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Governor SBP stresses for the need of stakeholders collaboration for bringing standardization of Islamic financial contracts

Governor State Bank of Pakistan (SBP) Mr. Jameel Ahmad said that collaboration among regulators, financial institutions, industry players, and Shariah scholars is essential for bringing standardization of Islamic financial contracts and simplifying the processes.

He was addressing the Inaugural International Conference on Islamic Capital Markets (ICM) jointly organized by Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and Securities and Exchange Commission of Pakistan (SECP). The theme of the conference this year was 'ICM Development with Ecosystem Completion: Innovation, Growth, and Transformation'.

Mr. Ahmad spoke at length on key issues and challenges in development of Islamic capital market. He was, however, convinced that the solutions are well within reach and hoped that the insights and knowledge exchanges during this conference will help in developing a roadmap for sustainable, diversified, and inclusive Islamic Capital Market in Pakistan.

The Governor noted that Islamic finance as a global industry has crossed the USD 3 trillion mark and the Islamic capital markets account for around 31 percent share of this growing pie. He, however, noted that Islamic capital markets are in nascent stages of development in most jurisdictions. He attributed this to gaps in institutional, legal and regulatory frameworks, inefficient price discovery and lack of diversity in instruments and investors. The Governor showed satisfaction that Islamic banking has grown into a systemically important sector in the country both in terms of assets base and current market share.

Highlighting the challenges pertaining to the development of Islamic capital markets, particularly of Islamic Debt Market, the Governor reminded that the conversion of public debt into Shariah compliant instruments remains the biggest challenge. The lack of adequate sovereign assets has remained a major impediment to regular issuance of asset-based Sukuk until recently. He informed the audience that the SBP has constituted a high-level working group to develop practical solutions on alternate Shariah compliant structures, especially Asset Light Sukuk Structures.

For building a robust Islamic corporate debt market, Governor SBP emphasized the need for developing coordinated and sustained efforts on multiple fronts to provide an enabling tax, regulatory and policy environment. Noting the importance of retail investors, he stressed the need for investor education programs to compliment the efforts for strengthening the market infrastructure. He also emphasized the need to embrace Islamic fintech, digital finance, climate finance, and innovation with a futuristic view to achieve holistic and sustainable development of an inclusive Islamic capital market.

He envisioned that Pakistan's Islamic Capital market to be a fair, modern, efficient and globally competitive market, responsive to the needs of its stakeholders, and based on sound regulatory principles, which should provide the impetus for sustainable economic growth.
