



March 25, 2015

### **Press Release**

#### **FM Pledges Support for Centre of Excellence in Islamic Finance Education and Lauds Efforts of the Steering Committee**

The Finance Minister, speaking at the State Bank of Pakistan, Karachi today on the occasion of the opening ceremony of proposals received to establish a Centre of Excellence for Islamic finance education expressed his pleasure over the efforts being swiftly expedited to create the Centre that was announced last year. He said, 'I would like to extend my special appreciation to the State Bank of Pakistan for supporting such initiatives. I am optimistic that this Centre will further strengthen the foundations of Islamic finance in the country through rigorous research and by addressing the challenge of the dearth of human resources.'

The Minister added that rapidly increasing presence of Islamic finance around the globe is a long awaited development needed to address the issues created by the interest based financial system. Further, he said, 'looking at the major jurisdictions in the world now promoting Islamic finance, whilst leading policy makers and regulators begin to take a serious look at a Shariah compliant system as a viable alternative to remedy the flawed financial architecture of today, gives me a great deal of pride as a Muslim.'

The Finance Minister, Senator Muhammad Ishaq Dar, showed his commitment to facilitate the development of the Islamic finance industry by creating an enabling environment. After coming to power, the Government constituted a high level Steering Committee for the Promotion of Islamic Banking in the country. 'Through this Committee we have brought all stakeholders together on one platform to devise strategy and develop practical solutions for the challenges with which the industry is confronted,' he said.

The Governor, State Bank of Pakistan, Ashraf Mahmood Wathra while giving his welcome address said that 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. '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', he said.



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Islamic banking industry in Pakistan has also grown significantly since its re-launch in 2001. He added that given its growth trend, growing interest in this banking segment and commitment of the Government, the future outlook of the industry looks quite positive. The industry is likely to exceed the target of acquiring a 15 per cent share in the overall banking industry by 2018 as envisaged in its strategy plan 2014-18.

Governor Wathra, however, indicated that despite showing significant growth, Islamic banking industry in Pakistan is still confronted with a number of challenges. 'Among these, shortage of qualified Islamic finance professionals, who can lead the industry into the next level of growth and development is one of the biggest challenge faced by the industry,' he remarked. Adding further he said that Islamic finance industry in Pakistan needs to enhance and upgrade its human capital base including Shariah scholars, financial experts, economists, academicians and researchers to realize the true market potential and emerge as a formidable player in the arena.

Earlier, the Steering Committee for the Promotion of Islamic banking constituted by the Government of Pakistan in December 2013, presented its Interim Progress Report to the Finance Minister. The ceremony was attended by the Governor, State Bank of Pakistan, members of the Steering Committee, Presidents/CEOs of Islamic banking institutions, Takaful and Modaraba companies, Shariah scholars, academia and members of the chambers of commerce.

The Chairman of the Steering Committee, Mr. Saeed Ahmad, apprised the Finance Minister about the action plans identified by the Committee under its Terms of Reference. The Chairman stated that significant progress has been made on key priority areas including review of legal, regulatory and taxation frameworks, developing liquidity management solutions, developing solutions for conversion of government debt into Shariah compliant financing, development of an Islamic capital market, reforms in the Mudaraba sector, and establishment of a Centre of Excellence in Islamic Finance.

The Committee having representation of all key stakeholders including the Islamic banking industry, Shariah fraternity, private sector and regulators has made significant efforts towards formulation of recommendations for promoting Islamic finance in the country. The Finance Minister lauded the Committee for its achievements and, given its challenging task, extended the life of the Committee for another year. The Finance Minister further stated that efforts of the Steering Committee and effective implementation of its recommendations by all stakeholders will provide real impetus to the growth of Islamic finance in the country. The Finance Minister assured the Government's support towards the goal of eliminating riba from the economy and reiterated the need for timely execution of the Committee's recommendations.



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In another meeting, held at the State Bank of Pakistan, the Finance Minister, Senator Ishaq Dar exchanged views with the banks Presidents/CEOs on the state of the economy. The FM deliberated on the progress of the economy highlighting that the macroeconomic situation of the economy has improved considerably as is indicated by the decline in inflation and increase in foreign exchange reserves. While listening to the suggestions made by the Presidents/CEOs, regarding incentives for attracting workers' remittances under the Pakistan Remittance Initiative, he assured that the difficulties faced by the banks will be removed by taking appropriate measures soon.