

REPORT

“The 3rd International Conference on Islamic Banking and Finance: Risk Management, Regulation and Supervision” Jakarta, Indonesia, 22-24 February 2010.

The conference “3rd International Conference on Islamic Banking and Finance: Risk Management, Regulation and Supervision” was jointly organized by IRTI and Center of Islamic Economics and Business (PEBS) University of Indonesia and co-hosted by Bank Indonesia. It started with a welcoming ceremony and dinner on 22nd of February. The ceremony was addressed by H. E. Sri Mulyani Indrawarti, then Minister of Finance, Republic of Indonesia (currently Executive Director at World Bank). In her speech the Finance Minister emphasized the need to bring about an efficient and stable Islamic financial system. She also emphasized the need for human capital development in Islamic finance in general and in the area of risk management in particular. The Deputy Governor of Bank Indonesia, The Dean of Faculty of Economics, University of Indonesia, and Manager Training on behalf of the Director General IRTI also spoke on the occasion.

The main program of the conference took place on February 23 and 24, 2010 that comprised of two plenary sessions, and eight parallel sessions in which a total of 31 papers were discussed by authors from 10 countries (Indonesia, Bahrain, Iran, India, Jordan, Malaysia, Qatar, Saudi Arabia, UK and USA). A book of conference papers (more than 766 pages in total) was printed and also included in the conference kit that was distributed to the participants. The summary program of conference is given below. The conference was well participated by over 150 participants. At the end of the conference a conference communiqué was also issued that thanked the organizers and host country Indonesia and recommended future steps for policy makers and further research areas for the academia and finance community. Some key recommendations of the communiqué were the following:

- That this conference series should be continued and with the participation from supervisory bodies, finance practitioners, Shari‘ah boards, academics and research communities.
- In view of the global financial crises, Islamic financial institutions should move to implement the original concept of Islamic finance avoiding products not compatible with *maqāṣid* of Shari‘ah and having no wider

consensus and which encourage consumerism, speculation and which are based on gimmicks to provide personal loans etc.

- Islamic countries are called upon to provide legal and institutional framework to promote the development and use of those products that need such support. Techniques should be devised to measure the efficiency along with social responsibility and *maqāṣid* of Shari'ah. Islamic governments are also invited to provide environment to expand risk sharing and to enable Islamic finance to operate competitively and effectively.

By grace of Allah the conference was a big success. The dedication of the people working for the organization of the conference in all concerned institutions, the willingness of the authors to contribute their papers and taking the time to come for the conference, all contributed to its fruitfulness.

The program of the conference is given below:

EVENING OF FEBRUARY 22, 2011 (WELCOME DINNER)	
Welcoming Speech by Rector of UI	Prof. Gumilar R. Sumantri
Welcoming Speech by IRTI	Representative of IRTI on behalf of Prof. Bambang P. S. Brodjonegoro
Grand Opening and Speech by the Minister of Finance, Republic of Indonesia	H. E. Sri Mulyani Indrawarti
FEBRUARY 23, 2011 (BUSINESS DAY-1)	
Welcoming Speech	Dean of FEUI
Officiating Remarks	Osman Babiker on behalf of Director General of IRTI
Official Opening Ceremony	Deputy Governor of Bank Indonesia
Keynote Speech: Risk Management, Regulation and Supervision in Indonesia	Dr. Muljaman Haddad
PLENARY SESSION	
Risk Management Assessment Systems: An Application to Islamic Banks	Prof. Habib Ahmed
Impact of Global Financial Crisis on Islamic Banking	Salman Syed Ali

Session on EFFICIENCY OF ISLAMIC BANKS	
Performance Evaluation of Islamic Commercial Banks in Indonesia after the Financial Crisis	Ahmad Affandi
The Potential Of Liquidity Risk Problems In Indonesian Islamic Banking Industry	Rifki Ismal
Efficiency Of Islamic Banking In Indonesia	Rahmat Hidayat
Assessing Cost and Profit Efficiency of Islamic Banks	Sudin Haron
Session on BANKING AND FINANCIAL STABILITY	
Risk Identification of the Islamic Banks in Indonesia: A VAR Modeling Approach	Rahmatina A. Kasri
Transmission Mechanism On Dual Monetary System In Indonesia: Comparison Between Shari'ah And Conventional Monetary Instruments	Aam Slamet Rusydiana
The Impact Of Credit Channel Of Islamic Banks In A Small-Open Economy	Wisam Rohilina
How Resilient Is the Islamic Banks to Financial Crisis? The Malaysian Experience During the Asian Crisis 1997 and the US Crisis 2007	Shabri Abd. Majid
Session on EFFICIENCY OF ISLAMIC BANKS	
Measuring the Efficiency of Islamic Banks in Indonesia and Malaysia using Parametric and Nonparametric Approach	Ascarya
Cost, Revenue, and Profit Efficiency of Islamic versus Conventional Banks: International Evidence Using data Envelopment Analysis	Mohammad Bader
DEA/C&R :DEA with Classification and Regression Tree: A Case of Banking Efficiency	Abdel Latef Anouze
Measuring Service Quality of Malaysian Banking Industry : A Comparison Between Islamic and Conventional Banks	Mukesh Kumar
Session on SHARI'AH ISSUES	
Shari'ah Compliance Process and Corporate Governance in Islamic Banking Institutions (IBIs): A Proposed Model	Rusnah Muhamad
The Process of Shari'ah Assurance In The Product Offering; Some Important Notes For Indonesian And Malaysian Islamic Banking Practice	Agus Triyanta

The Responsibility and Independence of Shari'ah Supervisory Boards of the Indonesian Islamic Banks	Ade Wirman Syafei
Shari'ah non-compliance risk in Islamic banking and finance	Ahcene Lahsasna
Session on RISK MANAGEMENT	
Assets Liabilities Management in Islamic Banking	Mahmoud Allahyarifard
Financial Stability and Early Warning Systems: Implications for Islamic Finance	Kazim Yavari
An Integrated Framework For Operational Risk Measurement In Islamic Banking	Hylmun Izhar
Session on RISK IN ISLAMIC BANKING & FINANCE	
Challenging Risks Of Islamic Banking- A Case Of Islamic Banking In Pakistan	Muhammad Mazhar Manzoor
The Effectiveness of Rating System to Measure Default Risk in Islamic Bond : The Case of Islamic Bond Rating System in Indonesia	Abdul Qoyum
Appraisal Of Islamic Derivatives	Anita Priantina
FEBRUARY 24, 2011 (BUSINESS DAY-2)	
Session on SUPERVISORY ISSUES	
Exploring Corporate Social Responsibility Disclosure of Islamic Banks With Special Reference to Disclosure Practices Under the AAOIFI Standards	Abul Hassan
The Disclosure Evaluation of Islamic Banking Reports: Evidences from Middle East and Asia	Rifqi Muhammad
Regulating Islamic Finance in Secular Countries : A Case study of India	Syed Kamran Razvi
Regulation and Supervision of Islamic Banks and Financial Institutions: Bangladesh Perspective	Abdul Awwal Sarker
Session on CAPITAL ADEQUACY	
Issues and Challenges in Implementing Strengthened supervisory Standards for Islamic Banks: The Role of Investment Account Management as a Risk Mitigant in Islamic Finance	Late V. Sundararajan (paper distributed)
Neutralizing Disincentives for Holding Profit Sharing Instruments: The Role of Regulators and	Sayd Farook

the Capital Adequacy Ratio	
Capital and Risk Adjustments Under Risk-Based Capital Regulations and Diversification Loss	Dawood Ashraf
Measuring Banks' Duration Gap and Net Worth Risk in Dual Banking: Empirical Evidence Using Duration Gap Model	Jamshaid Anwar Chattha
Impact of Capital Regulations on Capital Ratios and Risk Taking of Islamic Banks	Kabir Hasan
	Dadang Muljawan
CLOSING CEREMONY	
Opening	MC
Recommendation of the conference	Academic Committee
Announcement of best paper awards	MC
Du'a	Mr. Banu
Closing	MC