

# Central Bank of Jordan



## Prudential and Structural Islamic Financial Indicators (PSIFIs) for Islamic Banks in Jordan

# Prudential and Structural Islamic Financial Indicators (PSIFIs)



## Session II:

Current Practices of OIC Member Countries and International Organisations on the Production of Islamic Finance Data

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# Prudential and Structural Islamic Financial Indicators (PSIFIs)



## Presentation Structure

Part 1: Introduction to Islamic Banks in Jordan.

Part 2: FSIs vs. PSIFIs.

Part 3: PSIFIs compilation.

Part 4: Dissemination of the PSIFIs & PSIFIs Database.

# Prudential and Structural Islamic Financial Indicators (PSIFIs)



- **Part 1: Introduction to Islamic Banks in Jordan.**
- **Islamic Banks in Jordan:**
- 4 Islamic Banks.
- Jordan Islamic Bank (Oldest and largest Islamic bank in Jordan, the bank was established in 1978).
- Islamic International Arab Bank (Second largest Islamic bank in Jordan, the bank was established in 1997).
- Safwa Islamic Bank (Third largest Islamic bank in Jordan, commenced its business in 2010).
- Al Rajhi Bank (Foreign Branch).

# Prudential and Structural Islamic Financial Indicators (PSIFIs)



- **Part 1: Introduction to Islamic Banks in Jordan.**
- **Islamic Banks in Jordan:**
- Islamic Banks in Jordan applies the standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and the standards issued by the Islamic Financial Services Board (IFSB).
- As of 31/12/2016 the total assets of Islamic banks in Jordan notched a new record high, with a combined balance sheet total of 7.4 billion Jordanian Dinars (10.4 billion US Dollars).

# Prudential and Structural Islamic Financial Indicators (PSIFIs)



- **Part 2: FSIs vs. PSIFIs**

- **FSIs:**

- FSIs stands for Financial Soundness Indicators, and were developed by the IMF, together with the international community.
- Since the beginning of the compilation of the FSIs for the banking sector in Jordan, there was no special treatment or a separate category for Islamic banks data, and because of that, the Islamic finance data are compiled after applying some modifications to be consistent with the data of the conventional banks (for example, PSIFIs item is considered under the FSIs as a liability (Customer Deposits), while in Islamic Finance PSIFIs is a unique item and it's not a liability).
- The unique nature of Islamic banks and its indicators compared to conventional banks has led to the creation of indicators that takes into consideration the unique characteristics of Islamic finance.

# Prudential and Structural Islamic Financial Indicators (PSIFIs)



- **Part 2: FSIs vs. PSIFIs**
- **PSIFIs:**
- PSIFIs stands for The Prudential and Structural Islamic Financial Indicators.
- PSIFIs were created by the IFSB (Islamic Financial Services Board), as a parallel system to the IMF Financial Soundness Indicators (FSIs) with appropriate adaptations for Islamic finance.

# Prudential and Structural Islamic Financial Indicators (PSIFIs)



- **Part 2: FSIs vs. PSIFIs**

- **PSIFIs:**

- Jordan joined the PSIFIs program in 2014, and a task force on PSIFIs was established that comprises two compilers.
- PSIFIs are compiled using the Compilation Guide on Prudential and Structural Islamic Financial Indicators.
- The purpose of Compilation Guide is to provide guidance on compilation and dissemination of prudential and structural Islamic financial indicators (PSIFIs).



# Prudential and Structural Islamic Financial Indicators (PSIFIs)



- **Part 3: PSIFIs compilation.**
- Because of the semi-identical framework for Islamic banks applied by the Central Bank of Jordan and that for AAOIFI, and in addition to the implementation of the IFSB standards by Islamic banks in Jordan, there was no problems or major issues during the compilation process, except for minor issues (E.g. the classification of some items) that were resolved internally and by submitting queries to the IFSB.

# Prudential and Structural Islamic Financial Indicators (PSIFIs)



- **Part 3: PSIFIs compilation.**
- The currently followed method is to compile the data for the PSIFIs from the financial statements of the banks.
- In the first beginnings of the compilation phase (Phase III), there was some gaps in the compiled data and that was for 2014Q1 & 2014Q3 time-series data, and for specified indicators only.
- In January 2015, an IT system has been developed, and all the data for the PSIFIs are now available on a quarterly basis, in addition to the semi annual and annual financial statements, and thus there won't be data gaps henceforth.

# Prudential and Structural Islamic Financial Indicators (PSIFIs)



- **Part 3: PSIFIs compilation.**
- In the very near future a new IT system will be developed and that will enable the banks to upload the data directly to forms with the same formation of the IFSB's forms, then the Central Bank of Jordan will review and verify the data and then the forms will be submitted to the IFSB.
- The new system will lead to faster compilation and dissemination of the data, since the banks will upload the required data once their financial statements approved by the Central Bank of Jordan.

# Prudential and Structural Islamic Financial Indicators (PSIFIs)



- **Part 4: Dissemination of the PSIFIs & the PSIFIs Database**
- The dissemination of the PSIFIs is made once the IFSB requested the submission of the indicators.
- The submission of the indicators to the IFSB is made by the Central Bank of Jordan by sending the file that contains the PSIFIs data and the letter of approval (approval to post PSIFIs data on the IFSB website).
- The first PSIFIs set of data was compiled for the period 2013Q4, and since then Jordan submitted PSIFIs data for 14 periods; 2013Q4, 2014(Q1,Q2,Q3,Q4), 2015(Q1,Q2,Q3,Q4), 2016(Q1,Q2,Q3,Q4), and 2017Q1.

# Prudential and Structural Islamic Financial Indicators (PSIFIs)



- **Part 4: Dissemination of the PSIFIs & the PSIFIs Database**
  - **Jordan's PSIFIs Database**

# Prudential and Structural Islamic Financial Indicators (PSIFIs)



*Thank you*

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