote knowledge sharing and learning from international experiences. These factors along with active participation of the industry will make CEIF a winning venture not only in the local market but in the international arena as well.

Ladies and Gentlemen,

Promoting financial inclusion not only helps in poverty alleviation but also facilitates in achieving broad based economic development. Cognizant of this fact, with the promotion of Islamic finance, the Government and the State Bank of Pakistan are striving hard to increase access of financial services to the un-served segment of the society which have remained outside the banking system due to inter alia religious beliefs. Thus the Centre would also play significant role in promoting financial inclusion in the country.

I am confident, that the establishment of Centre of Excellence will contribute towards developing a more inclusive Islamic financial system through development of financial products that create closer links between Islamic finance and real economic activity. I also believe that the Centre will serve to provide Shariah based solutions for fiscal needs of the government and monetary policy instruments for the central bank.

Ladies & Gentlemen,

There cannot be a more conducive environment where all stakeholders share a common goal that is the promotion of Islamic finance. The government is fully committed and the Finance Minister Senator Muhammad Ishaq Dar is providing unprecedented support and cooperation for the development of Islamic banking industry. In the budget speech 2014-15, he has already announced establishment of this Centre and allocated Rs 500 million for this purpose, which signifies staunch commitment of the Government for promotion of Islamic finance in Pakistan.

I am sure that the pool of skilled human resources graduating from this Centre will help in resolving issues and challenges confronted by the industry and provide innovative Shariah compliant financial solutions. In the end, I would like to once again extend my gratitude to the Honorable Finance Minister for his support and my appreciation to DFID UK for their continuing partnership through the Financial Inclusion Program.

I once again thank and welcome you all and hope that the stakeholders will join hands for this latest initiative to further enhance financial inclusion in Pakistan.

Thank you!