

STAFF PAPER

June 2018

IASB Meeting

Project	Islamic Finance Consultative Group		
Paper topic	Update		
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Purpose

1. This paper provides an update on the Islamic Finance Consultative Group following its meeting in March 2018 in Dubai.
2. We are not requesting any decisions from the Board.

Why have an Islamic Finance Consultative Group?

3. The Group was formed following the 2011 Agenda Consultation to assist in assessing whether the Board needed to do anything to address the needs of Islamic finance. Some question whether IFRS Standards are equipped to adequately address Islamic transactions, or whether the transactions are so unique that they require separate standards or additional guidance.
4. The Group was relaunched in 2016 under the leadership of Chairman Faiz Azmi (Executive Chairman, PwC Malaysia and former Chairman of the Malaysian Accounting Standards Board) and Vice-Chairman Martin Edelmann. Following the relaunch, we held the first (public) meeting of the Group in July 2017 in Jakarta, and our second in March 2018 in Dubai.
5. We view the Group as part of the Board's strategy to support the implementation and application of IFRS Standards—in this case, focusing on any challenges that may arise in applying the Standards to Islamic finance transactions. Clearly,

assessing whether particular products are compliant with the requirements of Sharia law is beyond the remit of the Group.

6. The Group has no mandate to issue any (authoritative) guidance, but we hope that the Group's discussions will be helpful to practice. Similarly to a Transition Resource Group, matters discussed by the Group might subsequently be referred to the Board to help determine what, if any, action the Board might need to take.
7. The membership is mainly drawn from standard setters and built on the Asian-Oceanian Standard-Setters Group's Islamic Finance Working Group.¹ It includes a representative from the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). AAOIFI issues standards on accounting, auditing, Sharia compliance, ethics and governance for Islamic financial institutions and the industry. Its accounting standards are used by Islamic financial institutions in some countries that have or are in the process of adopting IFRS Standards.

March 2018 meeting

8. We thought the Group's full-day meeting this March was productive and a noticeable step forward from last year's Jakarta meeting. That was largely because the Group discussed specific questions arising in applying IFRSs 9, 15 and 16 to particular Islamic products on the basis of well-analysed papers prepared by some of the members.
9. These questions included considering:
 - (a) whether an Islamic financial institution would apply IFRS 15 and/or IFRS 9 or IFRS 16 to an arrangement in which it provides Sharia-compliant financing; and
 - (b) whether a receivable arising in such an arrangement would meet the 'solely payments of principal and interest' test in IFRS 9.

¹ The members are listed at <https://www.ifrs.org/groups/islamic-finance-consultative-group/#members>

10. As one would expect, the judgements involved in analysing such arrangements require consideration of the facts and circumstances relating to the specific transactions; these can vary even for transactions with a common Islamic label.
11. Members from Pakistan and Indonesia also gave presentations highlighting matters that some perceive as impediments to applying IFRS Standards to Islamic transactions in those countries.
12. Papers for the meeting are available on the [website](#)² together with the [summary](#)³ of the meeting.
13. In summary, we do not think any of the matters discussed at the March 2018 meeting require further consideration by the Board.

Next meeting

14. We plan to hold the next meeting in Malaysia in the first quarter of next year.

² <https://www.ifrs.org/groups/islamic-finance-consultative-group/#meetings>

³ <https://www.ifrs.org/-/media/feature/meetings/2018/march/ifcg/ifcg-summary-march-2018.pdf>