

FOURTH MEETING OF THE OIC–COMCEC CENTRAL BANKS FORUM

26 September 2022

COMMUNIQUE

1. We, the Governors of the Central Banks and the Heads of Delegations, met on 26 September 2022 to exchange views on the current global and OIC (Organization of Islamic Cooperation) economic and financial outlook and to discuss the risks and uncertainties for the OIC countries within the framework of the Standing Committee for Economic and Commercial Cooperation of the Organization of Islamic Cooperation (COMCEC) financial cooperation agenda.
2. Global economic activity has further weakened in recent months due to heightened geopolitical risks among other things, and global growth forecasts have been revised downwards. We recognize that increasing geopolitical tensions, inflationary pressures, food and energy insecurity, volatility in global financial conditions, and supply chain disruptions are key challenges for businesses and policymakers. Increasing concerns over global food security driven by trade restrictions, high and volatile commodity prices, and the persistence of supply constraints have led to producer and consumer price increases internationally. In the environment of elevated risks and uncertainties, economic-policy making has become more challenging particularly for emerging market economies, including OIC countries. Therefore, we stress the importance of effective implementation of monetary, fiscal and structural policy and maintaining solidarity among OIC countries to preserve economic recovery and safeguard macroeconomic stability while mitigating the negative effects of those risks. In addition, we also note that increasing trade of halal products between OIC countries and the development of halal industries will support economic development. Accordingly, we underline that trade on halal products among OIC countries should be encouraged.
3. We reaffirm the important role of a resilient payment system in enabling safer and efficient cross-border payments to facilitate cross-border trade. We acknowledge that the use of local currency for trade settlements and investment activities provides firms

with greater flexibility, reducing vulnerabilities, including the potential systemic impact of global shocks, as well as strengthening the economic and financial cooperation among OIC countries. We also emphasize that cross-border payment is considerably more challenging compared to domestic payments due to the complex interactions of multiple jurisdictions as well as dissimilar standards and operating procedures. To overcome these challenges, we underline the need for harmonizing these standards and procedures, and the significance of pursuing various efforts to enhance cross-border payments including via exploration of central bank digital currencies (CBDC) to take advantage of opportunities in this space while preserving the stability of the international monetary and financial system.

4. Robust funding and market liquidity management infrastructure is one of the key building blocks for an effective and efficient Islamic finance ecosystem. We note that a well-functioning liquidity infrastructure requires wide-ranging financial instruments, efficient and liquid financial markets, and access to central bank facilities. We also view that the limited availability of Shari'ah-compliant instruments for Islamic liquidity management and the lack of efficient and deep Islamic financial markets in most jurisdictions are two major issues that need to be effectively and properly addressed. The establishment of the International Islamic Liquidity Management Corporation (IILM) was a key milestone to help address the need for high quality and liquid short-term Shari'ah-compliant financial instruments, to further facilitate effective cross-border Islamic liquidity management. We underline that the legal and regulatory framework for issuance of Shari'ah-compliant financial instruments should be enhanced in terms of clarity, diversity, functionality and viability. Moreover, promoting an efficient, transparent and credible secondary market for Islamic financial instruments is essential for attracting a wider pool of market participants to provide for the liquidity needs of Islamic financial institutions. In the meantime, the different levels of financial market development among the member countries should be considered when designing policies and offering solutions in facilitating effective Islamic liquidity management.
5. We welcome the outcomes of the Workshop on "Best Practices on Promoting Financial Literacy and Islamic Finance in the OIC Member Countries" organized within the framework of the Statistical, Economic and Social Research and Training Centre for Islamic Countries (SESRIC) Project titled "Strengthening Financial Literacy and Promoting Islamic Finance in the OIC Member Countries" funded by COMCEC under the 9th Call

for Project Proposals of the COMCEC Project Funding in partnership with the Central Bank of the Republic of Türkiye, Bank Indonesia and Financial Services Authority of Indonesia for the benefit of Central Banks and Monetary Authorities from OIC Countries. We underscore the important role of financial literacy and the role of Islamic finance in increasing financial inclusion and building economic and social resilience, which are key enablers for financial stability and enhancing prosperity. We take note of the recommendations made to increase financial literacy in OIC countries, such as creating transparent co-ordination and governance mechanisms, establishing and implementing national strategies for financial literacy in cooperation with relevant stakeholders, and using a large variety of communication channels to reach targeted groups. Moreover, we state that financial technology (FinTech) has considerable potential to expand access to financial services with support provided by relevant stakeholders; however, FinTech also poses operational, regulatory and technical challenges. We will work to ensure that FinTech will advance in a way that maximizes opportunities for an inclusive and sustainable economy and minimizes risks.

6. We recognize the importance of the training and capacity development activities of SESRIC through its Central Banks Capacity Building Programme and call upon the Central Banks and Monetary Authorities of the OIC countries to cooperate with SESRIC in the implementation of this important programme. In this regard, we reiterate our active commitment to safeguard the cooperation and collaboration among the Central Banks and Monetary Authorities of the OIC countries and boosting capacity building and expert sharing programs in order to strengthen our institutional capacities.