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Feature

Sustainable Sukuk: Why Islamic finance is a game changer for funding sustainable projects

Sukuk: A brief intro

Sukuk are Islamic financial instruments that comply with Shariah, a law that governs many aspects of Muslims' life. Sukuk are similar to bonds; however, because Shariah prohibits Riba, equivalent to interest, many types of western finance such as bonds, loans and mortgages cannot be employed. Instead, the issuer of Sukuk sells an investor group a certificate that gives them partial ownership of an asset. The holder of the Sukuk then receives a percentage of the earnings generated by this asset.

It is not just interest that is Haram, or forbidden, under Shariah law. Islamic investors are also forbidden from funding companies or projects that engage in a range of harmful activities. This includes the production of alcohol, pornography, arms and tobacco, as well as gambling and casinos. In addition, Sukuk require the oversight of an appointed Shariah cleric and a yearly Shariah audit. Sukuk are an established, tried and tested form of financing that has been around for centuries.

Over US$147 billion of Sukuk was issued in total in 2021 and it is predicted that by 2026 this will rise to US$290 billion per year. Malaysia has long been the global leader in Sukuk issuance, accounting for 90% of total global distribution in the third quarter of 2021. After Malaysia, Saudi Arabia, Indonesia, Turkiye and Kuwait make up the rest of the top five issuers, representing 90% of total issuance.

However, new players in the Sukuk market, such as Bangladesh and Dubai, are growing rapidly and demand is rising among international investors. Over US$42 billion of the US$147 billion issued in 2021 was in international markets and the UK sold its second sovereign Sukuk in March 2021.

ESG and Sukuk

The synergies between the values of sustainable and ethical finance and Islamic finance are well established. Western finance has traditionally struggled with the S (social) in ESG. Conversely, there is a strong emphasis on social impacts in Islamic finance Sukuk, as evidenced by the ban on investing in projects that cause harm. The aim of Shariah is to ensure sustainability for people across the world.

With a focus on ethical projects, shared risk and tangible assets, there is scope for it to be used to advance the UN Sustainable Development Goals. According to the UK Islamic Finance Council (UKIFC), alignment with the SDGs supports the Islamic principle of 'Tayyib', an Arabic word which is translated as wholesome or good: "Tayyib contends that the focus of Islamic finance products and services should be on the evaluation of wider societal impact rather than an overly legalistic analysis of Shariah compliance".

We are already seeing progress in the field of ethical and sustainable Sukuk. At COP26 [2021 United Nations Climate Change Conference], for example, the UKIFC set up a working group on green Sukuk with industry stakeholders including HM Treasury and the finance ministry of Indonesia. The first ESG Sukuk facility was created in 2017 and since then, over 200 have been issued, typically funding renewable energy and other environmental projects. ESG Sukuk issuance reached record levels in 2021, amounting to over US$15 billion, more than triple the issuance in the previous year.

This represents an opportunity for investors in the west to tap into capital from the Islamic world to fund green and sustainable projects. While Sukuk are a long-established form of finance, it is not yet a mainstream instrument for sustainable finance. We are just at the beginning of this journey and there is scope for international growth.

Barriers to growth

Given the synergies between ESG and Islamic finance, the question is: why have ESG Sukuk not seen the kind of growth in financial markets that other forms of sustainable finance have? This question is especially pertinent in the context of last year's landmark COP26 conference.

Part of the answer to this question lies in a lack of activity from governments, which have an essential role to play in financial markets: in signaling strategic direction, in creating the conditions that shape the development of financial markets and in providing incentives for specific activities. This role is not yet being properly fulfilled by governments across the world.

As a reaction to the global financial crisis, banks were essentially penalized for not providing finance to consumers. The changes to UK tax legislation and the definitions around alternative finance (AltFi) products to allow for Islamic finance follow this trend. The unintended consequence of this was that lending to companies, including short-term lending to finance trade, was one of the first things to go when calculations of regulatory capital took hold. The functioning of trade depends on access to short-term liquidity. But if the banks are punished for lending to companies, then where do these companies turn to?

In addition to this, barriers for corporate Sukuk issuance remain. High costs, stemming from small issuance sizes and higher perceived risk, are turning corporates away from Sukuk to traditional financing.

A further hurdle is the need for the de-labeling and democratization of Shariah and Sukuk. For Islamic finance to grow and thrive, it needs to draw investors not just from the Islamic world but from broader international financial market participants.

Currently, it uses a lot of terminology which is unfamiliar to international investors, who are now expecting issuers to be conversant with various regulatory frameworks and to be providing the data that investors need to demonstrate their compliance under these regulatory frameworks. It is important for

Islamic issuers to get conversant with these regulatory frameworks while also giving consideration to the language they use when speaking to investors.

A look forward

The marketplace needs capital to flow in order to function, to aid recovery and to promote sustainability and just transitions. There is significant scope for Islamic finance to grow in these spaces.

While government action will be crucial in driving this forward, it is not capable of directly increasing the extent of financial market activity that links sustainable and ethical investments with a step-change improvement in extending the depth of the market, including improved market liquidity for Sukuk issuers.

"Specialist knowledge gained through immersion in this market facilitates a demystifying of Islamic finance through delabeling, thereby making products readily understandable and available to a wider investment base — promoting democratization"

In order to make practical the kind of benefits and advantages from bringing conventional finance and Islamic finance together, we need action in financial markets from a wide and increasing range of financial market participants. Governments may set the context, but the financial markets and the private sector are the only ones which can make this strategy a reality. Indeed, while we wait for governments globally to catch up on their responsibilities, there is much that can be done by the private sector to advance practice in this area.

There is a need for more market participants which combine the efficiencies, both technological and operational, of dedicated Sukuk issuance platforms. Knowledge of conventional financial markets, plus the development of experience in the field of Islamic finance, facilitates a no-nonsense, smart, quick, impact-focused route to market, often with dedicated and specialist fintech.

Equally important are structuring specialists and marketplace operators which are aligned to the goal of democratization of Sukuk issuance. Specialist knowledge gained through immersion in this market facilitates a demystifying of Islamic finance through delabeling, thereby making products readily understandable and available to a wider investment base — promoting democratization.

This is particularly valuable in attracting investment in Islamic financial products from 'traditional' western markets: investors like to invest in products they understand. Bedford Row Capital, Wethaq, Fasset and a small but growing list of others are ideally placed to bring the advantages of combining conventional and Islamic finance to market. Simultaneously, Orestes Ethical Equity, an ethical investment solution in the global equities universe, is bringing together UN SDG goals in a Shariah compliant product. More information about Orestes Ethical Equity and the work they carry out can be found at **orestes.co.uk**.

More Islamic financial institutions should allocate capital to high-impact sectors of the economy, sustaining jobs and trade. Meanwhile, the UK government should allow for better treatment of UK AltFi businesses, to allow them to scale and allocate capital in the same way as their conventional cousins.

The potential for Islamic finance to grow and to make significant impacts globally is vast. This can only be achieved if effective, robust and trustworthy routes to market are opened up and operationalized. This is the ultimate goal of both Bedford Row Capital and Al Waseelah.


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Feature

Can Islamic finance solve Pakistan's climate-induced woes?

Pakistan is one of the top 10 countries that are highly vulnerable to the devastating effects of climate change, primarily due to its geographical location and high dependence on agriculture. Economically, the knock-on effects of climate change will only serve to exacerbate the country's underlying challenges of high inflation, shrinking forex reserves and overreliance on imported fossil fuels. However, despite this looming threat, there is still enormous room for change, at every level of impact. The country's Islamic banking industry has the potential to contribute immensely toward low-carbon and sustainability initiatives. From financing green technology to making use of equity-based models that support entrepreneurial ventures, Islamic banking institutions can promote due diligence and proper fund utilization.

Green Sukuk

Green innovation — a term that refers to all innovation related to green products and processes — will play a crucial role in tackling the adverse impacts of climate change, both at local and international levels. However, the availability of adequate funds required to implement such initiatives is a major deterrent for many policymakers. Approximately US$1.7 trillion-worth of annual investment is required in Asia alone to aid development of green infrastructure. To address these issues, Pakistan has the opportunity to turn toward its booming Islamic finance industry, particularly sustainable Sukuk, which may hold the key to unlocking a plethora of innovative solutions by bridging the gap between social and green investment opportunities. It is worth mentioning that at a macro level, the Sukuk market has seen rapid growth around the world. Countries continue to explore the potential offered by green Sukuk — where proceeds are being used to cater to the funding problem and/or to finance environmentally sustainable projects.

As more and more countries continue to launch successful and sustainable Sukuk to inject climate-

Table 1: Meezan Bank's participation in wind power projects

	Name Of project	Sponsor	Capacity (MW)	Project cost (US$ million)	Names Of syndicate members	Meezan Bank's role
1	FWE II	Fauji Group	50	140	• Meezan Bank • National Bank of Pakistan • Allied Bank • ADB • IDB	• Lead advisor and arranger • Shariah structuring bank
2	Act Wind Energy	Tapal Group, Ismail Industries and Akhtar Textile	30	84	• Meezan Bank • Bank Al Habib • Bank of Punjab • HabibMetro Bank • OPIC	• Mandated lead advisor and arranger • Musharakah agent • Project monitoring bank • Shariah structuring bank
3	Master Wind	Master Group	52.3	133	• Meezan Bank • Bank AL Habib • Faysal Bank • HabibMetro Bank	• Mandated lead advisor and arranger • Project monitoring bank • Shariah structuring bank • Accounts bank
4	Artistic Energy	Artistic Group	50	119	• Mandated lead advisor and arranger • Project monitoring bank • Shariah structuring bank • Accounts bank	• Mandated lead advisor and arranger • Project monitoring bank • Shariah structuring bank • Accounts bank
5	NASDA Green Energy	Soorty Group	50	64	• Meezan Bank • ICD	• Mandated lead advisor and arranger • Intercreditor agent • Project monitoring bank • Shariah structuring bank • Onshore trustee • Accounts bank
6	Gul Ahmed Electric	Gul Ahmed Energy	50	64	• Meezan Bank • International Finance Corporation • DEG	• Mandated lead advisor and arranger • Musharakah agent
7	Din Energy	Din Group	50	64	• Meezan Bank • Bank AL Habib • International Finance Corporation	• Mandated lead advisor and arranger • Musharakah agent • Project monitoring bank • Shariah structuring bank • Accounts bank
8	Artistic Wind Power	Artistic Group	50	64	• Meezan Bank • Bank AL Habib • International Finance Corporation	• Mandated lead advisor and arranger • Musharakah agent • Project monitoring bank • Shariah structuring bank

Source: Meezan Bank

resilient growth for their respective markets, Pakistan can learn much, building upon its own well-established Shariah compliant project financing capabilities to overcome funding barriers. Investments can be used to finance large-scale renewable energy projects including but not limited to the construction of dams, solar parks and wind turbines across the country. Green Sukuk, in addition to helping the country target its environmental and climate change woes, will also enable:

- Opening of Pakistani sustainability projects to foreign investments

- Greater policy control and implementation similar to the guidelines issued by the Securities and Exchange Commission of Pakistan in June 2021 for the Pakistani green bond market, to assure investors that the funds are allocated only to appropriate sustainability projects, and

- Unlocking of a largely untapped local investor base.

In 2020, Meezan Bank, the country's first and largest Islamic bank, played a leading role in successfully concluding the issuance of Pakistan Energy Sukuk II worth approximately PKR200 billion (US$910.92 million) by Power Holding, a public sector entity fully owned by the Ministry of Energy and the government of Pakistan. The milestone transaction, powered by the key Islamic finance players of the country, aimed to help the government in addressing the challenges for resolving circular debt in the country's power sector. This was the second issuance of this series of Sukuk, bringing the total size of Shariah compliant energy Sukuk to approximately PKR400 billion (US$1.82 billion). Last year, the bank's Shariah board approved the Shariah structure for the issuance of new government of Pakistan Sukuk Ijarah.

Renewable energy initiatives

Wind power projects

For Islamic banks, an important takeaway from sustainable practices across the globe will be the persistent focus on the environmental and social issues faced by a respective country and embedding these into their business processes.

Further pushing Islamic banking as an efficient and practical solution for consumers, Meezan Bank is working on various green and sustainable projects across the country. The total funds arranged for green energy projects by Meezan Bank cumulate to US$1.83 billion while over US$350 million has been committed/deployed for the same.

The bank's project financing initiatives have contributed to projects worth over PKR264 billion (US$1.2 billion). In 2019 alone, the bank financed and arranged the completion of four 50 MW wind power projects in the country, with a total contribution capacity of 600 gigawatt hours of electricity per annum to the national grid. This formed the highest number of wind power projects closed by any single local financial institution in a year.

To date, Meezan Bank has led eight wind power project deals in the country having a cumulative

Table 2: Meezan Bank's participation in hydropower projects

	Name Of project	Sponsor	Capacity (MW)	Project cost (US$ million)	Names Of syndicate members	Meezan Bank's role
1	Dasu Hydro Power Project – Stage I	WAPDA	2,160	3,500	• Habib Bank • National Bank of Pakistan • United Bank • Bank Al Habib • Meezan Bank • Askari Bank • Faysal Bank	• Mandated lead advisor and arranger • Joint Shariah structuring agent
2	Neelum Jhelum Hydro Power Project	WAPDA	969	4,000	• Meezan Bank • Habib Bank • Faysal Bank • Bank Al Habib • Soneri Bank • EFU • United Bank • BIPL • Dubai Islamic Bank • Askari Bank • Allied Bank • Bank of Khyber • Bank Alfalah • Pak China • Al Baraka Bank • Dawood Takaful • Jubilee Insurance • Al Falah GHP Fund • Pak Qatar Takaful • Al Meezan Investment • National Bank Modaraba • Cherat Cement – Provident Fund • PMCL - Provident Fund	Lead arranger

Source: Meezan Bank

capacity of 380 MW in which a total of US$430 million was arranged from local and offshore financiers including International Finance Corporation, Deutsche Investitions- und Entwicklungsgesellschaft (DEG), IsDB, Asian Development Bank (ADB) and Islamic Corporation for the Development of the Private Sector (ICD) — a member of the IsDB Group. The bank has also committed over US$150 million to the wind projects out of which US$75 million was financed under a subsidized renewable energy scheme from the State Bank of Pakistan.

Hydropower
Hydropower has a well-established role in expanding energy to large populations and is as yet a lesser-tapped avenue, with a potential to uplift people out of poverty. Escalating climate change disasters call for urgent action on every continent and region.

As extreme weather events worsen the scenario for countries that have a lower coping capacity, there is a need for a lot more funds to recover and rebuild. Countries like Pakistan have been recurrently affected by climate change-induced catastrophes, increasing its need for food, water and energy security.

Globally, wealthy nations stand at a hydropower potential of 70%. Compared with this, Asia's hydro potential stalls at a meager 20%, indicating a high gap. The right projects developed in consideration to local conditions can not only help address the unmet need for electricity but also make significant contributions to increased water security.

Currently, almost 105 million people are still relying on biomass as a major energy source. Pakistan's Vision 2025 is to double its installed hydropower capacity by the year 2030. In continuation of the same agency, Islamic project financing can help accelerate infrastructure development at a national level where hydropower plants can help generate cheaper and clean energy on a copious scale.

To date, Meezan Bank has participated in two mega hydropower projects worth US$1.35 billion including the Dasu Hydro Power Project and Neelum Jhelum Hydro Power Project with over US$150 million, having a capacity of 2,160 MW and 969 MW respectively, and also supported by multilateral offshore financiers including the World Bank and the IsDB Bank.

Solar power
Innovative Shariah compliant instruments can go a long way in meeting Pakistan's sustainability goals. In addition to green Sukuk, Islamic endowment funds, Waqf and even Islamic fintechs can lead the way into financing MSMEs.

Financial institutions *can* also use Islamic modes of finance such as Ijarah and diminishing Musharakah for renewable energy projects such as solar financing — a domain wherein lies substantial potential to not only promote inclusive growth but also meet specific developmental challenges.

The urgent need for green energy coupled with the appeal of Islamic financing across the country can lead to rapid growth in Pakistan's household renewable energy sector.

Meezan Bank is playing its part in captive and distributed solar solutions under which to date, the bank has financed over 20 MW-worth of projects while an additional 30 MW-worth of projects are in the pipeline. The total funds committed/under pipeline by the bank are over US$50 million which will be mainly financed through a subsidized renewable energy scheme from the State Bank of Pakistan.

On a smaller scale, Meezan Bank has funded off-grid solar power projects for corporates and individuals. Building on these initiatives, the bank aims to be a forerunner in providing Shariah compliant green financing on both macro and micro levels.

The way forward

Pakistan intends to convert at least 20% of its generation capacity to alternate renewable energy technologies by 2025 and 30% by 2030. This target, together with 30% hydroelectric, will result in one of the most environment-friendly and affordable electricity mixes compared to the heavily dominant mix of imported fossil fuels under the current generation mix.

The country's Ten Billion Tree Tsunami Programme built on the successful initiative of Khyber Pakhtunkhwa's Billion Trees Afforestation Project has already garnered recognition by various independent monitors. The program was approved by ECNEC with the project cost of PKR125.18 billion (US$570.14 million) and has achieved the plantation of over a billion trees so far. It is expected to deliver an environmental dividend in preserving atmospheric health, reducing greenhouse gas effects, lowering cases of random floods, regulating rainfall and droughts and enhancing other biodiversity supportive actions.

Recently, Pakistan also chaired the multibillion dollar Green Climate Fund, which was established to support climate action in developing countries, which is an acknowledgment of the seriousness Pakistan has shown relating to this matter.

As countries continue to grapple with the reality of modified ecosystems, there is an urgent need to accelerate the use of Islamic finance to tackle social and economic challenges and promote value-based investments for those who have the most to lose. By further formalizing Islamic finance instruments, we can create a promising avenue for sustainable development that can foster inclusive economic growth across the world.

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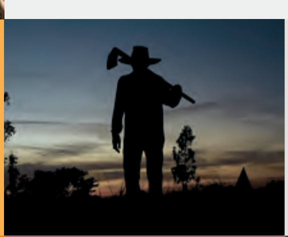

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DDCAP Group was delighted to be able to contribute panelists to various sessions of the 2022 IFN OnAir forums. This provided us with a great opportunity to hear first-hand from leading experts representing all corners of the Islamic finance world, from the GCC and the African continent to Southeast Asia.

Despite the far-flung geographies, it was instructive to identify common themes across the different forums. These involved both challenges to the development of Islamic finance but even more importantly the strong and varied opportunities for growth.

Shariah, regulatory and market changes have combined within the past 12 months to require market participants to adapt to a radically changed and rapidly evolving business environment. These changes have coincided with financial markets having to respond to the unprecedented challenges of the COVID-19 pandemic and its evolving progress around the globe, followed swiftly by the ongoing geopolitical crisis fomented by Russia's unprovoked invasion of Ukraine in February 2022. This has unfortunately created a strong headwind across all capital markets, and especially those for the emerging markets. Nonetheless, and as discussed in the various IFN OnAir sessions, the Islamic capital markets remain open, particularly for those economies in the GCC and elsewhere that have seen state budgets rebalanced in the aftermath of recent events.

On top of these significant and far-reaching changes, the Islamic finance world has also had to deal with overarching changes in standards and best practices that are affecting Islamic financial markets globally. The Islamic finance industry has a long and proud history of innovating quickly and flexibly in the face of adversity and is well placed to do so again. Now, however, a more sophisticated and mature industry is ready to move beyond a merely reactive position and is poised for a significant step change. This is due in large part to recent and current industry initiatives refocusing on the creation of achieving new industry standards and best practice firsts that seek to define the distinctions between Islamic finance, including the Sukuk sector, and other global financial subsets while elevating the potential and the appeal of collaborative approaches.

One of the most time-critical of these recent challenges has been the industry's move away from LIBOR (the London Interbank Offered Rate) as an interest rate benchmark by a deadline of the end of 2021, with certain exceptions allowed to continue until the end of June 2023 to support the rundown of legacy contracts. This necessitated a global response from central banks, regulators, industry bodies and the private sector in order to transition to new, retrospective risk-free reference rates (RFRs), such as SOFR [Secured Overnight Financing Rate] (for US dollars) and SONIA [Sterling Overnight Index Average] (for the sterling).

This transition is of course a continuing and major event across all financial markets globally, and International Islamic Financial Market (IIFM) and International Swaps and Derivatives Association, with the active assistance of leading Islamic banks, regulators, industry infrastructure organizations and Shariah authorities, formed an industry working group to address and find solutions to the challenges it presented. Work culminated in IIFM's publication of standards establishing a pathway for Islamic financial institutions to navigate the transition from historical, forward-looking LIBOR benchmarks to the new, retrospective RFRs required within core Islamic finance treasury, capital markets, asset and wealth management and banking products.

Regulators have also had to deal with fast-moving changes in the financial landscape and a common talking point in the IFN OnAir sessions was a discussion of Islamic fintech in its various and rapidly expanding guises. Reference was made to the recent launch by Elipses and Salaam Gateway of their Global Islamic Fintech Report 2022 and it was fascinating to learn more about the developments in dynamic hubs such as Egypt and Qatar, alongside the already successful and established Malaysian fintech hub. These growth stories will assist in the report's estimated expansion of the sector from US$79 billion in 2021 to a projected US$179 billion in 2026, with some 375 Islamic fintechs globally at the current time.

One important highlight was on the process of digitalization more generally, and this of course applies to established players as well as new entrants. In the context of Southeast Asia, it was noted in particular that the region was predominantly witnessing growth in the retail and SME sectors and has also seen the introduction of new digital banks in Malaysia. In April this year, Bank Negara Malaysia announced two Islamic digital bank licenses given to AEON Credit Digital Bank and KAF Investment Islamic Digital Bank, which are aiming to be operational in two years' time. Still in the digital space, Bank Islam has officially launched a fully cloud-based digital bank proposition call BeU, which is targeting the young generation and whose initial offering includes a savings account allowing zero balance fund transfer capabilities.

Another significant aspect of the Islamic fintech sector's development has been, and will be, to create and maintain trust with its new customers and, in an ever-shrinking world where media runs 24 hours a day, seven days a week, reputation has become an even more important cornerstone of business.

There has been an uptick in recent years in the scrutiny of clients, service providers and partners to ensure that these third parties do not pose any undue reputational risk to financial market participants, who have developed a heightened sensitivity to this type of risk. Firms with questionable Google searches raise flags; clear Google searches raise different flags — usually of the same color. Having a clean scorecard that no one knows about is almost as bad as having a poor scorecard.

Fintech firms can address reputational risk and 'lack of reputation' risk in several ways. In the last few years,

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IsDB مجموعة البنك الإسلامي للتنمية Islamic Development Bank Group the world has had an awakening to the ESG agenda and, consequently, conversations have become more active and urgent around how businesses can intervene to ameliorate the growing number of issues, particularly in relation to the 'G' (governance). Emerging firms can leverage their ability to respond decisively and swiftly to these issues by partnering with ESG initiatives and charities that align with their beliefs and with those of the wider industry. As an example of how valuable these partnerships can be, DDCAP has engaged with The Lost Food Project (TLFP) in Malaysia. TLFP has heightened our awareness of the markets and cultures in which we work, and has helped us to better understand and serve those markets.

"ESG is a very powerful tool that Islamic banks in the GCC can use to create that common ground with the non-faith-driven client base. If we can create this conviction that 'Islamic finance equals sustainable finance', we can unlock a substantial investment pool as a new vertical"

Emerging firms might also consider partnering with long-established firms that can provide layers of professionalism, robust and tested processes and years of industry experience that cannot be hard-coded. DDCAP is one of the longest-operating and most well-respected industry providers to the Islamic finance industry and with its ETHOS AFP platform has created a bridge that crosses the divide between traditional service providers and fintech. In recent years, DDCAP has found an increased demand for our services from emerging fintech firms and our experience shows that these partnerships can be rewarding on many levels.

The clear message from this most recent round of IFN OnAir sessions has perhaps been that, despite the challenges presented by the COVID-19 global pandemic that have impacted liquidity flows across the financial markets during the past two years, the ongoing evolution of innovative liquidity management instruments, cross-border and sectoral expansion and associated engagement by financial regulators and relevant standard-setters in the Islamic finance industry has ensured that its future outlook is extremely positive.

Islamic finance assuredly has its own voice and character, not least to reflect its core principles, and as outlined above, the industry-setting bodies are active on a number of fronts in this regard. It will, however, be equally important to ensure that the sector remains open to participation from and the capacity of conventional financial institutions. This should be the case to ensure the sustainability of the current global hubs for Islamic finance, particularly in the GCC and Southeast Asia, but of equal importance is the growth of Islamic finance, Shariah compliant fintech and the Sukuk sector, more broadly among OIC members.

Many such OIC countries require long-term infrastructure, project and 'green' financing often beyond the capabilities of local financing solutions, whether Shariah compliant or otherwise, so will for the foreseeable future need access to conventional cross-border financiers as well. In that context, Islamic finance will be best placed to assist in this process if it continues to permit dual tranche and hybrid financing structures so Islamic financial institutions can continue to work seamlessly and collaboratively alongside conventional funding sources. Indeed, it was pertinent to read in a recent high-profile interview in IFN from one of the world's leading Islamic bankers that: "ESG is a very powerful tool that Islamic banks in the GCC can use to create that common ground with the non-faith-driven client base. If we can create this conviction that 'Islamic finance equals sustainable finance', we can unlock a substantial investment pool as a new vertical."

Expectations remain firm for continued growth, assisted by the creative forces driving innovation in the Islamic finance sector, as well as the continual refinement of industry approaches to setting standards for Islamic finance market activity and best practice. This has had, and will no doubt continue to have, a beneficial impact on the ability of the Islamic finance sector to remain connected and abreast with global market developments, in established industries as well as those seeking to disrupt the status quo.

DDCAP Group™

Feature

Islamic sustainable financing: The case of Standard Chartered Saadiq

Background

The UN's 17 Sustainable Development Goals (SDGs) are not only ambitious but extremely significant in addressing the challenges faced currently by humanity and the environment. The achievement of these goals requires unprecedented mobilization of resources and collaboration across the globe among the governments and the private sector. The financial sector has to play a pivotal role as an intermediary in funding projects that are aligned with the SDGs.

The aspirations for human dignity, public interest, a sustainable world and 'to leave no one behind' inherently resonate with the intended outcomes of Islamic finance (the objectives of Shariah). The objective of Shariah takes into consideration the various dimensions of human needs, ie protection of religion, life, lineage, intellect and property. The Islamic financial system strives for a just, fair and balanced society where the wealth is earned and distributed in a sustainable manner. Therefore, the Islamic financial industry, with an expected US$3.5 trillion in assets in 2021, has the potential to be a meaningful source of financing to advance SDG implementation.

SCB's sustainability vision

As a signatory of the UN SDGs, Standard Chartered (SC) is also supporting the agenda of sustainable finance. SC is committed to sustainable, social and economic development through business, operations and communities. For over 150 years, SC has provided banking services that help people and companies to succeed, creating wealth, jobs and growth across some of the world's most dynamic regions — Asia, Africa and the Middle East. The bank does so sustainably and equitably in line with its core purpose and three-valued behaviors: 'Never settle', 'Better together' and 'Do the right thing'. In 2018, the bank released its 'Sustainability Philosophy', which sets out how the bank integrates sustainability into its organizational decision-making.

SC's vision is to become **the world's most sustainable and responsible bank**, committing to sustainable, social and economic development through its **three pillars of business, operations and communities**. In alignment with its stakeholders' priorities, in 2021, the bank formally elevated sustainability to be a pillar of the bank's strategy. In the same year, the bank also announced its net-zero pathway to reach net zero in its operations by 2025, and in its financing by 2050.

SCB Saadiq

Inspired by the Arabic word for 'truthful', Saadiq is SC's global Islamic banking network, spanning Asia, Africa and the Middle East. With our dedicated Islamic banking team working alongside a renowned advisory committee of scholars — as well as local Shariah supervisory committees for Pakistan, the UAE and Malaysia — we combine deep Shariah expertise with strong business acumen.

As part of SC's policy, at Saadiq, we aspire to make the world a better, cleaner and safer place and minimize the negative impact of our financing, balanced by our mission of enabling a just transition.

Sustainable financing through Saadiq

According to the SC Group's strategy, Saadiq aims to support the following SDGs through Islamic finance:

- Goal 1: No Poverty.
- Goal 3: Good Health and Well-being.
- Goal 4: Quality Education.
- Goal 6: Clean Water and Sanitation.
- Goal 7: Affordable and Clean Energy.
- Goal 9: Industry, Innovation and Infrastructure.

Figure 1: A summary of the SCB 2021 Sustainable Finance Impact Report

9.2 billion
Sustainable assets in our sustainable finance portfolio - 138% increase year on year

1.4 million
tonnes of CO2 emissions avoided operational assets

Over
70%
of our sustainable finance assets are located in emerging and developing economies

Over
84%
of our sustainable finance assets located in Asia, Africa and the Middle East

Over
540,000
tonnes of CO2 emissions avoided from assets in construction

Over
885,000
Sustainable assets in our sustainable finance portfolio - 138% increase year on year

Nearly
20,000
SME loans disbursed

Source: Standard Chartered Bank Sustainable Finance Impact Report 2021

Table 1: Some key sustainable financing projects led by Saadiq globally	
Transactions	**Sustainable impacts**
1. On the 18th June 2020, SC Saadiq, acting as a joint lead manager and joint bookrunner, successfully priced a US$1.5 billion five-year COVID-19 response Sukuk facility at a profit rate of 0.91% per annum. The issuance was a drawdown under the IsDB's US$25 billion Trust Certificate Issuance and Sustainable Finance Framework. It represents the IsDB's second sustainable issuance in the public markets. It is a trademark transaction as being the first-ever COVID-19 response Sukuk and the lowest-ever profit rate achieved on a US dollar public Sukuk issuance by the IsDB. The deal further cements our leadership in the green and sustainable finance space and reinforces SC's relationship with the IsDB after winning 18 consecutive mandates from the bank. In the broader region, SCB is ranked No 1 in MENA Sukuk and MENA Government and Agencies League tables. The success of this transaction in terms of pricing, size and strong investor interest reflects the great development in the Islamic sustainable market which has seen a boom in the issuance of social Sukuk since the start of COVID-19.	Proceeds from the debut sustainability issuance are exclusively deployed by the IsDB for its 57 member countries, to assist them in tackling the aftermath of the COVID-19 pandemic. The targeted SDGs are Goal 3: Good Health and Well-Being and Goal 8: Decent Work and Economic Growth.
2. In 2019, SC Saadiq as a joint global coordinator and joint sustainability structuring agent arranged US$600 million-worth of Sukuk for Etihad Airways, the national airline of the UAE. It is the world's first transition Sukuk and the first sustainability-linked financing in global aviation, under the Transition Finance Framework.	The transaction will support Etihad's drive for sustainable aviation by linking the Sukuk proceeds to Etihad's carbon reduction targets: a commitment to net-zero carbon emissions by 2050, a 50% reduction in net emissions by 2035 and a 20% reduction in emissions intensity in the airline's passenger fleet by 2025.
3. This year, SC Saadiq helped the government of Indonesia as a bookrunner and structuring advisor to raise US$3.25 billion through US dollar-denominated Sukuk with 5-year and 10-year tenors. The 10-year green Sukuk tranche is the country's biggest global Sukuk issuance and the largest green Sukuk tranche ever issued globally. Despite ongoing market volatility surrounding rates, the transaction was very well received and was oversubscribed by more than three times, enabling the government of Indonesia to tighten aggressively by 35–40bps across both tranches.	The proceeds will be used for general financing requirements and to finance or refinance "eligible SDGs expenditures with green and blue focus" as defined in the obligor's SDGs Government Securities Framework.
4. In February 2022, SC Saadiq supported Riyad Bank to successfully issue the world's first US$750 million Tier 1 sustainability Sukuk. The profit rate of 4% per annum is equivalent to the lowest credit spread ever achieved by a GCC bank for an additional Tier 1 Sukuk. The orderbook was 4.3 times oversubscribed with demand peaking at US$3.2 billion, most of which was allocated to banks and fund managers.	The proceeds will be used as per the issuer's Sustainable Finance Framework in line with the International Capital Market Association's green, social and sustainability principles and Saudi Arabia's Vision 2030. The framework covers a diverse range of eligible sustainable activities.
5. In 2020, SC Saadiq also helped Saudi Electricity Company as a joint lead manager and bookrunner to raise US$13 billion through international green Sukuk. The dual-tranche five-year and 10-year Sukuk, listed on the Irish Stock Exchange, were oversubscribed four times with total orders for both tranches exceeding US$5.2 billion. High interest was received from investors in the Middle East, Asia and Europe.	The proceeds from the Sukuk will be used to finance eligible green projects that will help contribute to climate change mitigation. This includes procuring and installing smart meters, a method of creating potential energy consumption savings and potentially reducing or avoiding carbon emissions, according to the company.
6. Recently, CIMB Islamic Bank Bhd has entered into a RM1 billion (US$216.8 million) landmark sustainable collateralized commodity murabahah (CCM) transaction with Standard Chartered Saadiq Malaysia.	The proceeds of the CCM will be earmarked for eligible Shariah compliant assets that fall within the boundaries of CIMB Group's Sustainable Development Goals Bond and Sukuk Framework. This kind of facility is also crucial for most central banks with open market operations to adjust liquidity in the financial system.

Flagship deals like these are a testament of SC Saadiq's devotion to providing innovative and commercially viable solutions for the business sector with a blend of Shariah compliant and environment-friendly features. This also demonstrates investors' and issuers' trust and confidence in the SC Islamic banking franchise for its rich and diversified experience in structuring expertise and effective deal execution.

standard chartered saadiq islamic

Dr Ehsanullah Agha is the associate director of the Internal Shariah Control Division at SCB UAE and Sheikh Muhammad Abdul Mubeen is the SCB Group Shariah head.

Islamic Finance in Australia: A Golden Opportunity

What is the potential size of the Islamic finance market in Australia today, and what products can realistically be offered in the country? Is there a market beyond home financing products and basic funds, and what is the likely growth of Shariah compliant financial services? What is the evolution of Islamic investment products available to investors, pension holders and savers, what structures are being employed and what is the scope for the development of products such as Shariah compliant ETFs? What are the opportunities for Takaful in Australia, what form might this take and what regulatory adjustments will be necessary? What impact will digitalization and technology have on the delivery of Islamic financial services in Australia, and what business activities are ripe for disruption? Finally, what are the potential uses and applications of digital assets and cryptocurrencies in Australia's financial markets today, and have issues such as Shariah compliance been discussed in sufficient detail?

Moderator:
Dr Andrew Dahdal, Associate Professor, Section Head, Law and Policy (Economic Diversification), Centre for Law and Development, Qatar University

Panelists:
Dean Gillespie, CEO, Islamic Bank of Australia
Dr Kerstin Steiner, Associate Professor, Law School, La Trobe University
Nashat Qadan, Director, Islamic Co-Operative Finance Australia Limited (ICFAL)
Paul Apolony, General Manager Australia and NZ, Mambu
Dr Scott Levy, Founder, Al Waseelah

Appetite for Islamic finance in Australia remains high

Australia is an exciting market at the moment in terms of Islamic finance, and the potential and appetite for Islamic investment products and financial services remain high, according to some industry players during a discussion at IFN Australia OnAir Roadshow 2022 held on the 28th June. NESSREEN TAMANO has the details.

"As a jurisdiction, there's no reason why Australia couldn't issue sovereign Sukuk the same way the UK did; the same goes for corporates in the country's major sectors," Dr Scott Levy, the founder of Shariah compliant investing platform Al Waseelah, noted, adding: "Australia can very well even skip over the UK."

> "There is great momentum and excitement about Islamic finance in Australia. One of the bottlenecks that may prevent Islamic finance from reaching its full potential is the limited educational pathways for those interested in the Islamic finance space. There is an opportunity for industry groups and educational institutions in Australia to cooperate to create those pathways through bespoke courses or the integration of Islamic finance modules in existing educational offerings."
>
> *Dr Andrew Dahdal is the associate professor and section head of law and policy (economic diversification) at the Centre for Law and Development of Qatar University.*

Speaking on the diversity of the Australian market, Dr Kerstin Steiner, an associate professor at the Law School of La Trobe University, notes the large, young Muslim population, although it remains to be seen if this translates into interest in the Islamic finance industry.

"I think this is one of the great potentials of the Australian market: we do have such a diverse market — we have diversity on the retail end but we also have it on the business-to-business end. There is a challenge on getting accurate data on the business side of Islamic companies, however, as well as a challenge in gauging the appetite of the market," Dr Kerstin said.

> "It was an excellent session and great to have so many different perspectives on the panel. I really enjoyed hearing from other industry leaders in relation to the ways in which they were promoting Islamic finance within Australia. One of the best takeaways was the desire to have an industry body where specific regulatory challenges could be identified, with lobbying to improve Australia's regulatory framework. I would certainly participate in the forum again."
>
> *Dean Gillespie is CEO of IBA Group.*

Meanwhile, some positive developments in the Shariah finance sector include an increase in field experts, and the much-awaited initial restricted banking license granted to Islamic Bank Australia (IBA), which, at the time of this forum, had not yet been issued.

Dean Gillespie, CEO of IBA Group, asserted that an authorized deposit-taking company status — the Australian regulatory term for a bank — will definitely change the landscape of Islamic finance in the country. "Shariah compliant banking products are new here, and they will definitely fill a gap. We very much see things from a community perspective: how can we use this business (of IBA) to empower Islamic financial

services across the whole sector, how can we serve the community?"

> While Islamic finance is still very much in its infancy in Australia, there is a clear opportunity for banks and providers within this space to capture a growing and engaged Australian customer base. Consumer education is critical at this point; banks, financial institutions and even fintechs need to be building consumer financial literacy around what Islamic finance is and what it enables, and helping consumers understand if Islamic finance is the right solution for them. What we expect to see, based on the experiences of other regions where Islamic finance is more widely adopted, are new financial technologies making it much easier for consumers to access relevant Shariah compliant products and services, and a greater focus on the ethical benefits of Islamic finance which will result in more consumers — particularly from the younger generations — choosing Islamic finance because it meets their ethical ideologies and not because of any religious affiliation.
>
> *Paul Apolony is the general manager of Australia and New Zealand at Mambu.*

Nashat Qadan, the director of Islamic Co-Operative Finance Australia, also looks forward to the developments in the industry. "From an operational point of view, expertise across Islamic finance and investment portfolios has quite increased; you have got individuals with both the Islamic lens and the traditional, commercial investment space, and that is key to growing in this space and also pivotal to the next phase of Islamic finance in Australia."

> The timing could not have been better for the now official IBA. An excellent discussion about the challenges and opportunities ahead for IBA in addressing the market both at the super level and for retail investors. Lessons from the UK should provide good examples as to how to approach the market and where there are challenges. In 2021, Australia was a major source of inward equity investors from the GCC; corporate Sukuk issuers should take advantage of this positive market outlook on Australia and look for a broader international base of funding.
>
> *Dr Scott Levy is the founder of Al Waseelah.*

*This is an excerpt from IFN Australia OnAir Roadshow 2022. Watch the full discussion **here**.*

Moderator:
DR ANDREW DAHDAL
Associate Professor, Section Head, Law and Policy (Economic Diversification), Centre for Law and Development, Qatar University

Dr Andrew Dahdal teaches at the College of Law, Qatar University and is the chair of the Commercial Law Discipline Group at the International Association of Law Schools and the section head (economic diversification) at the Centre for Law and Development, an industry-funded think tank also hosted within the College of Law.

Dr Andrew is also an industry consultant who researches and publishes on a range of financial services topics, particularly relating to technological innovations. He has taught law in Australia, Europe and the Middle East and currently heads an international project exploring the regulatory changes needed in Qatar to strengthen the fintech landscape.

Dr Andrew holds a Bachelor of Laws (Hons) degree from Macquarie University, and a Bachelor of Commerce degree and PhD from the University of New South Wales.

DEAN GILLESPIE
CEO, IBA Group

Dean Gillespie is CEO of IBA Group and has extensive banking and start-up experience across both Australia and Asia. He has led the creation of Australia's first Islamic bank since 2018. Dean was previously in charge of home loan sales at Commonwealth Bank of Australia (CBA) and the head of mortgages at Bankwest where he doubled the business's size within three years. He also ran the retail bank at CBA's Vietnam International Bank in Hanoi across 160 branches nationwide, where he built the bank's first mobile banking app.

Dean has a history of founding start-ups, including SparkleVote, an innovative online election company. Outside of work, Dean is the chair of Lucy Air Ambulance for Children and is a former councillor on Hurstville City Council. Dean joined IBA Group largely as a volunteer in 2018 before transitioning to full-time CEO in 2020. He is absolutely passionate about the need to support Muslim Australians in building the first Islamic bank. His knowledge of Australian retail banking and his commitment to ethical banking are key drivers in delivering the IBA Group vision to reality.

DR KERSTIN STEINER
Associate Professor, Law School, La Trobe University

Dr Kerstin Steiner is an associate professor at the Law School of La Trobe University. She is an award-winning researcher specializing in Southeast Asian legal studies researching at the intersection of law, politics, economics and society, especially with regard to Islam.

Dr Kerstin has researched, presented and taught widely on matters of Islamic banking and finance. Her high impact and notable work include the co-authored article on 'Conceptualizing Dynamic Challenges to Global Financial Diffusion: Islamic Finance and the Grafting of Sukuk', 24 (6) Review of International Political Economy'; and her work on ''Unpacking' a Global Norm in a Local Context: A Historical Overview of the Epistemic Communities that are Shaping Zakat Practice in Malaysia' in Gillespie and Nicholson (eds), Law and Development and the Global Discourses of Legal Transfers, Cambridge University Press which was used as a foundation for the feasibility studies of reforming Zakat in other countries.

Dr Kerstin has been a convenor of events on Islamic banking and finance in Australia and the region bringing together academics, legal practitioners, business representatives, business councils as well as national regulators.

NASHAT QADAN
Director, Islamic Co-Operative Finance Australia Limited (ICFAL)

Nashat Qadan is an accomplished and result-oriented manager with a rich mix of product development, relationship building, operational and strategic development. He has over 20 years of experience in financial services having worked in JPMorgan and AMP Financial Services; he is currently at Suncorp Group. He is also the director of Islamic Co-Operative Finance Australia.

Nashat delivers fresh perspectives and clear assessments, with a diverse background in integration management, transformation projects, realignment of organizations through the TOM [target operating model] approach and strategic modeling.

PAUL APOLONY
General Manager Australia and NZ, Mambu

Paul Apolony is Mambu's general manager of Australia and New Zealand, having joined the business in July 2021 as a senior banking consultant. Prior to joining Mambu, Paul held a senior executive position as the managing director and head of group operations – Oceania for MUFG Bank, part of Japan's largest financial group, MUFG. Paul has had an extensive career in the banking industry, previously having held senior positions in Macquarie Bank and actively involved in wider industry initiatives.

DR SCOTT LEVY
Founder, Al Waseelah

Dr Scott Levy is CEO of Bedford Row Capital (BRC), a non-bank originator giving businesses a fast, effective and cost-efficient way to access critical finance through debt capital markets. Dr Scott founded the firm four and a half years ago, bringing together a management team with decades of experience in structured finance that has since executed more than 70 transactions in Sukuk, liquidity management, high-yield and green bonds — fulfilling businesses' diverse financing needs and giving investors access to yield.

Based between London and Estonia, Dr Scott has over 25 years in financial services and 18 years in Islamic finance, structuring, capital markets infrastructure, asset-backed securities, securitization, debt capital markets and asset management. He leads BRC's global offering underpinned by integrity, innovation and insight across the firm's offices in London, Tallinn, Zurich, Singapore and Dubai.

Australia and New Zealand: A first for Islamic banking

The Australasian nations of Australia and New Zealand both have Islamic financial activities in concentrated sectors and have seen some activity in the sector the past year, confirming their status as attractive destinations for investors. NESSREEN TAMANO writes an overview of both countries' Islamic finance and banking industry, and in particular Australia, which welcomed its first-ever Islamic bank this year.

Regulatory environment

Australia first facilitated Shariah compliant transactions in 2016 when the government made recommendations to ensure that asset-backed financings receive equal tax treatment. This was considered significant progress for the Australian Islamic finance market, despite being applicable to a limited type of transaction.

The country continues to work on establishing a Shariah compliant treasury structure, and in the meantime, Islamic financial service providers are represented and served by the Islamic Financial Services Council of Australia.

In New Zealand, Islamic finance remains regulated by the same laws that apply to its conventional counterpart.

Banking and finance

A boom in Shariah compliant home mortgages in Australia that started in 1989 saw the entry of Muslim Community Co-operative (Australia), Islamic Co-operative Finance Australia and Iskan Finance into the market. Islamic home financing would pave the way for investment funds and business financing to be introduced in the market.

The No Interest Loans Scheme, a Shariah compliant microfinancing program that had National Australia Bank as one of its major funders in its first iteration, is disbursed by local Muslim community groups to low-income borrowers.

In 2018, plans for the establishment of Islamic Bank Australia (IBA) to be the country's first fully-fledged Shariah bank were announced along with planned updates to the bank licensing framework by the Australian Prudential Regulation Authority. In 2021, the regulator halted the issuance of licenses, further delaying IBA's launch plans. In July 2022, IBA finally secured an initial restricted banking license, making it the country's first-ever Islamic bank.

Islamic solutions provider Hejaz Financial Services also announced in 2021 its plans to finalize a restricted license to start operations as a fully-fledged Islamic bank in Australia. In the meantime, the company is also preparing to launch two Shariah compliant exchange-traded funds.

In New Zealand, financial services firm EFCO secured a Fatwa in early 2021 for its Shariah compliance to start offering Islamic financing products.

Perth Mint, Australia's bullion mint company, offers one of the world's first Shariah-certified gold and silver investment products, as well as its Perth Mint Physical Gold ETF (exchange-traded fund), which is listed on the New York Stock Exchange.

Meanwhile, the Australian real estate market's Shariah opportunities have attracted foreign players, including UK-based Shariah real estate investment specialist 90 North Group, which opened an office in Sydney in 2018.

Asset management

Australia's first Islamic fund was launched in 2009 by MCCA, which gave rise to the launch of others, including the world's first private Islamic superannuation fund by Crescent Wealth. The Shariah compliant Olive Fund by Olive Investment meanwhile allows investors to tap into the healthcare asset class, as does Healthbridge Capital Fund which is managed by Healthbridge Investments and launched in late 2019.

In 2020, fintech-based forex broker ACY Securities, which is based in Sydney, launched its swap-free Islamic account offering over 70 instruments to trade, with full Arabic support. In the same year also, Sydney-based Thera Capital Management **issued** a Shariah compliant agricultural investment program that assists Australian primary producers with facilities.

In New Zealand, the first and only Shariah compliant scheme is KiwiSaver, an investment option under the country's voluntary savings scheme launched in 2014 by Amanah Ethical. In 2016, the firm also launched Amanah New Zealand, which invests in up to 50 US-listed Shariah compliant stocks.

Both Australia and New Zealand are among the few jurisdictions — along with Malaysia and Iran — to have public Islamic pension funds.

Sukuk

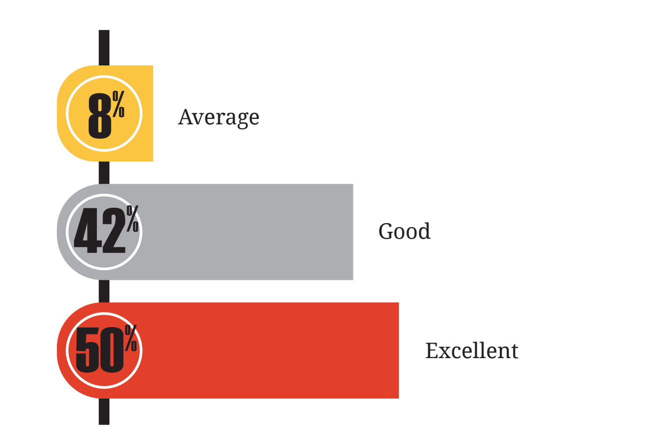
There is yet to be a Sukuk issuance out of either Australia or New Zealand, although the Australian Securities and Investments Commission has been in discussions with key Islamic finance markets such as the UAE and Malaysia to foster bilateral relationships that include a focus on Islamic finance.

In 2019, a corporate Sukuk paper was issued by NQ Minerals, an Australia-based mining company, out of the UK where the company is listed.

Outlook

New Zealand continues to struggle to offer Islamic financial products given the lack of regulatory support, a stark contrast to neighboring Australia, whose government has commissioned reports and studies on the promotion of Islamic finance while universities step up to build awareness of Islamic finance and investment in the country with postgraduate courses.

Pre-event Contact



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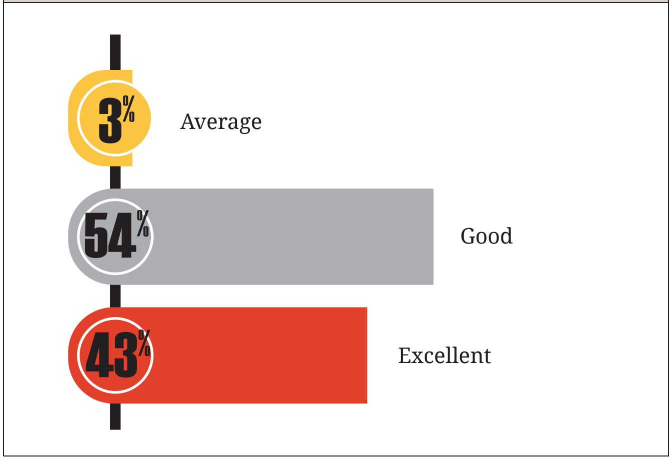
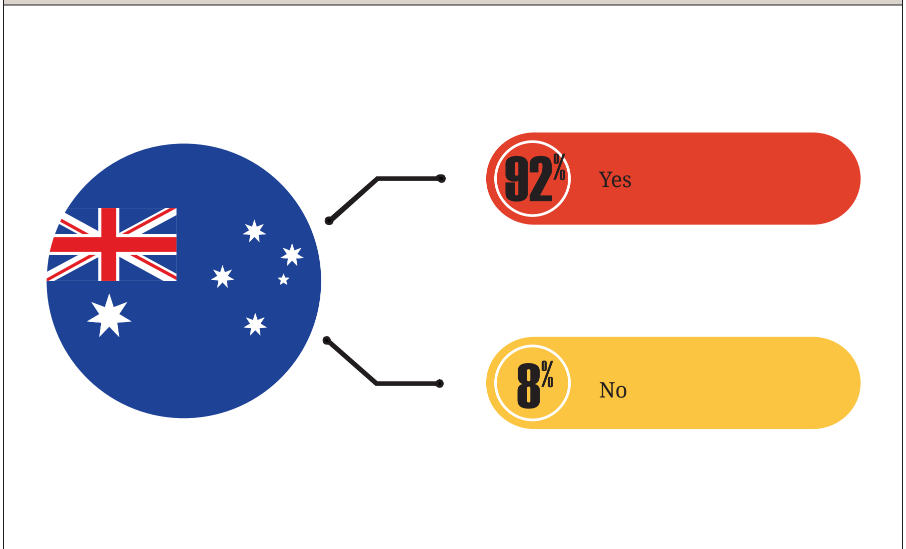


Delegates Who Would Like to Attend IFN Australia OnAir Roadshow 2023



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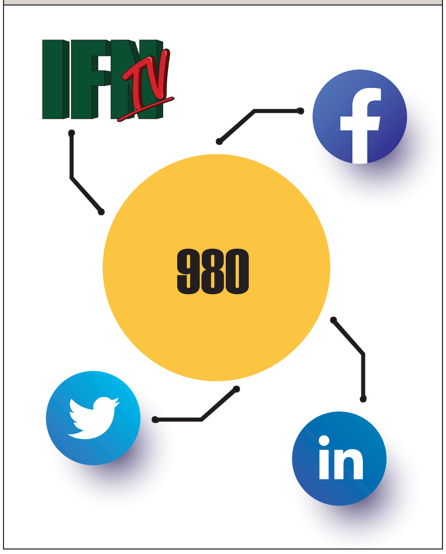
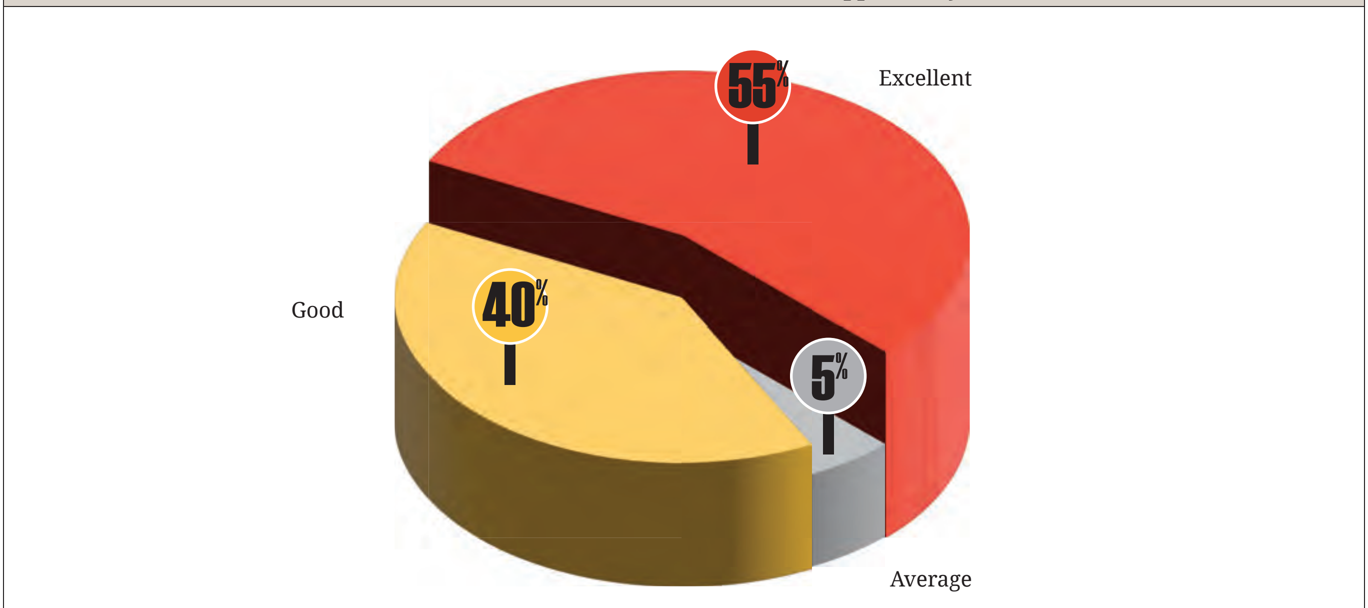


Islamic Finance in Australia: A Golden Opportunity



IFN ROADSHOW OnAir BANGLADESH 2022

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REVIEW

Building Momentum: Islamic Finance in Bangladesh

With the Bangladesh Sukuk market achieving several firsts in 2021, what is next for this burgeoning sector, and what effects will tax and regulatory changes have? Will we see further incentives and how can corporate issuers be encouraged to embrace Sukuk as a form of mainstream financing? How should Bangladesh further employ Shariah-based green and responsible financing solutions in response to important challenges, such as limiting climate change, alleviating poverty, and driving financial inclusion? How are Islamic financial institutions in Bangladesh employing technology to help the unbanked, while also improving end-user experience across a range of financing activities? Finally, as a fast-growing, export-driven economy, what role should Bangladesh's Islamic banks play in the facilitation of international trade, and what financing tools do local small and medium companies require?

Moderator:
Md Touhidul Alam Khan, Additional Managing Director and Chief Risk Officer, Standard Bank

Panelists:
Asif Rahman, Director, Saadiq, CPBB (Consumer, Private and Business Banking), Standard Chartered Bangladesh
Hasan Mohammad Nayeem Rahman, Country Manager – Bangladesh, The Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC) and Islamic Development Bank (IsDB) Group
Professor Dr M Kabir Hassan, Professor of Finance, Department of Economics and Finance, University of New Orleans
Dr Md Golzare Nabi, General Manager, Bangladesh Bank; Faculty at Bangladesh Bank Training Academy
Dr Natalie Schoon, CEO, REDmoney Consulting
Dr Scott Levy, Founder, Al Waseelah
Shirley Zeng, Analyst, Moody's Investors Service Singapore

Bangladesh's Islamic finance sector ready for the next level, market players say

The demand and potential for Islamic finance and banking in Bangladesh is high — and growing — as a result of the country's economic growth and rising population, which is predominantly Muslim. NESSREEN TAMANO writes.

The landmark transactions witnessed by the sector this past year have been encouraging, but there is still more work to be done, according to the speakers and panelists at IFN Bangladesh OnAir Roadshow 2022.

"Bangladesh has a strong local market presence and is beginning to take steps to access the international markets. Sovereign Sukuk have created some interest for local corporates to follow the lead into the international Islamic capital markets. Bangladesh has an excellent foreign currency export market which can underpin corporate issuances and a growing, stable economy. Bangladesh could be the next big thing in new corporate issuers in the Islamic capital markets; sovereign and corporates have opportunities which they engage with. Positive indeed is the outlook."

Dr Scott Levy is the founder of Al Waseelah.

The country's Sukuk market, for one, has been very busy, and the government's recent Sukuk issuances being oversubscribed have shown the demand for the instrument as well as its high potential, especially in facilitating infrastructure development.

"It was a pleasure to join a panel and hear views from different perspectives of market participants. While the increasing presence of Islamic banks in Bangladesh is raising awareness among the public about Shariah compliant financing and deposit products, there is a lack of Sukuk available for Islamic banks to manage liquidity.

There is also growing interest from the investors, both domestic and foreign, in the Sukuk market of Bangladesh. However, the Sukuk market is still new and limited, and more needs to be done to complete the governance framework around Islamic finance.

As also seen from the experience of other Islamic finance markets such as Malaysia, initiatives led by the public sector including frequent government Sukuk issuances and regulatory support will play a crucial role in the deepening of the Sukuk market and the development of the Islamic finance system overall."

Shirley Zeng is an analyst at Moody's Investors Service Singapore.

"Sukuk can be a viable option for financing large infrastructure projects that are being — and will be — undertaken in Bangladesh, and the recent sovereign Sukuk issuances have been steps taken in the right direction," Hasan Mohammad Nayeem Rahman, the country manager for Bangladesh at the Islamic Corporation for the Insurance of Investment and Export Credit, noted.

"Having said that, we all know that the necessary legal framework is not really in place. Sukuk instruments can be very complex, so proper policies have to be put in place to address challenges in the market, in terms of legal, regulatory and tax regimes (among others), in order to take it to the next level," Hasan said.

Some guidelines and regulations were recently introduced and issued by the regulators to help guide the Islamic capital market, but the proper establishment of a dedicated regulatory framework is extremely important, Hasan added.

"The esteemed speakers shared their opinions on Bangladesh's demand for and potential for Islamic banking and finance. Despite the challenges the nation has, particularly when trying to raise money from private sectors acting as issuers, they argued that Sukuk are one of the main tools for infrastructure finance in the Islamic mode.

To gain the best results from Sukuk in terms of worldwide standards and to advance it, the government should take the right steps to address the tax structure, universal accounting procedures, legal and regulatory frameworks. The most important requirement for creating a thriving Sukuk market in Bangladesh is human capital development.

In order to promote excellent corporate governance, the speakers suggested the establishment of independent Shariah boards including Islamic scholars in all Islamic banks in Bangladesh. Since long-term project financing by banks is not feasible, the country's capital market must develop through the expansion of the bond market.

Large non-government organizations and microfinance institutions that can play a major role in promoting financial inclusion and lowering poverty can use social Sukuk in addition to green Sukuk. Although inflation is the main obstacle to stabilizing the pricing of these Islamic items, the establishment of a Halal food industry with an appropriate supply chain can also play a significant role in this regard.

Due to the vast Muslim population in Bangladesh, there are exceptional chances and potential to grow the Islamic finance sector and a sustainable investment model through new Islamic products. The panelists agreed that there is no room for a parallel financial system, including an Islamic one."

Md Touhidul Alam Khan is the additional managing director and chief risk officer at Standard Bank.

Prof Dr M Kabir Hassan, a professor of finance at the University of New Orleans's Department of Economics and Finance, agrees. "There has been remarkable development in the last few months, and some lessons to be learned from the recent Sukuk issuances (out of Bangladesh). Sukuk is a new instrument, there's a learning curve; we are increasing our capacity in understanding the Sukuk market."

"The oversubscription of government Sukuk means that people trust in it and they believe their investment is safe, but can the same thing be said about private sector Sukuk? My recommendation is that the sovereign Sukuk market be developed first before going into the private sector," Prof Dr M Kabir added.

This is an excerpt from IFN Bangladesh OnAir Roadshow 2022. Watch the full discussion ***here****.*

PANELISTS

Moderator:
MD TOUHIDUL ALAM KHAN
Additional Managing Director and Chief Risk Officer, Standard Bank

Md Touhidul Alam Khan is a multifaceted management professional with 30 years of diversified banking experience in setting strategies, conducting operational plans and establishing goals for credit, corporate and investment banking, sustainable development, sustainable banking, development economics, green industry, green banking, MSMEs, financial inclusion, anti-money laundering, public–private partnership and industrial management with competencies in originating and executing structured finance and syndication loan deals involving a variety of asset-backed securitizations in Bangladesh. He also has expertise in sustainability reporting and climate change.

Md Touhidul is presently the additional managing director, chief risk officer and chief anti-money laundering compliance officer of Standard Bank, Bangladesh. During his long banking career, he worked at Agrani Bank, Prime Bank, Bank Asia and Modhumoti Bank and held senior management positions in different capacities.

Md Touhidul is a fellow member of the Institute of Cost and Management Accountants of Bangladesh, an associate fellow member of the Institute of Islamic Banking and Insurance in the UK, a certified professional and life member of the Basel III Compliance Professionals Association of the US and the first certified sustainability reporting assurer in Bangladesh.

Md Touhidul is also a contributor in business magazine Asian Banking & Finance in Singapore; an international correspondent of Islamic Finance news, the world's leading Islamic finance news provider based in Malaysia; a contributor in The Asian Banker in Singapore; and holds numerous national and international prestigious awards to his credit for his writings. He is pursuing a PhD titled 'Sustainability Reporting under Global Reporting Initiative: A Study on Private Commercial Banks in Bangladesh'.

ASIF RAHMAN
Director, Saadiq, CPBB (Consumer, Private and Business Banking), Standard Chartered Bangladesh

Asif Rahman is currently the director at Saadiq, CPBB (consumer, private and business banking), Standard Chartered Bangladesh.

Asif is a dedicated banking professional with more than 18 years of experience in the banking sector especially in segments, frontline and branch banking. He possesses extensive experience in sales, frontline communication, risk management, strategy development, product design, project management, customer service/complaint handling, mentoring and coaching. As the head of retail Saadiq, his objective is to design a country Islamic retail business strategy, aligned to group and country objectives, and ensure its in-country implementation. He is focused, service-driven and goal-oriented, with an enterprising work ethic and solid integrity.

Asif holds an MBA from the Institute of Business Administration, University of Dhaka, Bangladesh. He successfully passed the CISI Level 3 Certificate in Islamic Finance program from the Chartered Institute for Securities and Investment (CISI) and completed LUMA Institute's Practitioner Development Program and is designated a LUMA Institute Certified Practitioner of Human-Centered Design. He is currently pursuing the CIPA (Certified Islamic Professional Accountant) qualification offered by AAOIFI.

HASAN MOHAMMAD NAYEEM RAHMAN
Country Manager – Bangladesh, The Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC) and Islamic Development Bank (IsDB) Group

Hasan Mohammad Nayeem Rahman is the country manager of the Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC) in Bangladesh and is responsible for generating business through new and existing clients, ensuring the quality of the risk portfolio, and managing relationships with key stakeholders.

Hasan started his career with IDLC Finance, the largest non-banking financial institution in Bangladesh, as a management trainee in the Structured Finance Department. After a short stint with IDLC, he joined Citi, one of the leading global financial institutions, as a management associate and worked in multiple areas: global corporate and investment banking, global markets, finance and global transaction services. Hasan then moved into HSBC, another leading global financial institution, and worked initially in risk analysis and then in relationship management of the Corporate Banking Division, managing both local and international clients from diversified sectors.

In his 14-plus-year career, Hasan has gained extensive experience in financial and credit risk analysis, corporate finance, relationship management, trade finance, credit and investment insurance, business plans and strategies, and team management. Hasan completed his MBA with a major in finance from the Institute of Business Administration at the University of Dhaka, the premier business school in Bangladesh.

PROFESSOR DR M KABIR HASSAN
Professor of Finance, Department of Economics and Finance, University of New Orleans

Professor Dr M Kabir Hassan is the professor of finance in the Department of Economics and Finance in the University of New Orleans in the US. He received his Bachelor of Arts degree in economics and mathematics from Gustavus Adolphus College, Minnesota in the US, and a Master of Arts degree in economics and a PhD in finance from the University of Nebraska-Lincoln, also in the US.

Professor Kabir is a financial economist with consulting, research and teaching experience in development finance, money and capital markets, Islamic finance, corporate finance, investments, monetary economics, macroeconomics, Islamic banking and finance and international trade and finance. He has done consulting work for some renowned entities including, among others, the World Bank, the IMF and the IsDB and many private organizations. He was also elected a board member of the Ethics and Governance Committee and Education Board of AAOIFI.

Professor Kabir has over 451 papers published as book chapters and in top refereed academic journals. The number of publications would put him in the top 1% of peers who continue to publish one refereed article per year over a long period of time, according to an article published in the Journal of Finance. He has also been cited as one of the most prolific authors in finance literature in the last 50 years in a paper published in the Journal of Finance Literature. A frequent traveler, Professor Kabir gives lectures and workshops in the US and abroad and has presented over 495 research papers at professional conferences and has delivered 287 invited papers/ seminars.

Professor Kabir has won numerous awards including the 2017 Islamic Banking and Finance Excellence Award from COMSATS University in Lahore, Pakistan and the 2016 Islamic Development Bank Prize in Islamic Banking and Finance from the IsDB in Jeddah, Saudi Arabia. Professor Kabir sits on the editorial board of a good number of journals published by Elsevier, Emerald, Wiley, Springer and several universities around the globe.

Professor Kabir has also edited and published 24 scholarly books and three textbooks on Islamic banking and finance. He wrote the first textbook (co-authored with Dr Kayed and Dr Oseni) on Islamic finance that was published by Pearson in 2013. His second textbook, 'An Introduction to Islamic Finance', was co-authored with Salman Sheikh and Selim Kayhan and published in 2020 by World Scientific Press. He also co-authored 'Islamic Entrepreneurship' (Routledge UK, 2010) and co-authored 'A Guide to Islamic Asset Management: Portfolio Investing with Sharia' with John Sandwick and Pablo Collazzo and published by Edward Elgar in the US in 2020.

Professor Kabir has been interviewed in all major news and media services worldwide including on the 'Business Asia' program on CNN on 'Corruption in Emerging Markets'. His research has been featured in Forbes, Reuters and The Economist, among others.

Professor Kabir has served publicly both in the US and abroad in various capacities. Among others, he was the general secretary of the Islamic Economics Research Bureau in 1997-98, the general secretary of Louisiana Bangladesh Society in 1991-92 and the president of the Bangladesh Student Organization of the University of Nebraska-Lincoln in 1989-90. Currently, he is the advisor to the Muslim Student Association at the University of New Orleans.

DR MD GOLZARE NABI
General Manager, Bangladesh Bank; Faculty at Bangladesh Bank Training Academy

Md Golzare Nabi is the general manager (research) and senior faculty at Bangladesh Bank Training Academy, Bangladesh Bank, the central bank of Bangladesh. His major research areas include money and banking, capital market, Islamic finance, Islamic microfinance, Islamic endowment (Waqf), conventional microfinance, rural finance, industrial finance, mobile financial services and remittances. He has published more than 23 articles in reputable refereed journals.

DR NATALIE SCHOON
CEO, REDmoney Consulting

Dr Natalie Schoon is a results-driven professional with a varied background across the financial industry including investment banking, treasury change management, capital adequacy, wholesale banknote operations, regulatory change (Basel Accords), risk management, compliance and Islamic finance. She has lived and worked in Europe, the Middle East, Asia and Eastern Africa and works for both small and large international organizations globally.

Among others, Natalie was responsible for the design, implementation, management and succession planning for the Islamic financial infrastructure for the Agricultural Development Fund (a USAID-funded program in Afghanistan) and has been instrumental in the design of a stand-alone solution for access to finance for women (Zahra). On behalf of GIZ, she has researched the lag of Islamic MSME finance. In her capacity as the head of product development for Bank of London and The Middle East, she was responsible for responding to consultation papers from the UK regulators, the Bank Operating Model and engaged with the regulator to complete the application for the banking license, as well as the development of new Shariah compliant product lines for the bank.

Natalie has managed training in credit risk, capital structure, statistics, economics and financial markets for a wide range of organizations globally. She recently finalized an extended regulatory change project for a UK-based bank covering the implementation of the recommendation of the Independent Commission on Banking, the successful completion of an application for the extension of IRB credit risk permission to additional legal entities, a gap analysis on the risk models for the implementation of IFRS9 and new regulatory changes for EBA and Basel 3.

Natalie works closely with the Chartered Institute for Securities and Investment in the UK on regulatory workbooks for, among others, Cyprus, Dubai, Qatar, Palestine and Kuwait. She has worked on the minimum capital standards for mortgage lending in Pakistan to promote the primary and secondary mortgage market (The World Bank) and successfully designed the new rules and regulations for trading in Sukuk and derivatives as well as short-selling for the Bangladesh Securities and Exchange Commission. She has worked on gender equality projects in Asia and Africa.

DR SCOTT LEVY
Founder, Al Waseelah

Dr Scott Levy is CEO of Bedford Row Capital (BRC), a non-bank originator giving businesses a fast, effective and cost-efficient way to access critical finance through debt capital markets. Dr Scott founded the firm four and a half years ago, bringing together a management team with decades of experience in structured finance that has since executed more than 70 transactions in Sukuk, liquidity management, high-yield and green bonds — fulfilling businesses' diverse financing needs and giving investors access to yield.

Based between London and Estonia, Dr Scott has over 25 years in financial services and 18 years in Islamic finance, structuring, capital markets infrastructure, asset-backed securities, securitization, debt capital markets and asset management. He leads BRC's global offering underpinned by integrity, innovation and insight across the firm's offices in London, Tallinn, Zurich, Singapore and Dubai.

SHIRLEY ZENG
Analyst, Moody's Investors Service Singapore

Shirley Zeng is an analyst with Moody's Financial Institutions Group.

Based in Singapore, Shirley covers a portfolio of banks and non-bank financial institutions in South and Southeast Asia.

Prior to joining Moody's, Shirley was an auditor with KPMG Singapore, covering clients in the banking, investment management and commodity trading industries.

Shirley holds a Bachelor of Accountancy degree from Nanyang Technological University of Singapore.

Bangladesh: Strong growth for Islamic finance and banking

The Bangladeshi Islamic banking and finance industry witnessed a flurry of activity and received stronger governmental support in the last two years as demand for Shariah compliant financial products grows. NESSREEN TAMANO writes an overview of the Shariah finance sector in the country, whose Muslim population makes up around 90.4% of the total.

Regulatory landscape

There is no dedicated Islamic finance and banking regulation in Bangladesh, but the Banking Companies Act and Companies Act both have provisions for Shariah compliant activity. In 2009, the central bank, Bangladesh Bank (BB), issued Islamic banking guidelines which include, among others, licensing and conversion requirements for banks and financial institutions.

In 2019, the Bangladesh Securities and Exchange Commission issued regulations to facilitate the trading of Sukuk and derivatives in the capital market, as well as the entry of Sukuk into the stock market. The following year, BB started working on guidelines on green Sukuk for Shariah banks and financial institutions as well as a policy framework on Shariah-based green financing, and then later placed a quota limit on Sukuk allocated for Islamic banks.

Early this year, to boost the domestic Sukuk market, the National Board of Revenue waived the value-added tax (ranging from 7.5% to 15%) on the sale and purchase of assets between an originator and an SPV of Sukuk. The government has also offered income tax exemptions on Sukuk.

Banking and finance

There are 10 fully-fledged Islamic banks operating in the country, along with 41 Islamic banking branches of nine conventional banks and a total of 368 Islamic banking windows run by 13 commercial banks, according to data from the central bank.

As at the end of December 2021, the share of total deposits of Islamic banks accounted for 27.89% of the entire banking sector, an increase from the 25.33% recorded during the same period in the previous year.

Some notable transactions in the Islamic banking sector in the last few years include a landmark blockchain-based trade finance deal in 2019 by Abu Dhabi Commercial Bank and Islami Bank Bangladesh (IBBL), to move goods worth US$6.5 million from Canada to the South Asian nation.

In 2020, City Bank executed an Islamic cross-border Murabahah-based letter of credit transaction on blockchain, the first in Bangladesh, in partnership with the International Islamic Trade Finance Corporation.

Capital markets

A few years ago, the central bank issued the Refinance Scheme for Investment in Green Products or Initiatives targeted at Islamic banks and financial institutions, in addition to the Inter Islamic Fund Market and the Islamic Refinance Fund Account. The government has also been

consistent in issuing three- and six-month Bangladesh Government Islamic Investment Bonds.

Bangladesh issued its first-ever sovereign Sukuk worth a total of BDT80 billion (US$905.34 million) at the end of 2020. Proceeds from the issuance were earmarked to fund a safe water supply project across the country. Earlier this year, the government announced its plan to issue two more Sukuk facilities valued at BDT50 billion (US$570.61 million) to finance public sector development projects.

Financial institutions and corporates alike have also shown substantial interest in issuing Sukuk. Notable issuances this past year include Bangladesh Export Import Company's BDT30 billion (US$341.3 million) Sukuk Istisnah, the first of its kind and the largest issuance of securities to date in the country's private sector.

There are two Islamic indices in Bangladesh, both launched in 2014: the Dhaka Stock Exchange and the Chittagong Stock Exchange.

Takaful

There are 11 Takaful operators in Bangladesh out of 77 insurance companies, all regulated by the Insurance Development and Regulatory Authority. About 12 conventional insurers offer Takaful products on a window basis.

According to the IFSB's latest data, over two-thirds of total Takaful contributions written in 2017 were attributed to Family Takaful which recorded a negative growth of -0.09%, whereas General Takaful showed a positive growth of 2.98% in the same period.

Islamic funds

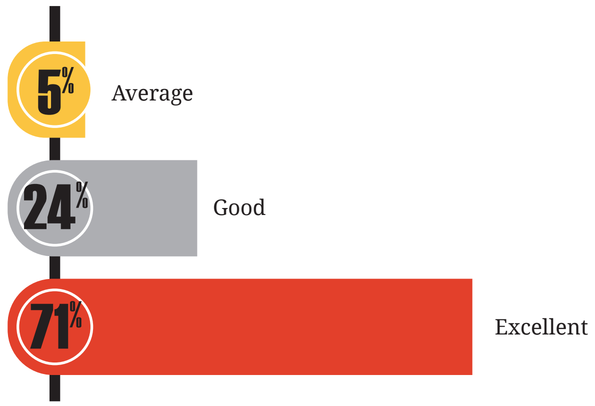
IBBL has two Islamic funds: the SEMI IBBL Shariah Fund and the CAPM IBBL Islamic Mutual Fund, which started trading in March 2018. Conventional player Asian Tiger Capital Partners Investment launched a BDT100 million (US$1.13 million) Shariah fund in 2016.

IDLC Asset Management also rolled out its maiden Islamic fund, targeting a return per annum of 8–9% over a period of three to five years.

Outlook

Sukuk offerings seem to be the popular choice of Islamic finance deals for both the government and the private sector, so more Islamic papers can be expected out of Bangladesh. The robust growth of the Shariah finance and banking sector in the country is also largely thanks to policy support from the regulators, as well as strong public demand.

Pre-event Contact



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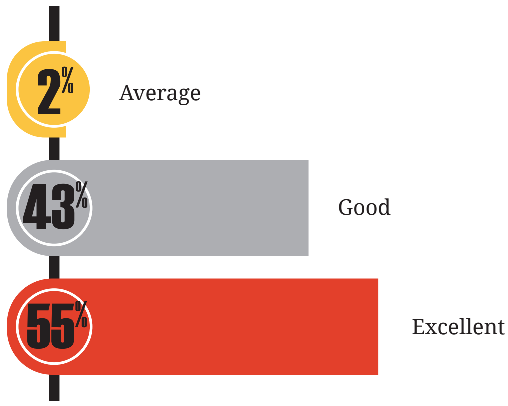
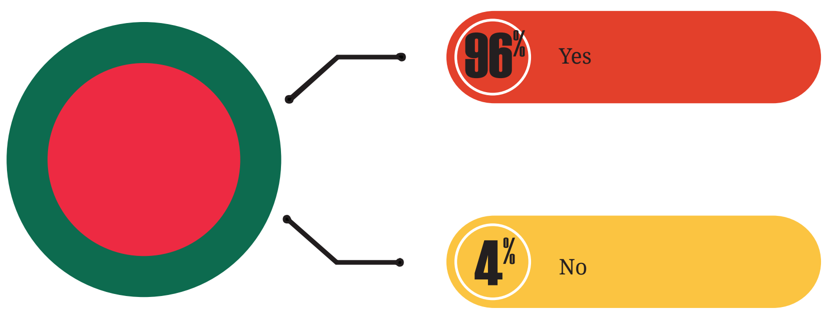


Delegates Who Would Like to Attend IFN Bangladesh OnAir Roadshow 2023



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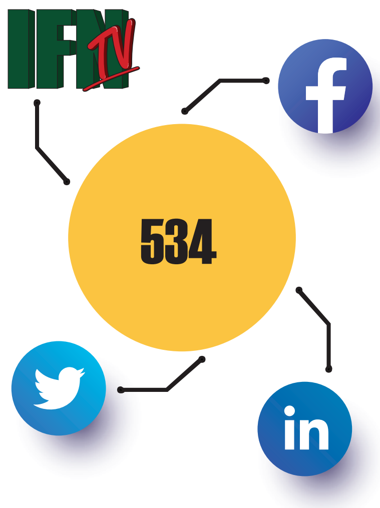
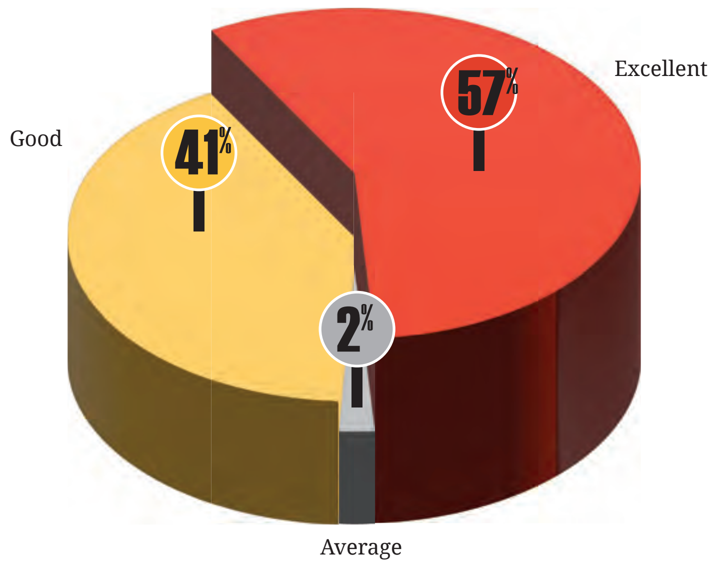


Building Momentum: Islamic Finance in Bangladesh



REVIEW

Building Momentum: Participation Financial Services in Türkiye

With Tier 2 and regulatory capital Sukuk issuance flourishing, what is the potential for the Turkish Sukuk market, and what more is needed to bring corporate issuers to market? What are the latest prospects for participation sustainable finance and investment in Türkiye, and how can Turkish participation financial institutions develop effective participation sustainable investment products? What are Shariah compliant funding options for infrastructure and large-scale projects and what is the potential for private sector financing of green infrastructure projects in Türkiye? What is the significance of recent initiatives by Turkish regulators towards the expansion of digitalization initiatives for the domestic participation finance sector? What measures would assist participation banks in the further development of digital retail, wealth management, Takaful and pension offerings in Türkiye? How are digitalization initiatives influencing the performance and market share of Turkish participation banks?

Moderator:
Fatma Cinar, Project Manager and Islamic Finance Portfolio Lead, UNDP Istanbul International Center for Private Sector in Development

Panelists:
Ashraf Gomma Ali, Managing director, Ihsan Advisory and Islamic finance expert (IFC – world bank group)
Bessem Soua, Division Manager, Sub-Saharan Africa & Europe, The Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC) & Islamic Development Bank (IsDB) Group
Esma Karabulut, Head of Investment Banking & Investor Relations, Türkiye Emlak Katılım Bankası
Dr N Saygın Sungur, Banking Services Coordinator, TKBB
Dr Scott Levy, Founder, Al Waseelah
Seçil Yıldız, Executive Vice President / Investment Banking, Project Evaluation, Sustainability and Corporate Communications, Kalkinma Yatirim Bankasi
Turgay Cavas, Head of Financial Institutions, Kuveyt Türk

More incentives needed to grow Turkish green Sukuk market

As ESG considerations are getting more play with Turkish regulators, corporates and the participation banking and finance sector as a whole, some regulations have been introduced to encourage the market players to prioritize green and sustainable transactions. But these are not enough, and more incentives are needed to deepen the Turkish green Sukuk market in particular. NESSREEN TAMANO reports.

Speaking at IFN Turkiye OnAir Roadshow 2022, Esma Karabulut, the head of investment banking and investor relations at Turkiye Emlak Katilim Bankasi, noted that there has been a strong push from the government for Islamic sustainable and green finance. Two strong examples are the release of guidelines for green Sukuk and bonds earlier this year and a 50% discount on issuance fees.

"But these incentives, for instance, don't cover the costs paid to third parties. To make the green Sukuk market a more attractive financing option, policymakers should encourage it by creating incentives for both issuers and investors, encourage the whole ecosystem," Esma explained.

"We can look to other jurisdictions that have done this successfully, such as Indonesia and Malaysia, and implement practices like covering external costs up to a maximum amount, establishing a framework to promote investment opportunities in the green space and tax incentives."

> "The development of green and sustainable Sukuk issuances in Islamic capital markets, critical for Turkiye's aim to be a center for Islamic finance upon the commencement of operations of the Istanbul Finance Center, is one of the most important issues of the transition to a low-carbon economy in Turkiye. To make the green Sukuk market a more attractive financing option, policymakers should encourage the development of sustainable finance in terms of creating much more incentives for both investors and issuers in Turkiye.
>
> Shariah compliant funding options of highly credible companies for infrastructure and large-scale projects in Turkiye could be international green/sustainable Sukuk issuances or getting Murabahah syndicated green loans from development and export finance institutions.
>
> However, some institutions are hesitant to invest in Islamic products, because they do not know the basic dynamics of Islamic finance and how Sukuk structures work. We therefore firstly need to carry out a benchmark transaction with these institutions to make them understand Islamic products so that we could pave the way for the private sector."
>
> *Esma Karabulut is the head of investment banking and investor relations at Turkiye Emlak Katilim Bankasi.*

Ashraf Gomma Ali, the managing director of Ihsan Advisory and an Islamic finance expert at the IFC-World Bank Group, agrees that better incentives are crucial. "In Malaysia, we have noticed a move towards more sustainable Sukuk issuances because pricing is better, there are strong tax incentives and therefore they are more attractive to investors both inside and outside."

"The discussions were fruitful indeed for me on the current specs and ongoing discussions in Islamic capital markets regarding the arena of sustainability. The growing trend in the world for sustainability has also been an attractive issue for Islamic banks and Islamic capital markets. Nevertheless, what I have derived from the discussions is that Turkiye has already paved its way to become a major player in the area. The only major issue that seems to be still at the infancy is the building of a strong internal regulatory framework and incentive scheme that will encourage more players to contribute. Due to lack of time, we could only deal with the second topic which was the digitalization case. Thus, maybe next time we could separate such voluminous issues into several different panels. To sum up, it was a good and enlightening journey to be part of a panel where several key takeaways could be made. Thanks to IFN for the organization."

Dr N Saygın Sungur is the banking services coordinator at TKBB.

On a related note, Ashraf added that ESG integration has the most value for Islamic banks when done as a strategic move and not just in compliance to a regulation. "When ESG is properly integrated in the organization, it facilitates deep engagement with the stakeholders and helps the organization understand where the real challenges are. Solutions can then be created around these challenges."

"The market is very active locally with plenty of room to expand the reach of local participation banks into the retail market. Local liquidity offerings are uniquely short-term. This as a standard for the international markets creates an opportunity for corporates to tap the international markets. There are very few liquidity products available which are Shariah compliant and Turkiye with its strong export business could take its experience of short-term instruments to tap the international markets. There is plenty of local expertise which could give Turkiye a competitive advantage if it opens its doors to international issuance. Strong and experienced local participation banks give Turkiye a potential competitive advantage over other potential international issuers from other markets."

Dr Scott Levy si the founder of Al Waseelah.

Ashraf cited the case of attracting corporates to consider green Islamic transactions. "They need to understand that green isn't only solar power plants, that it's also energy transition, energy efficiency, green

"The Development and Investment Bank of Turkiye has an important role in achieving Turkiye's development targets thanks to 47 years of experience and strong fundamentals. The bank aims to carry its positive impact and contribution to a global scale with its supporting role in sustainable development, its responsible banking approach and its pioneer identity, under the guidance of international initiatives.

In addition to the development banking arm, the bank delivers remarkable achievements with its investment banking activities. The bank aims to play a leading role in facilitating enterprises' access to national and foreign funds through capital market instruments, mergers and acquisitions and financial advisory services.

The bank realized Turkiye's first social Sukuk, to be granted as a Murabahah loan to be utilized in the agricultural sector. Kalkinma Yatirim ALC was the issuer SPV, while the bank was the obligor as well as the Wakeel of the Sukukholders transferring the proceeds from the Sukuk to the agricultural cooperative under a second Wakalah agreement.

The issuance was designed within the framework of an A-to-Z business model with a holistic and social contribution to all agricultural production stages, in line with the UN Sustainable Development Goals, the International Capital Market Association's Social Bond Principles and the Loan Market Association's Social Loan Principles."

Seçil Yıldız is the executive vice-president of investment banking, project evaluation, sustainability and corporate communications at Kalkinma Yatirim Bankasi.

buildings and that there are social aspects too. When you engage these corporates in a discussion, they can tell you what they need to fulfill the requirements to close these deals."

*This is an excerpt from IFN Turkiye OnAir Roadshow 2022. Watch the full discussion **here**.*

Moderator:
FATMA CINAR
Project Manager and Islamic Finance Portfolio Lead, UNDP Istanbul International Center for Private Sector in Development

Fatma Cinar is the director of international relations at the Participation Banks Association of Turkiye. Previously, she worked as the head of the International Banking Department of an Islamic private bank in Turkiye (Kuveyt Turk) which is the leading Islamic bank of Turkiye. As an active practitioner, she has deep and wide expertise in Islamic banking, international relations, investment banking, cash management, clearing services, structured finance, trade finance, business strategy, corporate communications and risk management.

Fatma lectures at universities and international summer schools and hosts field trip students for training. She is the country correspondent at Islamic Finance news and is also both the editor and writer at Participation Finance Magazine. She graduated with business administration and industrial engineering qualifications in 2005 and 2006.

ASHRAF GOMMA ALI
Managing director, Ihsan Advisory and Islamic finance expert (IFC – world bank group)

Ashraf Gomma Ali is the managing director of Ihsan Advisory which works at the intersection of Islamic finance/Shariah/SDGs and positive impact. He believes that these areas share a natural connection and that the future of Islamic banking depends on truly embracing these concepts and integrating them in the spirit of Ihsan (spiritual beauty and perfection).

Ashraf is a leading international Shariah advisor who has worked in Shariah supervisory positions for over 15 years in nine different countries around the world in North America, the Middle East and Southeast Asia. He holds a Bachelor of Science degree in finance from the University of Maryland (US), a Bachelor of Law degree in Shariah from Umm Al-Qura University (Mecca, Saudi Arabia) and a Master's degree in Islamic finance practice from INCEIF (Malaysia). He is also an internationally certified Shariah auditor and advisor with AAOIFI and a registered Shariah advisor with the Malaysian Securities Commission.

Ashraf has advised on billions of dollars of projects worldwide including extensively advising on project financing, Islamic debt securities (Sukuk), corporate finance and treasury products. He has served as a Shariah board member to both traditional and digital Islamic banks. He also has a keen interest in the intersection of ESG and sustainability with Islamic finance and was part of the UN project to draft the section on Islamic banking in the UNEP FI Principles of Sustainable Banking. He currently serves as an Islamic banking, ESG and sustainability consultant based in Istanbul.

BESSEM SOUA
Division Manager, Sub-Saharan Africa & Europe, The Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC) & Islamic Development Bank (IsDB) Group

Bessem Soua has over 18 years of experience holding different senior and leading positions at the Central Bank of Tunisia and the IsDB Group (the Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC)). He is currently leading an international team based in various locations around the world (Saudi Arabia, Senegal and Turkiye) and is in charge of business expansion in sub-Saharan Africa and Europe.

Bessem has extensive exposure to business origination, structuring and closing of trade finance, infrastructure and investment finance transactions from/in Europe, the MENA region and sub-Saharan Africa. Clients have included financial institutions, investors, contractors, exporters, development banks, etc. Besides his primary role, he has also been highly involved in strategic and business planning.

Bessem's cross-functional expertise and skills are his key strengths including business development, customer relations, marketing, project finance, trade finance, financial analysis, due diligence, negotiations of complex transactions and also budgeting, financial planning, strategic planning, strategic thinking, etc, all via various task forces in which he has played a leading role. He has been a speaker/panelist at many seminars and international conferences.

Bessem's education accomplishments include the completion of an MBA from IE Business School, Madrid. He has also attended specialized executive education programs at Harvard Kennedy School and Berkeley Business School with a specific focus on innovation and entrepreneurship.

ESMA KARABULUT
Head of Investment Banking & Investor Relations, Türkiye Emlak Katılım Bankası

Esma Karabulut is the head of investment banking and investor relations at Turkiye Emlak Katilim Bankasi (Emlak Katilim) since July 2019. She is mainly responsible for originating and structuring domestic and international Sukuk, syndication and any other Islamic capital market instruments. She is also a board member of two different asset leasing companies of Emlak Katilim.

Esma started her professional career in an Islamic bank (Kuveyt Turk) in 2011 and later she was the manager of the Sukuk and Syndication Department in which she carried out many international (Tier 1, Tier 2, senior unsecured) and domestic Sukuk transactions for both financial institutions and corporates from different sectors. Esma has many years of experience and deep expertise in Sukuk, Islamic syndication loans, Islamic capital markets, structured finance, investment banking, sustainable finance, etc. Esma got her Bachelor's degree from the Department of Capital Markets at Marmara University in 2011 and an MBA from Istanbul Bilgi University in 2014.

DR N SAYGIN SUNGUR
Banking Services Coordinator, TKBB

Saygın Sungur has an career background on Capital Markets, Investment Banking and Wealth Management Analytics. He has a Phd in the field of Finance focusing mainly on quantitative finance. He is curreltly working as the Banking Services Coordinator in TKBB.

DR SCOTT LEVY
Founder, Al Waseelah

Dr Scott Levy is CEO of Bedford Row Capital (BRC), a non-bank originator giving businesses a fast, effective and cost-efficient way to access critical finance through debt capital markets. Dr Scott founded the firm four and a half years ago, bringing together a management team with decades of experience in structured finance that has since executed more than 70 transactions in Sukuk, liquidity management, high-yield and green bonds — fulfilling businesses' diverse financing needs and giving investors access to yield.

Based between London and Estonia, Dr Scott has over 25 years in financial services and 18 years in Islamic finance, structuring, capital markets infrastructure, asset-backed securities, securitization, debt capital markets and asset management. He leads BRC's global offering underpinned by integrity, innovation and insight across the firm's offices in London, Tallinn, Zurich, Singapore and Dubai.

SEÇIL YILDIZ
Executive Vice President / Investment Banking, Project Evaluation, Sustainability and Corporate Communications, Kalkinma Yatirim Bankasi

After graduating from the Department of Business Administration of Bogazici University, Secil Yildiz began her career at the Industrial Development Bank of Turkiye in 1998. She held various managerial positions at Bayerische Hypo-und Vereinsbank, UniCredit Invesment Securities and ING Bank where she assumed a wide variety of investment banking roles. Secil joined the Development and Investment Bank of Turkiye in 2019 as the executive vice-president and is responsible for ınvestment banking, project evaluation, corporate communications and sustainability and environmental and social impact management. She is the chair of several development asset leasing companies and a board member of Turkiye Securitization Company and Development Venture Capital Portfolio Management Company.

TURGAY CAVAS
Head of Financial Institutions, Kuveyt Türk

Born in Istanbul, Turkiye in 1985, Turgay Çavaş graduated from the Faculty of Business Administration at Marmara University of Istanbul in 2007. Turgay has worked as a foreign trade professional and agri-commodity trader at one of the top corporate companies (listed in Turkiye's biggest 500 companies list) in Turkiye. He

joined the Islamic banking industry eight years ago, and has been working for Kuveyt Turk Katilim Bankasi as the head of the Financial Institutions Department (responsible for correspondent banking, debt capital market activities, originations, syndicated loans) since 2020.

Turgay worked as the precious metals trading desk manager until February 2020. He has two board memberships at two subsidiaries of Kuveyt Turk, namely KT Sukuk Varlik Kiralama and KT Kira Sertifikalari Varlik Kiralama. Turgay also serves start-ups as a start-up mentor at the Lonca Incubation Center. He represents the bank in China, Germany and in the Qatar Business Council of DEIK (Foreign Economic Relations Board). He is also the chairman of the Employee Assembly of Kuveyt Turk.

Turkiye: Strong support for participation finance continues

Turkiye enjoys strong backing from the government, with President Recep Tayyip Erdogan having been very vocal about pushing for more Islamic finance — or participation finance as it is widely known — initiatives in the country. NESSREEN TAMANO writes an overview of the thriving participation banking and finance industry in Turkiye, which has a Muslim population of 99.8%.

Regulatory landscape

The country's Islamic banking sector — widely known as participation banking — falls under the purview of the Banking Regulation and Supervision Agency (BRSA), which employs the Banking Law, and which published regulations for the operations of Islamic banks in 2018.

The Capital Markets Board (CMB) meanwhile first introduced Sukuk regulations in 2010. In 2012, sovereign Sukuk issuances were facilitated and the Capital Markets Law No 6362, which focuses on private lease certificates and asset-leasing companies, was implemented. The government soon allowed for lease certificates to be structured under various Islamic concepts and in 2015, a dedicated Islamic finance coordination committee was set up to focus on the development of the industry.

In early 2021, two dedicated Islamic finance units were launched: a participation banking division within the Central Bank of the Republic of Turkiye, and a participation finance department within the Finance Office of the Turkish Presidency.

The Ministry of Treasury and Finance first brought up the establishment of a central Shariah advisory board in 2018; in 2020, the regulators collaborated with the Participation Banks Association of Turkiye to complete a legal infrastructure on Islamic banking, under which the formation of the advisory board is also outlined.

Banking and finance

There are 53 banks in Turkiye, out of which six are fully-fledged Islamic banks, listed with the BRSA. As at the end of 2021, the share of participation banks in the country rose to 7.8% in terms of assets, 6.9% in terms of financing facilities and 10.5% in terms of deposits, confirming the strong overall performance of the sector.

A few years ago, national bank Halkbank announced plans to open a participation window, and the country also started discussions with the IsDB and Indonesia about establishing an Islamic bank, but these have yet to materialize. In 2018, AlBaraka Turk launched Insha, a digital Islamic bank, in Germany.

In mergers and acquisitions, the Turkish Treasury has expressed interest in taking over a controlling stake in Vakifbank, and in 2019, the UAE's Emirates NBD acquired 99.85% of Russia's Sberbank's stake in DenizBank.

In 2021, President Recep, in a meeting with D-8 developing nations, called for the establishment of an Islamic megabank in the country to address the financing needs and requirements of Shariah financial institutions and infrastructure projects alike.

In the Islamic insurance arena, Turk Eximbank this year partnered with the UAE's Etihad Credit Insurance to enhance Halal trade between the two countries, by leveraging Takaful and other Islamic finance solutions.

Sukuk

The first Sukuk facility issued was in 2010 by Kuveyt Turk Katilim Bankasi, which raised US$100 million in lease certificates. The Turkish government made its sovereign Sukuk debut in 2012, raising US$1.5 billion. It regularly auctions gold-based Sukuk and issues Islamic lease certificates as well. In 2020, in response to demand, the Turkish Treasury announced that local currency-denominated fixed rent rate lease certificates will be issued to Islamic banks through direct sales.

The past year has seen the Turkish government leaning into Islamic sustainable finance, releasing guidelines for green and sustainable Sukuk and bonds and offering discounts on fees for capital market instruments.

In 2021, Turkiye issued its debut green Sukuk facility through state-owned Turkiye Emlak Katilim Bankasi, or Emlak Participation Bank, which has plans to issue another green Sukuk facility in 2022.

Asset management

There are three fully-fledged Islamic asset managers in Turkiye, but conventional asset managers are permitted to offer Islamic products on a window basis with no need to apply for separate Shariah approvals, making it difficult to ascertain the total number of Islamic funds in the country.

Popular in the country are Sukuk participation funds and participation pension funds, which are established and managed by portfolio management companies licensed by the CMB, and which together constitute around 20% of the total pension mutual fund sector. There are currently 10 private pension companies offering Islamic pension funds, with two of them exclusively offering Islamic products.

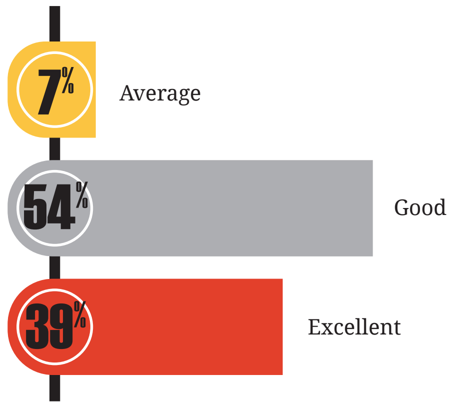
Outlook

Turkiye is a key Islamic banking market that enjoys regulatory support, lending its Shariah compliant products resilience and allowing the industry to stay competitive despite economic challenges. While the Russian invasion of Ukraine continues to have a negative impact on Turkiye and its banking sector, the growth prospects of Islamic banks in the country are favorable, considering their strategic importance to the government, according to Fitch Ratings. Moody's Investors Service on the other hand believes that the share of Islamic banking assets in Turkiye is set to at least double over the next five years, helped once more by a supportive environment and expanding distribution network.

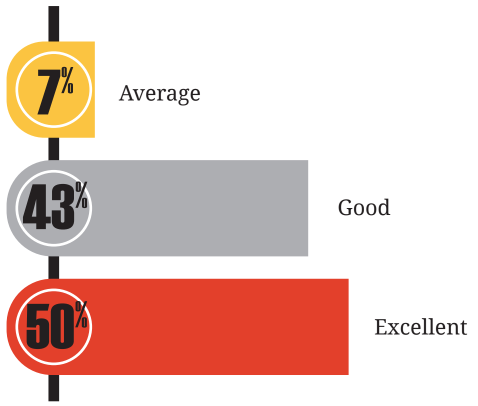
Esma Karabulut is the head of investment banking and investor relations at Turkiye Emlak Katilim Bankasi.

"IFN Turkiye OnAir Roadshow 2022 under the theme of 'Building Momentum: Participation Financial Services in Turkiye' was a very well-organized online event that we had the opportunity to discuss the current situation and future potential of participation sustainable finance and capital markets in Turkiye with valuable experts in the field."

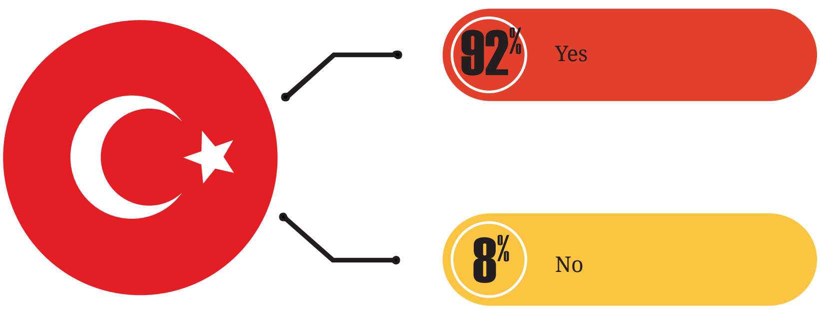
Pre-event Contact



Overall Evaluation of the Event



Delegates Who Would Like to Attend IFN Turkiye OnAir Roadshow 2023



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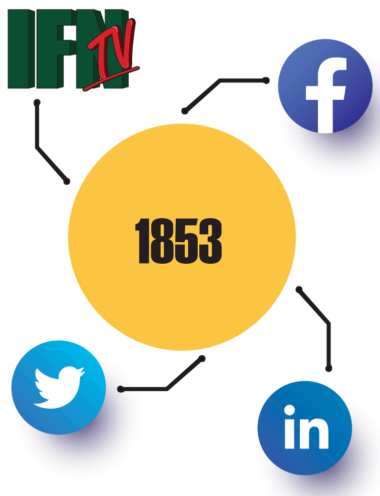
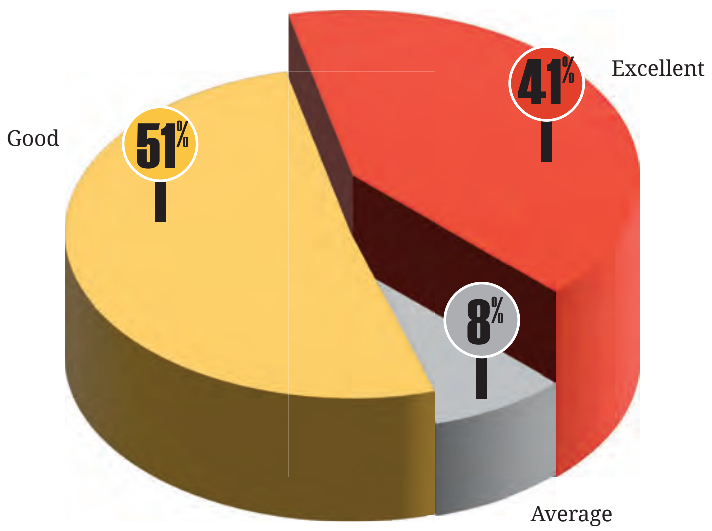


Building Momentum: Participation Financial Services in Türkiye



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REVIEW

Enlarging the Footprint of Islamic Financial Services in the CIS Region

With several CIS countries developing Islamic finance infrastructure and capacity, what is a realistic assessment of regional Shariah compliant banking, finance, and investment, and what role are important multi-laterals such as the IsDB playing in this expansion? How are regulatory frameworks and legal codes being developed and implemented in key jurisdictions, and how does this grow the adoption of Islamic financial services? What further steps could be taken to enhance the region's investment links with major Islamic finance centres? Is Islamic finance in a unique position to extend funding to the vital, yet underbanked SME sector in the CIS, and what measures will be necessary for this to become reality? With innovative fintechs providing much-needed financial solutions in key financing activities, the CIS region is ripe for digitalization and disruption: what's next for regional fintech and how can regulators create environments foster growth? Finally, will Halal investment products, such as ETFs, form the basis of a new generation of opportunities for Shariah compliant investors and savers in the region? We ask a respected panel for their views.

Moderator:
Samir Taghiyev, Head of CIS Countries and Europe Region at ICDIslamic Corporation for the Development of Private Sector

Panelists:
Anvar Nigmatov, Manager, Relationship Management with CIS, International Islamic Trade Finance Corporation
Madina Tukulova, Deputy Head, Islamic Finance and Business HubAstana International Financial Centre (AIFC)
Rustam A Rahmatov, Product Manager, CEO and Founder, IMAN
Dr Vladimir Malenko, Islamic finance advisor, Bedford Row Capital
Yasser Alaqi, Senior Manager, Business Development Department, The Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC) & Risk Management (Investment & Trade), Islamic Development Bank

CIS region's Islamic finance industry shows great promise, but more traction needed

The five countries in Muslim-majority Central Asia — Kazakhstan, Uzbekistan, Kyrgyzstan, Turkmenistan and Tajikistan — as well as Azerbaijan and Russia, all have great potential to become Islamic finance hubs. But Russia and Uzbekistan are in the lead, an industry player says. NESSREEN TAMANO has the story.

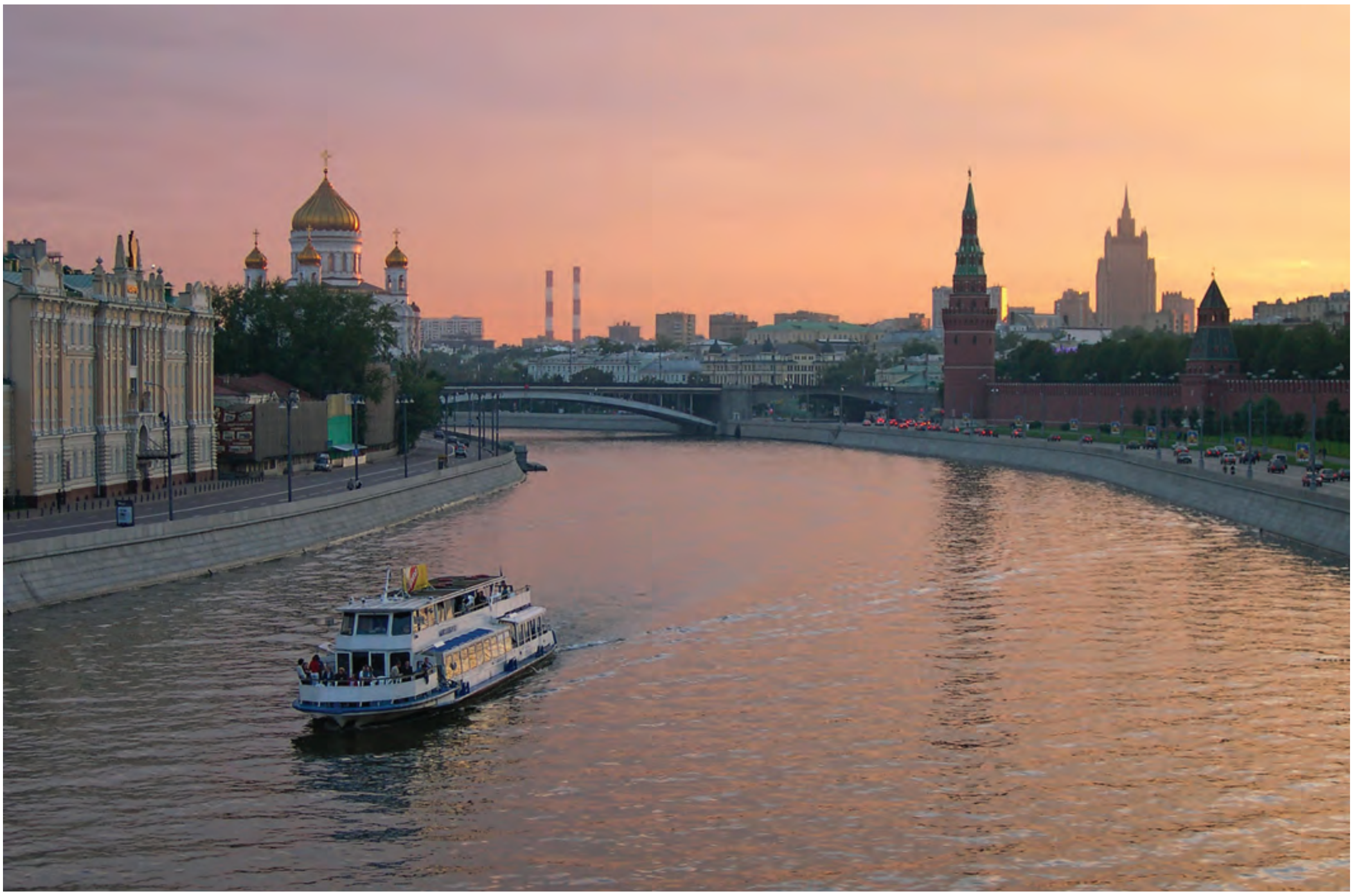
"I would set those two countries apart (from the others)," Vladimir Malenko, the Islamic finance advisor at Bedford Row Capital, shared. "We are currently in the process of signing two clients in Russia, one of them to issue Sukuk in so-called non-sanctioned currencies, like the dirham." He added that in Uzbekistan, they are looking at a sovereign Sukuk and possibly in dual currency. "We have tried to work with Kazakhstan and Tajikistan, but to no avail."

Madina Tukulova, the deputy head of the Islamic finance and business hub at the Astana International Financial Centre (AIFC), said however that Kazakhstan is on the rise. "Right now, we have, within the AIFC, the environment to not only issue Sukuk but also establish Islamic finance-related companies. We have our own regulations, infrastructure, Shariah advisory board and a team to support Sukuk issuers and Islamic finance companies."

The AIFC supports Kazakhstan and the wider region, Madina added: "We are happy to see our CIS friends benefit from our platform."

> "A great and timely exchange of professional opinions about the region on the verge of the Islamic finance revolution.
>
> The key outtakes:
>
> 1. Kazakhstan with its Islamic finance infrastructure in place is ready to assume leadership in the region.
> 2. The region's highest potential for Islamic finance development is anchored in Uzbekistan. The key development areas — retail Islamic finance (Islamic bank windows) and corporate Sukuk.
> 3. Under the weight of sanctions, Russia is finally turning to Islamic finance — the law on Islamic banking is being discussed in the Russian State Duma (parliament). The legislators are likely to appoint one of the Muslim-dominated regions (Tatarstan, Bashkortostan or Chechnya) as a test region for Islamic finance."
>
> *Vladimir Malenko is the Islamic finance advisor at Bedford Row Capital.*

In the Islamic fintech arena, CEO and Founder of IMAN Rustam A Rahmatov thinks there should be more Islamic venture capital (VC) money going to start-ups like his. "We managed to launch two Islamic finance products through our platform even without Islamic banking or Sukuk regulations when we first started.



I believe that the Islamic finance industry needs innovation, and that happens in the early stages within the start-up ecosystem. I feel that there is a lack of Islamic venture capital in this area."

> "The session discussed the Islamic finance infrastructure and capacity in CIS countries and the role of multilaterals in this field. On top of the development of the regulatory frameworks and legal codes, the panelists deliberated on Sukuk issuance, Takaful operators and fintechs which provide much-needed financial solutions in key financing activities in the CIS region."
>
> *Samir Taghiyev is the head of CIS countries and the Europe region at the Islamic Corporation for the Development of the Private Sector.*

Vladimir disagrees, noting that there is a dearth of Islamic VC money but there are regional factors. "In the CIS region and former Soviet Union, due to political risks and underdeveloped financial systems, there are very few VC funds. But outside, in the rest of the world, there are a lot: Goby, Aramco's Waed Ventures, SHUAA Capital and so on. There are sources."

What is needed is traction, Vladimir explained. "If there is enough momentum, enough Islamic projects, the Islamic VC money will follow."

*This is an excerpt from IFN CIS OnAir Roadshow 2022. Watch the full discussion **here**.*

Moderator:
SAMIR TAGHIYEV
Head of CIS Countries and Europe Region at ICDIslamic Corporation for the Development of Private Sector

Samir Taghiyev brings 17 years of banking experience in emerging markets, working with top banks and establishing private equity funds, Islamic leasing companies and Islamic banks in the Commonwealth of Independent States (CIS) and Europe region.

Prior to joining the Islamic Corporation for the Development of the Private Sector (ICD), Samir worked at Caspian International Investment Company where the ICD, IsDB, Aref Investment Group in Kuwait, Al-Ahmar Group and Azerbaijan State Investment Company are shareholders.

For the last 10 years, Samir has been covering business operations of the ICD, a private sector arm of the IsDB Group (www.isdb.org) in the countries of the CIS region in the capacity of senior regional manager for CIS countries, Europe headquartered in Jeddah, Kingdom of Saudi Arabia.

ANVAR NIGMATOV
Manager, Relationship Management with CIS, International Islamic Trade Finance Corporation

Anvar Nigmatov is the manager for the Commonwealth of Independent States at the International Islamic Trade Finance Corporation (ITFC). His first deal in Uzbekistan was to finance SMEs in partnership with local banks which was judged as 'Deal of the Year 2018' by the independent panel of experts of Islamic Finance news. Prior to joining the ITFC in 2017, Anvar worked in the IsDB, and different UN institutions in Switzerland. He holds Master's degrees from IE University (Spain) in international trade and the Graduate Institute of International and Development Studies (University of Geneva) in international affairs. He completed training programs at ICC in global trade, and Wharton Business School's program in finance for executives, and holds the Islamic Banking Certification of the General Council for Islamic Banks and Financial Institutions.

MADINA TUKULOVA
Deputy Head, Islamic Finance and Business HubAstana International Financial Centre (AIFC)

Madina Tukulova currently works as a deputy head of the Astana International Financial Centre (AIFC) Islamic Finance & Business Hub. She is responsible for the development of the Islamic finance industry in AIFC and the region. The current role involves the localization of AIFC participants (Islamic banks, Islamic finance and Takaful companies), the development of the Islamic finance industry and creating a regulatory framework including the development of the strategy on the development of Islamic finance.

Madina has professional experience in different positions in various departments of the Agency on the Regulation of Activities of the Regional Financial Center of Almaty, as well as the National Bank of the Republic of Kazakhstan. She has over 10 years of experience with a specific focus to develop and promote the Islamic finance industry in Kazakhstan and Central Asia.

RUSTAM A RAHMATOV
Product Manager, CEO and Founder, IMAN

Rustam Rahmatov is a product manager, CEO and founder of IMAN. He is an ex-investment banker with a wide range of buy-side and sell-side experience across Uzbekistan, Luxembourg and the US. He has worked at leading consulting firms and investment firms like EY, IFG and IFC (World Bank Group).

Prior to IMAN, Rustam was involved in advising and evaluating start-ups in industries such as fintech, auto loans, retail, e-commerce, manufacturing, renewable energy, real estate and many others both in the local market and abroad.

Rustam defines the key principles of IMAN's strategy, which are developed based on the three core values: ethics, UX [user experience] excellence and disruptive technology. Rustam's vision is to spread the ideas of Islamic finance globally, starting in Uzbekistan.

Rustam's vision is spreading IMAN as a one-stop superapp for ethical investments and installments globally. He graduated from Oxford Brookes University and is an ACCA candidate.

VLADIMIR MALENKO
Islamic finance advisor, Bedford Row Capital

Dr Vladimir Malenko is the managing director of FairFin OU, an Islamic finance consultancy that specializes in Sukuk and Islamic microfinance. Prior to setting up FairFin, Vladimir worked as an Islamic finance consultant at Sberbank, Russia's largest bank, where he developed several innovative Shariah compliant instruments, including microfinance Tawarruq-based shares, Sukuk Salam for grain and the Islamic stock market index. Dr Vladimir currently writes about Islamic private equity and venture capital for Islamic Finance news. He published 'The Dubai IPO Guide' and 'Russia: the next investment destination'. He holds three advanced degrees: MBA and JD (from the US), and MD (from Russia). He studied private equity at the Singapore Management University and Amsterdam Institute of Finance.

YASSER ALAQI
Senior Manager, Business Development Department, The Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC) & Risk Management (Investment & Trade), Islamic Development Bank

Eng Yasser Alaki joined the IsDB Group in 2003 in the Young Professional Program. He holds a Bachelor's degree in mechanical engineering from King Abdul Aziz University, Jeddah, and a Master's degree from Eastern Michigan University in business administration. He has over 19 years of experience in developmental institution particularly in intra-trade and investment development. Currently, he is the senior manager of the Business Development Department in the Islamic Corporation for the Insurance of Investment and Export Credit. Eng Yasser is a member in several investments and trade committees inside and outside the IsDB Group. He has long experience with Exim banks and export credit agencies around the world.

Central Asia: Boosting the Islamic finance industry

Kazakhstan, Uzbekistan, Kyrgyzstan, Turkmenistan and Tajikistan — the five countries of Muslim-majority Central Asia — have seen much progress in the way of building an Islamic finance ecosystem since 2017. NESSREEN TAMANO writes an overview and highlights of the region's Shariah finance and banking industry.

Regulatory landscape

Three out of the five Central Asian countries — Kyrgyzstan, Kazakhstan and Tajikistan — have Islamic finance legislation in place. Kazakhstan introduced its Islamic finance law in 2008 and has amended it several times to accommodate more Shariah concepts, including Takaful and Sukuk. The country was admitted to the General Council for Islamic Banks and Financial Institutions as a member in 2018.

Meanwhile, Tajikistan passed its Islamic banking law in 2014, and the National Bank of Tajikistan is in the process of developing a regulatory framework to facilitate licensing Islamic credit organizations.

In 2019, the National Bank of the Kyrgyz Republic's board of directors approved instructions on running Shariah compliant bank accounts and deposits in accordance with AAOIFI standards.

Banking and finance

Kazakhstan is leading in the region in Islamic banking, with its fully-fledged Islamic banks Zaman Bank and Al Hilal Bank. Agrarian Credit Corporation, which offers financing to agribusiness companies, is looking into offering Islamic solutions. The establishment of the Astana International Financial Center (AIFC), which formed the Advisory Council for Islamic Finance, has also contributed greatly to the country's aspirations of being an Islamic finance hub in the region.

Tajikistan's Sohibkorbank converted into a fully-fledged Islamic bank in 2019. Uzbekistan, meanwhile, has three Islamic banking windows operational, with some conventional banks accepting Shariah compliant deposits and some Islamic leasing companies. Hi-Tech Bank also rolled out the first Musharakah banking product in the country, and Asia Alliance Bank is in the process of launching its Islamic banking window.

Alif Bank, a banking start-up that operates fully on Shariah principles, has been active in the region in the past couple of years; the bank started out in Tajikistan and eventually expanded into Uzbekistan with its Shariah consumer finance company Alif Moliya.

Capital market

The development of the nascent Islamic capital markets of Central Asia is supported by its member countries' governments as well as the IsDB, but challenges remain, such as a lack of insurance coverage and Islamic institutions' inability to use central banks' liquidity and funding facilities, which are not Shariah compliant.

Despite these challenges, the Central Asian countries are powering through their plans to issue Sukuk. The AIFC has a Sukuk issuance in the works, originally slated for the end of 2019, and Uzbekistan's Capital Market Development Agency (CMDA) announced that corporates would be allowed to issue Sukuk by mid-2020. The agency also confirmed that Uzbekistan is planning to tap the Islamic capital market with a green Sukuk facility.

In 2020, the Astana International Exchange (AIX) saw its first Sukuk listing since its formation in 2017 from Qatar's QIIB, whose US$500 million Sukuk offering was cross-listed on both the AIX and the London Stock Exchange.

IsDB support

The growth of the Islamic finance industry in Central Asia is largely supported by the IsDB and its subsidiaries, with a collective 131 projects valued at US$33 billion as at 2020 led by the multilateral bank. In 2019, Turkmenistan signed an agreement with the Islamic Corporation for the Development of the Private Sector to support the country's private sector with Islamic funding, and also announced its membership in the Islamic Corporation for the Insurance of Investment and Export Credit, which is hoped to help with strengthening Turkmenistan's economy.

In July 2020, the CMDA signed a cooperation agreement with the IsDB to develop a legal and institutional framework for Islamic financial instruments, with a goal to launch a new Islamic financial product in Uzbekistan in 2021. The country also hosted the IsDB's 2021 annual meetings, where a total of US$320 million was pledged by the multilateral to aid the Central Asian nation's government and private sectors.

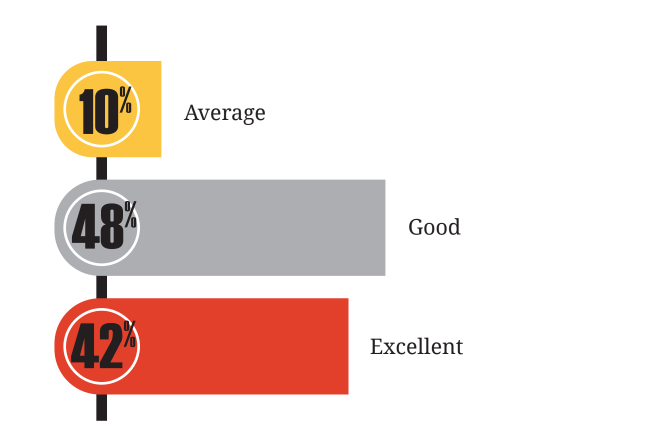
Takaful

Islamic insurance is offered in Kazakhstan by Takaful Halal Insurance, which has plans to venture into Azerbaijan through a fully-fledged Takaful operator. However, Takaful window operations are yet to be allowed in Kazakhstan, whose regulations require that a dedicated Islamic Insurance Council be appointed. This is reportedly currently being worked on.

Outlook

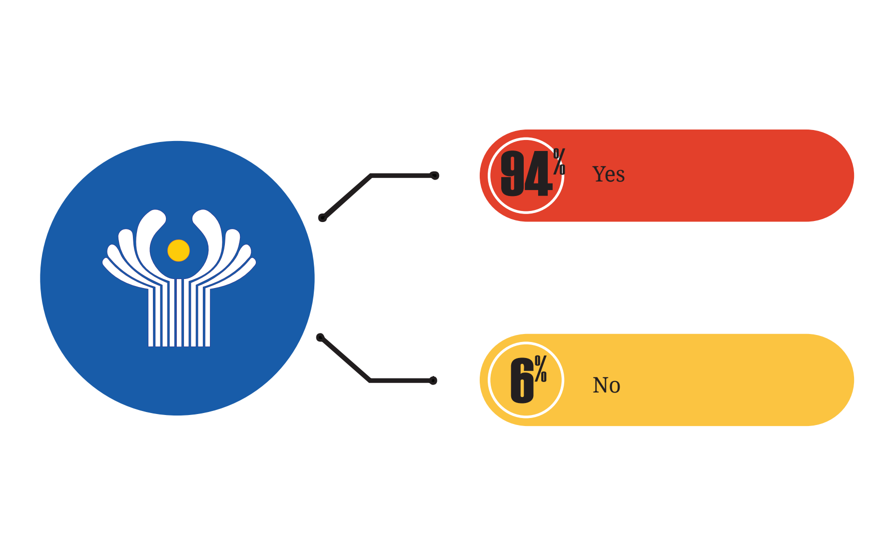
The Central Asian countries are seen by experts to have full potential in terms of having robust Islamic financial systems, particularly as they would be serving their Muslim-majority jurisdictions and have the support of the big players in the GCC. The Central Asian region would benefit from capacity-building and awareness programs, as well as stronger regulatory frameworks to support its Shariah compliant financial transactions.

Pre-event Contact



Overall Evaluation of the Event

Delegates Who Would Like to Attend IFN CIS OnAir Roadshow 2023



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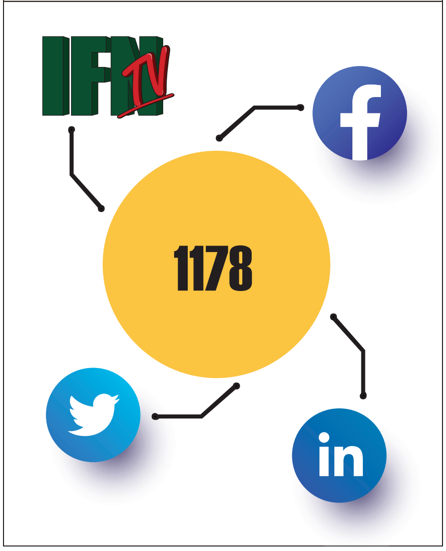
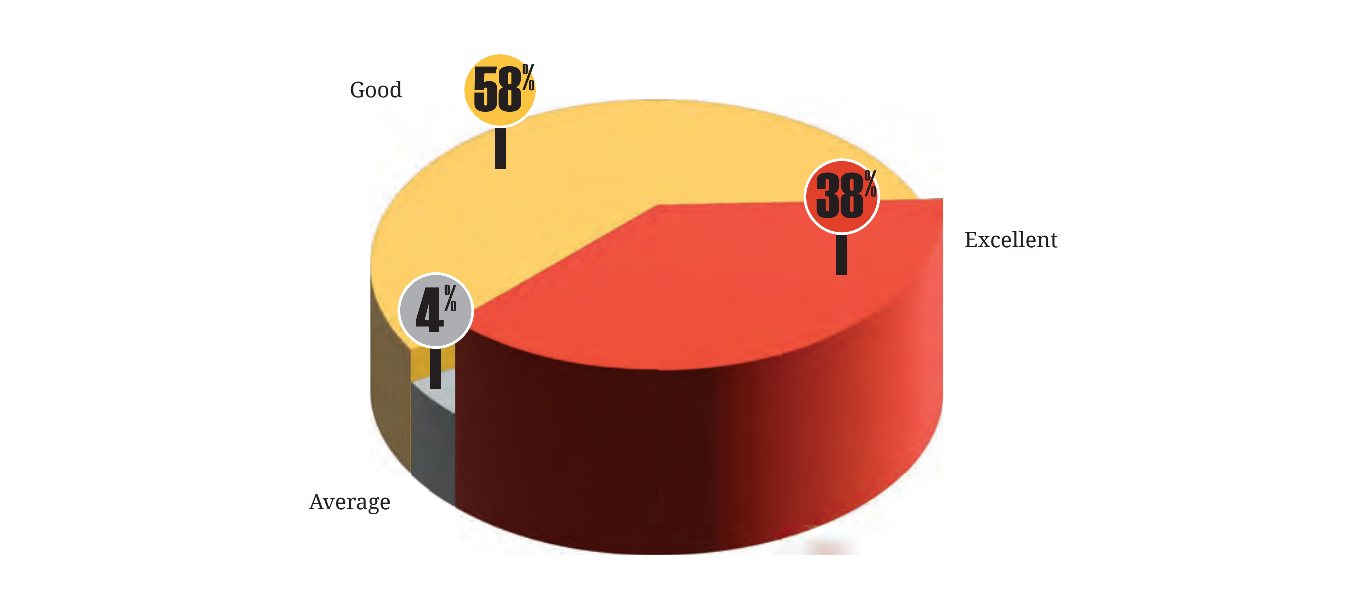


Enlarging the Footprint of Islamic Financial Services in the CIS Region



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REVIEW

Islamic Finance and Investment in Singapore: A Golden Opportunity

With the emergence of the first Shariah compliant balanced fund in Singapore to use quant investing technology and ESG screening in Singapore, what is the potential for the development of further such collective investment products in the republic? What opportunities does MAS's Green & Sustainability Linked Loan Grant Scheme offer corporates moving towards sustainable practices, and does Islamic finance and investment have a role to play? Is there demand for a Shariah compliant home financing solution in Singapore and what is needed to create the momentum for the development of such a product? With a reputation for innovation in verticals such as payment systems, what does Shariah compliant financial technology have to offer in Singapore and what are future areas of competitive advantage? How can Singapore extend the provision of Islamic social finance and does Waqf offer an interesting opportunity? We seek the views of an expert panel.

Moderator:
Dr Arif Jamal, Associate Professor and Vice-Dean (Graduate Studies), NUS Law

Panelists:
Hsu-sheng Wong, COO, GoImpact Capital Partners
Dr Mohamad Zabidi Ahmad, Regional Chief Representative, DDCAP Group
Mohd Ekmal Mohd Zazi, Regional Head, Islamic Wholesale Banking, CIMB Islamic Bank
Dr Scott Levy, Founder, Al Waseelah

Convergence of ESG and Islamic finance in Singapore could happen faster than we think, say industry players

Amid the impact of what Zhulkarnain Abdul Rahim, a member of the Singaporean parliament, calls the "3 Cs" — the coronavirus crisis; the conflict in Ukraine as a result of Russia's invasion; and climate change — Singapore, which stands to be greatly affected by these issues, is also in a good position to lean into Shariah finance to drive its recovery plan. NESSREEN TAMANO has the story.

And market players agree, now in particular as the Monetary Authority of Singapore (MAS) has shown its support for Islamic finance.

"For the longest time, there was this uncertainty in Islamic finance in Singapore due to a lack of clarity regarding guidelines and rules that need to be followed, but there has been a change: in 2021, MAS issued guidelines for Islamic banking and particularly significant was how it allowed Sukuk and other Islamic finance instruments as options for funding," commented Hsu-sheng Wong, COO of GoImpact Capital Partners, at IFN Singapore OnAir Roadshow 2022.

Some areas of great potential for growth include retail financing, Takaful and home financing, which Islamic banking and financial institutions can move into and plug the gap, Wong said.

Mohd Ekmal Mohd Zazi, the regional head of Islamic wholesale banking at CIMB Islamic Bank, added that the potential for Islamic finance is not limited to the 10% Muslim population of Singapore, as the interest in sustainable and ESG-focused assets and instruments continues to grow among investors in general.

> "One of the main themes was what role governments and regulators should play in both harmonizing an understanding of what makes ESG but also to encourage further Sukuk issuance (either through standards or tax incentives for investors). There are not many good examples of this in the market; where regulators or central banks are active, corporates do not necessarily follow.
>
> Singapore has a unique physical and reputational location as the center for conventional finance in the region and there is no reason why this should not be explored further to provide the same regional focus for Islamic finance. Education is key, both to create a young and vibrant workforce with an interest in the sector (of which Singapore excels in so many industries) but also among corporates to encourage the uptake of Sukuk issuance. That being said, if there is a cost drag then why should they? Perhaps extending the Singapore scheme of subsidies could encourage more corporate issuers. Perhaps the drive will come from the sustainability agenda which seems to be taking over the world; this may just give Singapore the impetus it needs to finally make an impact as a center for Islamic finance."
>
> *Dr Scott Levy is the founder of Al Waseelah.*

"There is definitely a convergence of ESG, sustainability and Islamic finance, but what matters even more is the pace of this convergence. It will happen faster than we think, and this is seen in the changing nature of corporate leadership and ESG considerations being part of daily business activities (on both financial and corporate sides) in the current market," Mohd Ekmal noted. He added that a Shariah fund, for instance, opens opportunities to both Islamic and ESG-focused investors, therefore fixing a fragmented market.

“There is good traction in terms of asset and deposit growth. However, there is still a gap in the retail segment, specifically home financing and Takaful. Singapore can cater to the short supply in the local market but there is a massive demand for short-term financing products and Islamic liquidity management in the regional markets.

Singapore is able to leverage its existing reputation as a global financial center. Due to its geographical location, the actual market for Singapore is its regional neighbors which are active in Islamic finance, specifically Malaysia and Indonesia, where Singapore can also leverage on these jurisdictions' data to drive its Islamic finance agenda.

Regulatory support is apparent with the recent revision to its guideline, which allows Sukuk and other Islamic financing instruments to be included in the capital requirement or funding.

Convergence between Islamic finance and conventional finance, with ESG-centric shareholder dominance, is on the rise. Companies are required to do more good and incorporate ESG into their business activities including a specific emphasis on people and the planet, on top of profit.

In the future, ESG may be a norm rather than a 'good to have'. Expediting the convergence is good to avoid a fragmented market, which should be focused on the impact rather than the underlying structure.

Challenges to being sustainable

The essence of maximizing shareholders' value in corporate governance is against the sustainable economic thinking of ESG. More emphasis is given to market performance targets rather than sustainable performance targets.

Globally, little change has been made to company or corporate laws to give more attention to ESG. Malaysian and Singaporean authorities require the directors to consider ESG in their business strategy. However, this is still lacking in terms of enforcement.

Being sustainable is a medium- to long-term target. In contrast, companies tend to prioritize short-term returns and regard ESG as another product, rather than embedding its essence in their organization and business.

Education and awareness of ESG are still lacking. ESG is very complex. Hence, the related terminologies and framework must be clearly defined as seen in green practices, which have better infrastructure and framework.

The role of Singapore's regulator and whether regulatory intervention is needed

A combination of awareness/education and regulatory push is needed. Based on COP26 [the 2021 United Nations Climate Change Conference], many companies do not meet the Paris Agreement's target, and the traction has been very low. Thus, the regulator needs to step in.

The Monetary Authority of Singapore has issued environmental risk management guidelines for the relevant financial segments, while Singapore Exchange has made climate risk reporting compulsory starting next year on top of the existing general sustainability reporting requirements.

In Malaysia, Bank Negara Malaysia championed the ESG agenda by introducing value-based intermediation, which was a successful collaboration between the regulator and industry players.

The carrot approach can be taken by providing more incentives. It was successfully applied in developing the Malaysian Islamic finance industry. Clients are more motivated to do good if the incentive is made available as they are also mindful of the extra costs on ESG.

The Singaporean market is rational as the corporates will subscribe to ESG as long as it delivers the 'dollars and cents' and helps in their diversification. A similar mindset was observed with Islamic finance. Regulators can facilitate the process and necessities required by the market to spur more collaborations between industry players.

Impact measurement

The market requires transparency. But measurement is a direct overhead and system cost for companies. In addition, there is confusion in the market on what to measure as there is no transparent ESG methodology in the market. For example, Bloomberg ESG scoring provides about 200 data points to be measured.

The best way is for the companies and Islamic financial institutions to get started and instill the habit of reporting ESG-related information.

Incentive or tax deduction

Tax, incentives or anything that can cushion the extra cost and time required to comply with ESG should be provided, including tax deductions for the demand side. Currently, many rely mainly on their religious or moral beliefs to take action on sustainability.”

Mohd Ekmal Mohd Zazi is the regional head of Islamic wholesale banking at CIMB Islamic Bank.

Dr Scott Levy, the founder of Al Waseelah, agrees with Mohd Ekmal and also agrees that there needs to be harmonization of language within the industry, or the concept of 'de-labelization'. “Sukuk issuers (for example) could focus more on (speaking about) the outcome and impact of the issuances which fit the ESG agenda, and less about the structures (whether it is diminishing Musharakah or commodity Murabahah, etc),” he said.

This is an excerpt from IFN Singapore OnAir Roadshow 2022. Watch the full discussion ***here****.*

Moderator:
DR ARIF JAMAL
Associate Professor and Vice-Dean (Graduate Studies), NUS Law

Arif Jamal is an associate professor and the vice-dean of graduate studies at NUS Law. His research and teaching interests are in law and religion, Muslim legal traditions, comparative law and legal and political theory. Arif has held visiting appointments at law schools in the US, Italy, Hong Kong, Israel and at the Centre for Transnational Legal Studies in London. He authored the book titled 'Islam, Law and the Modern State' and is a joint editor-in-chief of the Asian Journal of Comparative Law.

HSU-SHENG WONG
COO, GoImpact Capital Partners

Hsu-sheng Wong has been actively involved in developing ESG frameworks and operationalizing them for practical application in the office and at home, and is an advocate of bringing impact investing and sustainable finance to financial institution clients. He is COO of GoImpact Capital Partners, a sustainability education firm dedicated to providing sustainability education to adult learners in Asia

Hsu-sheng has an extensive legal and finance background, having worked for over 16 years as a lawyer and in investment banking and commercial banking. In his last role, he was the head of financial institutions and acting general manager for a major Middle Eastern bank's Asian operations.

Hsu-sheng is a senior fellow (sustainability) with the Singapore Institute of International Affairs. He has attended the Yale–SOM Sustainable Finance and Investment Program and the Climate Bonds Institute Green Bonds Training and is a certified green and sustainable finance professional with the Chartered Banker Institute.

DR MOHAMAD ZABIDI AHMAD
Regional Chief Representative, DDCAP Group

Dr Mohamad Zabidi Ahmad was previously the senior managing director of group wholesale banking at CIMB Group. He has been in the banking industry for 38 years including in wholesale banking and group treasury. He also has overseas experience of five years in London. He was responsible for developing the Islamic franchise for CIMB Group regionally including in the UK, Singapore, Indonesia, Brunei and Thailand since 2006. In 2019, his leadership led to CIMB being awarded as the 'Best Islamic Bank for Treasury Management' among Islamic banks at IFN Awards 2019. He was previously managing about RM100 billion (US$22.53 billion) of Islamic assets for group Islamic banking.

Dr Mohamad holds various positions in the CIMB Group including as the chairman of the Investment Account Oversight Committee and a committee member in the Group Islamic Management Committee, Treasury & Market Committee and Group Islamic Wholesale Banking Committee. He is also well-versed in the wholesale banking business incIuding credit analytics on corporate and credit markets as he was a member of the Internal Credit Pricing Committee and Corporate Banking, Treasury & Markets Management Committee of CIMB Group. Currently, he is also the chairman of the Board Audit & Risk Committee of BIMB Investment Management since October 2021.

Dr Mohamad holds a doctorate in business administration from the Othman Yeop Abdullah Graduate School of Business (OYAGSB), UUM and a Bachelor in Accountancy degree (Honors) from UITM. He is a chartered accountant by profession and a practicing member of the Malaysian Institute of Accountants (MIA), a certified senior financial market practitioner by ACI-Financial Market of Malaysia and the Asian Institute of Chartered Bankers, holds the Associate Qualification of Islamic Finance from Islamic Banking & Finance Institute Malaysia, a senior associate from the Chartered Institute of Islamic Finance and a member of the Institute of Corporate Directors Malaysia since June 2022 . Recently, he had completed the Oxford Executive Leadership Programme by Sa'id Business School at Oxford University and the ACI Online FX Global Code by ACI (The Financial Markets Association) in 2020. He had served as a committee member in the Islamic Finance Committee of MIA since 2017.

Recently, Dr Mohamad had been appointed as an Industry Distinguished Research Fellow for the Institute of Sustainable, Growth and Urban Development of UUM and a committee member of the Investment Committee of the International Institute of Advanced Islamic Studies Malaysia. He was awarded the 'Best Overall Outstanding Students Award' by OYAGSB and was named as a 'Successful Person in Malaysia' by BritishPedia UK in 2020. He is also the adjunct professor and member of the Board of Studies for the Perdana University School of Business. Recently, he was chosen as a 28COE (Credential of Entrepreneurs) member in the 28COE book written by Bilal Ahmad Bhat and given the 2022 World Digital Economy Corporate CEO Lifetime Achievement Award by the KSI Strategic Institute of Asia Pacific on the 28th June 2022.

MOHD EKMAL MOHD ZAZI
Regional Head, Islamic Wholesale Banking, CIMB Islamic Bank

Ekmal Zazi is Regional Head – Wholesale Banking at CIMB Islamic and is responsible for developing and growing Islamic wholesale banking business of CIMB Group. Prior to joining CIMB Islamic in April 2020, he was with CIMB Bank, carrying out capital and balance sheet management roles of the group. He was a key person in the liquidity and interest rate management of the group, ensuring sustainable assets growth through lean and optimised balance sheet. He started his career as a management trainee with CIMB Investment Bank back in July 2007.

He graduated with an MSc in Risk Management and Financial Engineering from Imperial College London in 2012. He also holds BSc in Actuarial Science from University of Illinois at Urbana-Champaign and a Chartered Professional in Islamic Finance (CPIF) charter.

DR SCOTT LEVY
Founder, Al Waseelah

Dr Scott Levy is CEO of Bedford Row Capital (BRC), a non-bank originator giving businesses a fast, effective and cost-efficient way to access critical finance through debt capital markets. Dr Scott founded the firm four and a half years ago, bringing together a management team with decades of experience in structured finance that has since executed more than 70 transactions in Sukuk, liquidity management, high-yield and green bonds — fulfilling businesses' diverse financing needs and giving investors access to yield.

Based between London and Estonia, Dr Scott has over 25 years in financial services and 18 years in Islamic finance, structuring, capital markets infrastructure, asset-backed securities, securitization, debt capital markets and asset management. He leads BRC's global offering underpinned by integrity, innovation and insight across the firm's offices in London, Tallinn, Zurich, Singapore and Dubai.

Singapore: Keeping the door open for Islamic finance

Widely known for its resilient economy, strong financial fundamentals and its established position as a leading asset and wealth management hub, Singapore holds latent potential for a thriving Islamic finance sector. NESSREEN TAMANO writes an overview of the Shariah compliant finance and banking landscape in the Southeast Asian nation.

Regulatory environment

Islamic finance and banking in Singapore is governed by the same regulations as its conventional counterpart: the Banking Act 1970 (revised 2008), the Securities and Futures Act (Chapter 289) and the Financial Advisers Act (Chapter 110).

While there is no dedicated law on Islamic finance, the Monetary Authority of Singapore (MAS) amended its regulatory framework to accommodate Shariah compliant banking and finance in 2005, referring to the standards and guidelines of the IFSB, of which the regulator became a member in the same year. The MAS also issued the 'Guidelines on the Application of Banking Regulations to Islamic Banking' in 2009.

In 2015, the MAS amended the Income Tax Act, waiving the imposition of double stamp duties on Islamic transactions in real estate and income tax and goods and services tax applications on some Islamic financial products.

Each Islamic financial institution in the country holds the responsibility of appointing its own internal Shariah advisory board as there is no national Shariah advisory council in the country. Majlis Ugama Islam Singapura (MUIS), or the Islamic Religious Council of Singapore, looks after the administration and interests of the Singaporean Muslim community and advises on matters pertaining to Islamic finance, but it does not hold any authority to make resolutions or issue regulations.

Banking and finance

Several foreign banks, notably Maybank, CIMB, Noor Islamic Bank and HSBC Amanah, offer Islamic financial products. Maybank was the first to introduce such products and services in 2005, followed by local bank OCBC Bank in 2007.

The Islamic Bank of Asia, the first local Islamic bank in the country, was established by DBS Bank in 2007 but ceased operations in 2015 when it was unable to achieve economies of scale as intended.

Singapore has also long been widely acknowledged for its strong position to leverage its wealth management expertise and reputation to develop the Islamic asset management market. Some of its notable milestones in the Shariah sector include the launch of Amanah Saham Mendaki, one of the world's first Islamic investment funds, in 1991; the launch of the world's first Waqf-linked Sukuk by MUIS in 2001; and the launch of one of the world's first Shariah compliant exchange-traded funds in 2008 by Daiwa Securities on the Singapore Exchange (SGX).

The country was also home to Sabana Shari'ah Compliant Industrial Real Estate Investment Trust (Sabana REIT), one

of the world's largest Islamic REITs, although this year, the REIT revised its investment mandate to no longer require Shariah compliance. The REIT was renamed to Sabana Industrial REIT in October 2021.

Meanwhile, the Takaful sector remains underdeveloped. In 2019, Malaysian Reinsurance and the Singapore branch of Pacific Life Re signed an MoU to provide sustainable re-Takaful solutions to Family Takaful operators in Singapore, but these have yet to materialize.

Capital market

A popular Sukuk listing destination, there have been 16 international Sukuk issuances (amounting to US$1.5 billion) and 12 domestic Sukuk papers (totaling US$788 million) out of Singapore and 12 domestic issuances between 2001 and 2020, according to the International Islamic Financial Market's Sukuk Report 2021.

In 2018, the FTSE ST Singapore Shariah Index, the first to track Shariah compliant companies listed on the SGX, was jointly developed and launched by FTSE Russell, Singapore Press Holdings and the SGX.

In August 2021, meanwhile, private capital exchange ADDX told IFN its plans to explore offering Shariah compliant tokenized investment products, which would entail the Shariah compliance of its platform.

Fintech

A few Islamic fintech start-ups, including property crowdfunding platform Ethis and peer-to-peer crowdfunding platform Kapital Boost, call Singapore home. Fintech vendor management platform Alpha Fintech, which is headquartered in Singapore, collaborated with Bahrain's Finocracy on Shariah compliant solutions for the GCC market, while FinAccel, which is Singapore-based and caters to Indonesian consumers, has announced its plans to roll out Shariah compliant financing.

Singapore-headquartered RootAnt in 2020 launched a multitier finance platform powered by distributed ledger technology as part of its strategy to tap into the Halal and ethical finance markets.

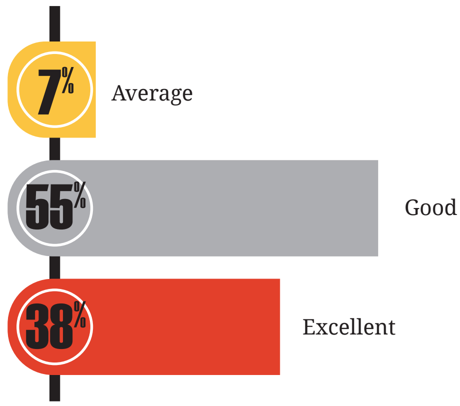
Outlook

While there is strong potential for Islamic banking and finance in Singapore, the sector remains a niche that will need a substantial boost to propel it forward. Industry players have called for an update to Singapore's Islamic finance and banking regulations to meet the market's changing needs and attract more Islamic investment into the country, while social Islamic finance instruments, such as Qard Hasan, social Sukuk and Waqf, are seen to potentially play an effective role in helping the country get back on its feet amid the coronavirus crisis.

Mohd Ekmal Mohd Zazi is the regional head of Islamic wholesale banking, group Islamic banking, at CIMB Islamic Bank.

"It was a great experience being a panelist at IFN Singapore OnAir Forum. The agenda was really relevant where Singapore is in the right position as an established financial center to monetize Islamic finance to tap into the high-growth economies of its neighbouring countries like Indonesia and Malaysia. The panelists are well-balanced to provide diverse perspectives and Dr Arif Jamal was instrumental in making sure the diversity in opinions is reflected in the discussion."

Pre-event Contact



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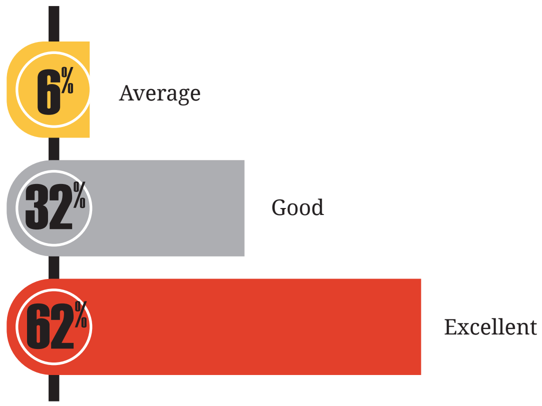
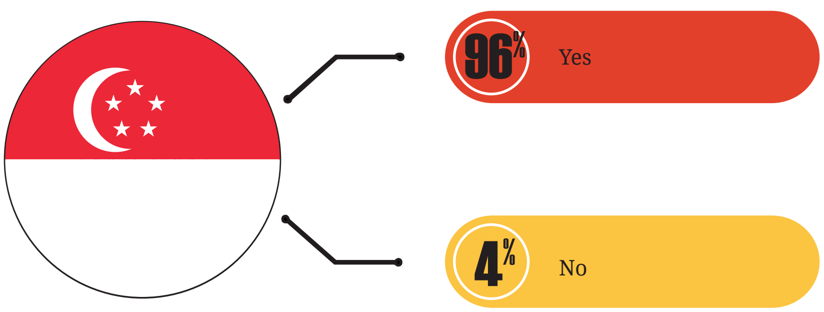


Delegates Who Would Like to Attend IFN Singapore OnAir Roadshow 2023



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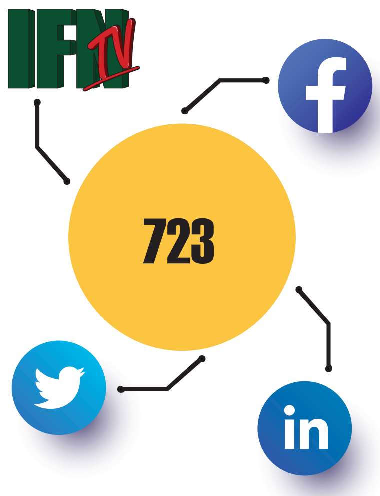
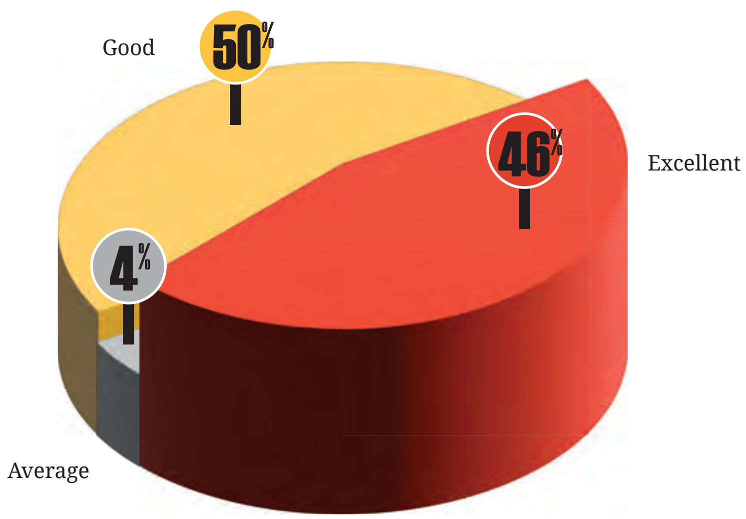


Islamic Finance and Investment in Singapore: A Golden Opportunity



IFN ROADSHOW OnAir EGYPT 2022

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Steady Expansion: Islamic Financial Services in Egypt

What is the timetable for Egypt's debut sovereign Sukuk, and what will this important benchmark mean for the Islamic capital market? How does the current regulatory environment promote the issue of public and private sector Sukuk, and from which industries will we see issuance? Beyond the Islamic capital market, how are Egyptian Islamic financial institutions financing domestic economic activity and what structures are being employed? What role are important multi-laterals such as the IsDB playing in the expansion of Islamic financial services in Egypt? How should Egypt further employ Shariah-based green and responsible financing solutions in response to important challenges, such as limiting climate change, alleviating poverty, and driving financial inclusion? Finally, how are Islamic financial institutions in Egypt employing technology to help the unbanked, while how will digitalization across the sector improve end-user experience across a range of financing activities?

Moderator:
Ashraf Gomma Ali, Managing director, Ihsan Advisory and Islamic finance expert (IFC – world bank group)

Panelists:
Alaa Mustafa, Marketing Specialist, The Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC)
Constantinos Kypreos, Senior Vice President Moody's Investors Service Limassol, Cyprus
David Testa, Executive Director, DDCAP
Ghada Essam, Head of Strategy, Ideal Ratings
Samar Abuwarda, Islamic Finance Practitioner
Dr Scott Levy, Founder, Al Waseelah

Market players discuss the role of Islamic finance and banking as a solution to Egypt's current challenges

Panelists at IFN Egypt OnAir Roadshow 2022, who are also market players in the Egyptian Islamic finance and banking industry, have gathered to discuss the potential of the sector in providing solutions for the country's current challenges. NESSREEN TAMANO writes an excerpt of the discussion.

"I would like to say that I thoroughly enjoyed my participation in this panel. It brought together people with different expertise — from the macro side, the credit ratings, the local Islamic banking specialists, the product developers, the technology/digitization experts — and this has given a more holistic angle to the discussion. I came away with a better perspective of the prospects of Egypt's Islamic finance industry and what needs to be done to further develop the industry."

Constantinos Kypreos is the senior vice-president of financial institutions, EMEA, Moody's Investors Service Limassol, Cyprus.

As Constantinos Kypreos, the senior vice-president of Moody's Investors Service Limassol, Cyprus, noted: "The high inflation certainly exacerbates the challenges faced by Egypt. But Islamic banks in Egypt are not part of the problem here, they are part of the solution. They have undergone multiyear restructuring, and the implementation of more effective supervision and ongoing reforms by the government, among others, effectively means that the Islamic banking sector is in a relatively good shape."

However, within the banking sector, Islamic banks still hold a small market share at 5% of the total, despite the country's predominantly Muslim population.

"The panel discussion stipulated important analysis about the opportunities embedded in the Egyptian economy despite facing numerous challenges. It also shed further light on how central banks could be involved to further enhance the governance of Shariah boards. A key discussion point was the challenges that curtail the proper growth of Islamic finance. I was enlightened by other panelists' opinions in this matter especially with regards to the low levels of financial inclusion in Egypt and what could be done to further enhance the financial inclusion rate. Finally, it was insightful to hear the panelists' opinions about the importance of mixing fintech with Islamic finance especially in a huge retail market like Egypt."

Samar Abuwarda is an experienced professional in structured transactions with multiple organizations in Egypt and internationally.

"Financial inclusion is very low: only a third of the population have formal accounts. But new technology and digitization provide huge opportunities, especially for Islamic banks as they have the capacity to leapfrog their conventional peers and speed up the digitization of their services and processes," Kypreos said.

Dr Scott Levy, the founder of Al Waseelah, agrees that financial inclusion is low and a difficult problem to solve. "Egypt is no different than all the other markets in this area, and there doesn't seem to be many good examples of this being done well."

> The macroeconomic strategy is not favorable to the current Egyptian situation despite increasing oil revenues. The on-the-ground local institutions have only a small penetration in the overall market (5% market share) and the challenges of making significant inroads are still substantial. The postponing of the government Sukuk is not good news but working with the IMF to resolve the local economic situation could have long-term benefits. That being said, Egypt is a large country with substantial resources and could benefit from issuing Sukuk (corporate- or project-related) which helps strengthen the economy away from tourism-related revenues. Focusing on building a sustainable economy should be the specific goal of the Central Bank of Egypt and the larger corporates and using Islamic finance as a tool to do so could make Egypt a major player in MENA in the coming years. But there are fundamental hurdles to overcome.
>
> *Dr Scott Levy is the founder of Al Waseelah.*

However, in terms of other areas that Egypt can do well, Dr Levy noted that the traditional trading nature that Egypt has had for years could have a massive impact on attracting more domestic and foreign investment.
On the insurance side, Alaa Mustafa, the marketing specialist at the Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC), shared that prospects and clients are, more and more, utilizing Takaful and other Islamic finance tools in their export activities.

"We have almost US$7.3 billion of exports from Egypt to date; the utilization of Islamic insurance as a tool is increasing with time," Alaa said.

Additionally, Alaa shared that the ICIEC is currently working on a Sukuk insurance product and is just waiting for a key member country, like Egypt, to start utilizing the offering.

This is an excerpt from IFN Egypt OnAir Roadshow 2022. Watch the full discussion and find out more about the current state of Egypt's Islamic banking and Sukuk markets.

Moderator:
ASHRAF GOMMA ALI
Managing director, Ihsan Advisory and Islamic finance expert (IFC – world bank group)

Ashraf Gomma Ali is the managing director of Ihsan Advisory which works at the intersection of Islamic finance/Shariah/SDGs and positive impact. He believes that these areas share a natural connection and that the future of Islamic banking depends on truly embracing these concepts and integrating them in the spirit of Ihsan (spiritual beauty and perfection).

Ashraf is a leading international Shariah advisor who has worked in Shariah supervisory positions for over 15 years in nine different countries around the world in North America, the Middle East and Southeast Asia. He holds a Bachelor of Science degree in finance from the University of Maryland (US), a Bachelor of Law degree in Shariah from Umm Al-Qura University (Mecca, Saudi Arabia) and a Master's degree in Islamic finance practice from INCEIF (Malaysia). He is also an internationally certified Shariah auditor and advisor with AAOIFI and a registered Shariah advisor with the Malaysian Securities Commission.

Ashraf has advised on billions of dollars of projects worldwide including extensively advising on project financing, Islamic debt securities (Sukuk), corporate finance and treasury products. He has served as a Shariah board member to both traditional and digital Islamic banks. He also has a keen interest in the intersection of ESG and sustainability with Islamic finance and was part of the UN project to draft the section on Islamic banking in the UNEP FI Principles of Sustainable Banking. He currently serves as an Islamic banking, ESG and sustainability consultant based in Istanbul.

ALAA MUSTAFA
Marketing Specialist, The Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC)

Alaa Mustafa is currently the MENA Division country manager at the Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC), a member of the IsDB Group. He has over 15 years of experience in the general insurance, trade credit and investment insurance industry, out of which 12 years were spent at ICIEC at different divisions. He is handling country portfolios in MENA, with a wide focus on the Republic of Egypt. Alaa holds degrees in business management and marketing and a diploma in Islamic banking and finance.

CONSTANTINOS KYPREOS
Senior Vice President Moody's Investors Service Limassol, Cyprus

Constantinos Kypreos is a senior vice-president and covers a portfolio of banks in Africa, the Middle East and the Balkans. He also has oversight responsibilities for Moody's Investors Service's bank ratings in Romania, and for the ratings of non-bank financial institutions in the Middle East and Africa region. Since joining Moody's Limassol-based banking team in 2005, Constantinos has followed banks as a lead analyst in South Africa, Egypt, Ghana, Nigeria, Israel, Greece, Bulgaria, Romania, Montenegro, Saudi Arabia, Qatar and Pakistan. He has authored numerous articles covering the African and Balkan banking systems and is a regular speaker at regional conferences. Prior to joining Moody's, Constantinos worked for PwC in London, both in audit and advisory. He holds a Bachelor of Science degree in economics from Queen Mary University of London and is a member of the Institute of Chartered Accountants in England and Wales.

DAVID TESTA
Executive Director, DDCAP

David Testa is an executive director at DDCAP and is on the board of DD&Co and DDGI.

David has worked in the financial services sector for almost 20 years, and for most of that time in Islamic finance. He was previously CEO of Gatehouse Bank, leading the team that obtained its banking license, and he has continued to specialize in Islamic capital markets and investment products.

Immediately prior to joining DDCAP in August 2017, David worked for the Kuwaiti European Holdings Group, owned by significant investors in the GCC, where he was CEO of its two UK operating companies, including an FCA-authorized advisory firm focusing on Shariah compliant investment opportunities in the UK.

Before joining Gatehouse, David worked for WestLB for 10 years and led the Islamic finance team there, closing over US$5 billion-worth of Islamic financing transactions. Perhaps most notably, David was the lead banker on the GBP225 million (US$290.33 million) Shariah compliant UK-leveraged buyout of Aston Martin from Ford.

David started his career as a solicitor, working in London and Tokyo with international law firm Slaughter and May and, subsequently, Ashurst, specializing in corporate finance and banking, and in particular capital markets and derivatives.

David is a frequent speaker and panelist at Islamic finance conferences in the GCC, the UK and the rest of Europe.

David holds a Master of Arts degree in modern history from Oxford University.

GHADA ESSAM
Head of Strategy, Ideal Ratings

Ghada Essam is the head of strategy at IdealRatings, a global provider of ethical investment solutions. Ghada joined IdealRatings in 2011 as a Sukuk product manager, where she developed the first-ever Sukuk screening solution. Consequently, she assisted in constructing the IdealRatings suite of Sukuk indices and the Boursa retail investor solution. Prior to IdealRatings, she was the business director of Islamic Finance Information Service, a Euromoney institutional investor company, where she took part in establishing the first-ever solutions for Sukuk, Islamic mutual funds, Islamic project finance and Shariah scholars. Ghada holds a Bachelor of Science degree in economics from Cairo University, along with a Master's degree in strategic planning and management from Edinburgh Business School.

SAMAR ABUWARDA
Islamic Finance Practitioner

Samar Abuwarda accumulated her professional experience in Egypt and international markets since 2003. She successfully conducted transactions locally and internationally. This included corporate finance, project finance and syndicated loans, Islamic finance, structured finance, risk management, private equity and mergers and acquitions, international programs planning and financial advisory. She has also contributed several articles to Islamic Finance news. Samar holds a Master of Science degree in finance and investment from Nottingham University Business School of the University of Nottingham in the UK.

DR SCOTT LEVY
Founder, Al Waseelah

Dr Scott Levy is CEO of Bedford Row Capital (BRC), a non-bank originator giving businesses a fast, effective and cost-efficient way to access critical finance through debt capital markets. Dr Scott founded the firm four and a half years ago, bringing together a management team with decades of experience in structured finance that has since executed more than 70 transactions in Sukuk, liquidity management, high-yield and green bonds — fulfilling businesses' diverse financing needs and giving investors access to yield.

Based between London and Estonia, Dr Scott has over 25 years in financial services and 18 years in Islamic finance, structuring, capital markets infrastructure, asset-backed securities, securitization, debt capital markets and asset management. He leads BRC's global offering underpinned by integrity, innovation and insight across the firm's offices in London, Tallinn, Zurich, Singapore and Dubai.

Egypt: The year of Sukuk

The Egyptian Islamic finance industry finally took off last year, with the issuance of the first-ever Sukuk to come out of the North African nation. NESSREEN TAMANO writes an overview of the top developments in the Shariah finance and banking sector which has, in the last 12 months, enjoyed substantial government support.

Regulatory landscape

Islamic banks fall under the purview of the Central Bank of Egypt, but with no dedicated regulation except for a decentralized Shariah board regulating Islamic financial activities and their compliance.

A Sukuk law was first passed in 2013 only to be repealed in 2017 to establish a new legislative framework for Sukuk issuance and trading in the country. In 2020, Capital Market Law No 95 was updated to include the introduction of new Sukuk structures in the market as the government worked on measures to stimulate the economy amid the COVID-19 pandemic.

In early 2022, the Financial Regulatory Authority (FRA) announced that it is studying Islamic microfinance structures that it expects to approve by the end of the year.

Banking and finance

There are three fully-fledged Islamic banks in Egypt: Al Baraka Bank Egypt, Faisal Islamic Bank Egypt and Abu Dhabi Islamic Bank Egypt. Other banks — 14 in total — offer Shariah compliant products on a window basis, including Ahli United Bank, which had previously disclosed plans of becoming a fully-fledged Islamic bank.

According to the Egyptian Islamic Finance Association, the volume of Islamic banking assets in Egypt grew to reach EGP429 billion (US$23.14 billion) as at the end of 2021. This was an improvement from the EGP355 billion (US$19.15 billion) recorded at the end of September 2020.

In the leasing segment, there are two fully-fledged Shariah compliant leasing companies in the country, which have been allowed by recent mortgage laws to offer Ijarah, Musharakah and Murabahah products.

Sukuk

A sovereign Sukuk issuance worth up to US$1.5 billion has been in the pipeline since 2012, but has not materialized yet, despite new regulations being issued to further support the Sukuk market. In 2020, the Ministry of Finance said it will continue with the plan to issue in both the local and international markets during the fiscal year that started in July 2020 as part of the country's debt strategy, pending approvals from the regulators, but this has yet to materialize. The ministry's latest update on the debut Sukuk issuance is that it is expected to close by the end of June 2022.

Holdings company Talaat Moustafa Group became the first corporate Sukuk issuer in the Egyptian market in April 2020, with a EGP2 billion (US$107.88 million) facility issued by one of its subsidiaries. The landmark transition was a nudge for other corporates looking to issue Sukuk, resulting in a busy first year for the country's Sukuk market: financial services company Sarwa Capital issued a EGP2.5 billion (US$134.85 million) Sukuk facility in December 2020 and education services provider Cairo for Investment and Real Estate Development issued a EGP600 million (US$32.36 million) Islamic paper in January 2021.

Real estate company Palm Hills Developments issued the first corporate Sukuk out of Egypt in 2022: a paper worth EGP3.25 billion (US$175.31 million). At least two other issuers, both from the real estate sector, are expected to close Islamic issuances this year as well.

Takaful

The Takaful sector, comprising nine fully-fledged Islamic insurance operators, is regulated by the FRA, which does not allow the operation of Takaful windows.

In 2020, state-run Misr Insurance Holding signed an agreement with the National Bank of Egypt and Banque Misr to establish a life Takaful insurance firm with a capital of EGP150 million (US$8.1 million).

That same year, re-Takaful operator Kenya Re announced plans to enter the Egyptian Islamic reinsurance market, while the FRA approved capital contributions to be made by commercial insurance companies to Takaful companies.

The IsDB

The IsDB's cooperation portfolio with Egypt stands at US$16 billion to date, with a total of 358 projects. In particular, the multilateral bank's trade arm, the International Islamic Trade Finance Corporation (ITFC), has been actively investing in Egypt's oil, mining and energy sectors, and supporting its economic reform program.

Most recently, the ITFC strengthened its framework of cooperation with Egypt with a new 2021 program worth US$1.1 billion focused on integrated trade solutions. The new framework continues the 2015 agreement signed by both parties that features a US$3 billion package to accelerate the growth of Egyptian SMEs.

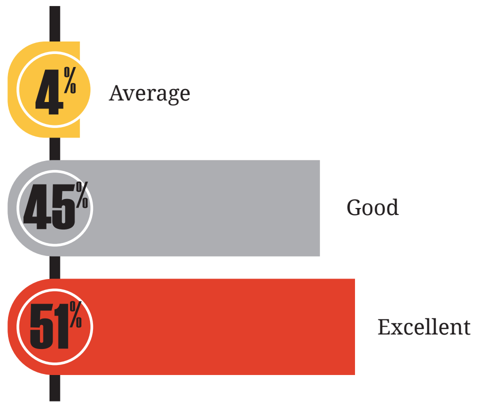
Outlook

The Egyptian Islamic banking sector has been growing slowly but steadily in the past few years, and the successful Sukuk issuances from the corporate sector, although few and far between, have propelled the Islamic finance sector into the priority list of the government. The country has also been looking to the Islamic finance sector to diversify its funding sources, which is also encouraging. However, industry players feel that developments in the regulatory framework supporting Islamic finance could move faster.

Samar Abuwarda is an Islamic finance practitioner.

"I really enjoyed participating in this excellent session. I found it insightful and intellectual where the roadshow panelists brainstormed different ideas. Expressing different points of view depicted a well-balanced session presenting numerous horizons of economic and banking analysis so it was like a jigsaw puzzle where each piece completed the other. I also liked that the session panelists with such deep discussions illustrated that Islamic finance is up to date with global and local opportunities and challenges. The session captured the full forest picture and not individual trees. Hence, proving that Islamic finance is a dynamic factor in the Egyptian market even if the size of the Islamic finance market in Egypt isn't that big."

Pre-event Contact



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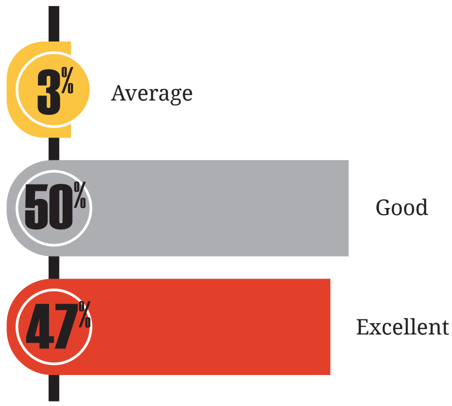
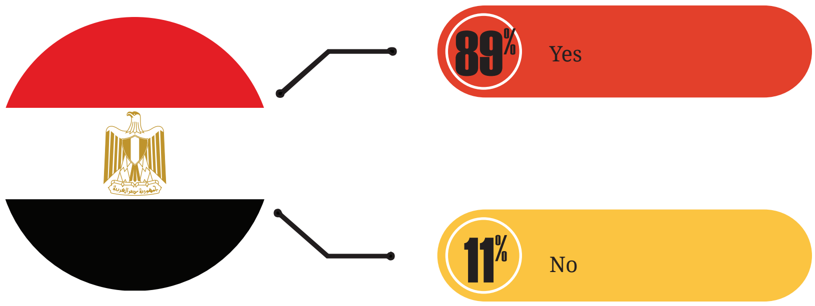


Delegates Who Would Like to Attend IFN Egypt OnAir Roadshow 2023



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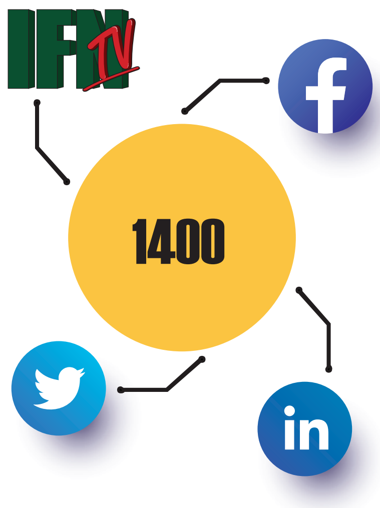
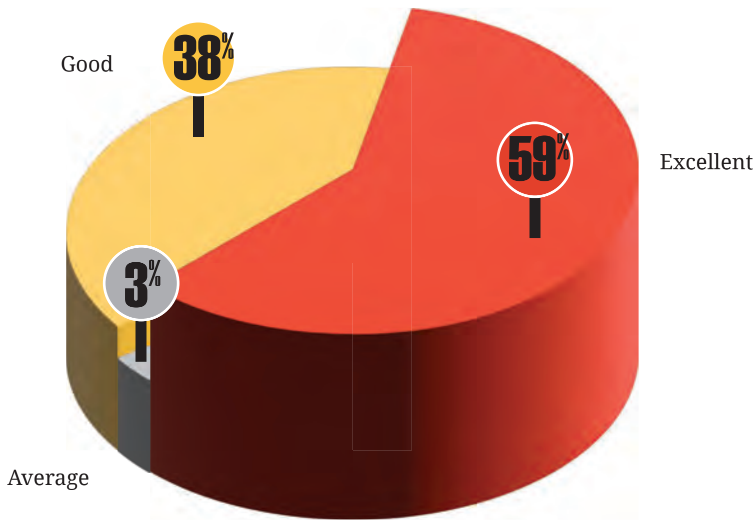


Steady Expansion: Islamic Financial Services in Egypt



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REVIEW

Fulfilling Potential: Islamic Financial Services in Qatar

With notable consolidation in recent years, what is a realistic assessment of the current Qatari Islamic financial services ecosystem, including banking and Takaful, and what opportunities and challenges now present themselves for the sector? With Qatar emerging as a leading Islamic fintech centre, how significant is the work of the Qatar FinTech Hub's acceleration and incubation programs, and what other important initiatives are now taking shape in the country? With Qatar also looking to bolster its status as a Sukuk issuance hub, what steps can the country take to make Sukuk a mainstream financing option for corporate and financial institutions? How are Shariah compliant funding options being employed for infrastructure and large-scale projects in Qatar, and what is the potential for private sector financing of Islamic sustainable infrastructure, energy and tourism projects?

Moderator:
Simon Chan, Counsel, K&L Gates LLP

Panelists:
Aymane Doukali, Head of Islamic and Structured Finance, Qatar Financial Centre (QFC)
Husain Alkhaja, GCC Regional Director, DDCAP
Mourad Ali Mizouri, MENA region Senior Division Manager (Business Development), The Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC)
Nitish Bhojnagarwala, Vice President – Senior Credit Officer, Financial Institutions Group, Moody's Investors Service
Sabir Ahmed, Executive Director Islamic Origination, Standard Chartered Bank
Dr Vladimir Malenko, Islamic Finance Advisor, Bedford Row Capital

Plenty of areas for growth for Qatar's Islamic finance and banking industry, experts say

The State of Qatar, while being one of the smaller countries in the GCC region, remains an important player in the global Islamic finance and banking industry, and its growth trajectory is strong, say the panelists at IFN Qatar OnAir Roadshow 2022. NESSREEN TAMANO writes.

Qatar ranks fifth in the world in terms of Islamic assets as at the end of 2020, according to the IFSB, and the penetration of Islamic banking in Qatar is around 28% of total banking assets, growing from around 25% over the last couple of years, shared Nitish Bhojnagarwala, the vice president– senior credit officer of financial institutions group at Moody's Investors Service.

"There are two factors which has driven this growth: organic growth where customers demand Islamic financial services, and inorganic growth, which is the mergers and acquisitions in the sector, where for instance an Islamic bank merges with a conventional bank and the surviving entity is an Islamic bank," Nitish said.

Aside from the Islamic banking sector, an area of opportunity for Qatar is its Islamic fintech landscape.

"Qatar is fortunate with excessive liquidity and with a lot of brainpower in the market, so it sets up a great area to become a leading Islamic fintech center. The goal is to set itself apart (from all the other Islamic fintech hubs) — it's not Dubai, it's not Kuala Lumpur, it's Doha," shared Dr Vladimir Malenko, the Islamic finance advisor of Bedford Row Capital.

To do this, Qatar can focus on initiatives like setting up a lot of auxiliary services that serve the market, including becoming a center for venture for the Islamic world. There is no regional center for this specifically, Dr Malenko said.

> "There is an increased need for the development of a local debt capital market in Qatar which is most likely to be Sukuk-dominated. While the equity and banking segments cover the retail, corporate and public sectors' financial requirements, a local Sukuk market will serve as a complementary block.
>
> Creating a Sukuk market will provide a new investment avenue, especially for fixed income investors, create an alternative funding channel particularly for long-term projects if structured optimally and attract a considerable level of foreign liquidity that is always on the hunt for Sukuk papers with quality credit.
>
> Sustainable finance can play an enabling role in the development of the Sukuk market in Qatar, as the State continues its efforts to meet its aspirational environmental commitments.
>
> Understanding the upside potential for sustainable Sukuk in Qatar, the Qatar Financial Centre published its QFC Sustainable Sukuk & Bonds Framework earlier this year to aid both investors and issuers in Qatar to follow local guiding principles that would assist them to streamline their issuance processes."
>
> *Aymane Doukali is the head of Islamic and structured finance at Qatar Financial Centre.*

Something innovative, or novelty factors, as Dr Malenko put it, such as setting up the very first 'technological Waqf' in Doha, could also be a way for the country to lead the race. "We are used to Waqf funding religious education, but one that funds Islamic entrepreneurship is where Qatar can take leadership," he added.

This is an excerpt from IFN Qatar OnAir Roadshow 2022. ***Watch the full discussion*** *and find out more about the potential in Qatar's Sukuk and real estate markets.*

Moderator:
SIMON CHAN
Counsel, K&L Gates LLP

Simon Chan has been based in Doha since July 2010. Prior to joining K&L Gates, he worked for Allen & Overy. Before moving to Doha, he spent 10 years practicing in London, from 1999 to 2009. Simon has extensive experience advising financial institutions, corporate sponsors and borrowers on general financing, including project finance, leveraged finance, asset finance and Islamic finance, and also on restructurings. He has experience in advising project companies, sponsors and lenders on the development and financing of large infrastructure projects.

Simon was ranked as a leading lawyer (Band 2) by Chambers Global 2021 for 'Corporate/Commercial: Banking & Finance in Qatar'. Simon is well-versed in a wide range of finance matters, acting for both borrowers and lenders. He is also noted for his skills in fintech and banking regulatory matters. Sources agree that he is "an experienced guy", with one client adding: "I find him to be really reliable". Simon is rated by The Legal 500: Qatar, with one peer noting: "Simon is a good guy, dedicated to the work and an expert in his field."

AYMANE DOUKALI
Head of Islamic and Structured Finance, Qatar Financial Centre (QFC)

Ayman Doukali has over a decade of experience in Islamic finance, particularly in the debt capital markets and corporate and institutional banking areas. He is currently the head of Islamic and structured finance at the Qatar Financial Center (QFC). Prior to joining the QFC, Ayman worked for HSBC in Malaysia and held multiple positions within the global banking and debt capital markets teams, with his last assignment being the head of Sukuk for Asia Pacific. Before working at HSBC, he was part of the debt capital markets team at Dukhan Bank in Qatar, leading the execution of a flow of Sukuk and syndicated financing transactions in the GCC.

HUSAIN ALKHAJA
GCC Regional Director, DDCAP

Husain Abdulwahed Alkhaja is the GCC regional director and director of DDCAP.

Husain is a vastly experienced banker who has been working within the Islamic financial marketplace for the past 30 years for various highly regarded regional and international financial institutions. Most recently, he held senior executive positions within MFAI (Jersey), a wholly-owned subsidiary of DMI Group. This followed his tenure as COO of CMA-licensed investment company Gulf Investors Asset Management Company.

Having started his career in banking in Bahrain, Husain was appointed the regional director and head of GCC and Islamic banking at Societe Generale where he was based in Dubai. Prior to returning to Bahrain as CEO of Investment Dar Bank, Husain was the general manager of ADNIF, the Islamic subsidiary of National Bank of Abu Dhabi.

MOURAD ALI MIZOURI
MENA region Senior Division Manager (Business Development), The Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC)

Mourad Mizouri, a graduate in international trade from IHEC Carthage University, Tunisia, has 20 years of diverse experience in the banking and insurance industries. He has a Master's degree in banking from IFID Tunisia and a diploma in Islamic finance from the Institute of Islamic Banking and Insurance in the UK.

Mourad joined the Islamic Corporation for the Insurance of Investment and Export Creditin 2008 as a commercial underwriter and then he moved to the Business Development Department where he served in many functions until he became the manager of the MENA Senior Division. Before that, he served six years as a financial analyst in the Central Bank of Tunisia.

Mourad is a board member in one of the African Islamic financial institutions and is among the founding team of the AMAN UNION association, a union of commercial and non-commercial insurers from the OIC member countries, that was established in 2009 in Lebanon.

NITISH BHOJNAGARWALA
Vice President – Senior Credit Officer, Financial Institutions Group, Moody's Investors Service

Nitish Bhojnagarwala is a vice-president–senior credit officer with Moody's Financial Institutions Group. Based in Dubai, Nitish covers a portfolio of large conventional as well as Islamic financial institutions in the Middle East, Africa and Turkiye.

Nitish joined Moody's in 2011, and has led Sukuk roundtables and conducted workshops on banking and Islamic finance at various conferences in the Middle East, Europe and Asia. Nitish has also authored several research pieces, with a focus on regional banking, credit issues and issuer-in-depths for conventional as well as Islamic banks.

Prior to joining Moody's, Nitish spent five years at Tamweel in the Treasury. He has also worked for KPMG in the UAE, where he covered financial institutions. Nitish holds an MBA from S P Jain Institute of Management & Research, with a major in finance (investment banking).

SABIR AHMED
Executive Director Islamic Origination, Standard Chartered Bank

Sabir Ahmed is responsible for the structuring and execution of Shariah compliant capital markets, syndications, corporate finance and financial markets transactions in the GCC, the Southeast Asian region (Malaysia, Indonesia, Brunei and Singapore), the UK and Turkiye.

Sabir has arranged 100-plus sovereign, quasi-sovereign, corporate and financial institution Islamic syndications and debt capital market transactions across multiple geographies, including a number of debut and award-winning deals.

Sabir joined Standard Chartered in 2005 and has over 21 years of experience in the financial services industry of which 17 years were in Islamic banking.

Sabir holds an MBA degree from the Institute of Business Administration, Karachi.

DR VLADIMIR MALENKO
Islamic finance advisor, Bedford Row Capital

Dr Vladimir Malenko is the managing director of FairFin OU, an Islamic finance consultancy that specializes in Sukuk and Islamic microfinance. Prior to setting up FairFin, Vladimir worked as an Islamic finance consultant at Sberbank, Russia's largest bank, where he developed several innovative Shariah compliant instruments, including microfinance Tawarruq-based shares, Sukuk Salam for grain and the Islamic stock market index. Dr Vladimir currently writes about Islamic private equity and venture capital for Islamic Finance news. He published 'The Dubai IPO Guide' and 'Russia: the next investment destination'. He holds three advanced degrees: MBA and JD (from the US), and MD (from Russia). He studied private equity at the Singapore Management University and Amsterdam Institute of Finance.

Qatar: Anticipated growth for Islamic finance

Qatar continues to slowly but steadily grow its Islamic finance and banking industry, which had not been affected much by the Saudi-led GCC embargo on the State that started in 2017 and was lifted earlier this year, restoring diplomatic relations between the region's countries. NESSREEN TAMANO writes an overview of Qatar's Shariah finance sector.

Regulatory landscape

Qatar Islamic Bank (QIB), the country's first fully-fledged Islamic bank, was established in 1982 — a full 30 years before the Central Bank Law No 13 of 2012 came into effect, formally dictating the guidelines for Shariah compliant banking.

A year prior, in 2011, a directive by the Qatar Central Bank had prohibited conventional lenders from operating Islamic banking windows, which led to eight banks in the nation shutting down their Islamic units.

A centralized Islamic regulatory framework is currently under development, and the country, through the Qatar Financial Centre (QFC), is an active member of the IFSB.

Banking and finance

Qatar ranks fifth in the top jurisdictions for Islamic banking in terms of assets, accounting for 6.5% of the total market share in 2020, according to the Islamic Financial Services Industry Stability Report 2021. The State's Shariah banking sector, which has five fully-fledged Islamic banks, also recorded an increase in asset size relative to domestic banking assets from 26.1% in 2019 to 26.9% at the end of the third quarter of 2020.

According to the central bank's latest data, Qatar's total Islamic finance assets amount to an estimated QAR528 billion (US$144.84 billion), out of which Islamic banks' assets constitute around 86%.

The Shariah banking sector saw a high-profile merger between Barwa Bank and International Bank of Qatar in April 2019, which resulted in a new entity branded as Dukhan Bank. In December 2021, Masraf Al Rayan (MAR) and Al Khalij Commercial Bank completed their merger, which resulted in one legal entity under the name MAR with over US$50 billion in total assets.

Abroad, QIIB founded Umnia Bank, Morocco's first fully-fledged bank, in 2017, while MAR's Al Rayan Investment is working on establishing a fintech-based Islamic bank in Kazakhstan's Astana International Financial Centre.

Islamic fintech is an area of focus for the country, with Qatar Fintech Hub launching incubator programs in mid-2020 to develop fintech start-ups focusing on Islamic finance, including Takaful tech and Shariah compliant cryptocurrency. The QFC in its latest fintech report highlighted that Islamic fintech in the State is expected to grow in the next few years, with a focus on Shariah compliant venture capital investments.

Capital market

When the global Sukuk market expanded to a 24% growth in 2019, it was supported primarily by increases

in issuances from countries that included Qatar with its thriving Sukuk landscape, particularly with corporate Sukuk papers, according to the IFSB.

The most notable issuance out of Qatar in the past few years has been QIB's US$800 million Formosa Sukuk facility in early 2020, which was listed in Taipei and Dublin. The Sukuk paper was upsized from its original US$650 million following high investor demand.

Other corporate issuances in 2020 include QIIB's US$300 million Islamic paper and MAR's US$750 million Sukuk facility which was oversubscribed 4.4 times. In 2021, Dukhan Bank issued its debut Sukuk: an additional Tier 1 facility worth US$500 million that was oversubscribed over 4.5 times.

Outside of the State, Qatar Investment Authority has expressed its interest in investing in energy projects in the Philippines through a Sukuk issuance.

Takaful

The country is a relatively small GCC Takaful player, but the sector's performance is strong. In 2019, Takaful contributions in Qatar recorded a growth of 2.3% or US$324.3 million, compared with the previous year, according to IFSB data.

There are four Takaful operators in Qatar, collectively providing a domestic market share of 45%.

Outlook

The easing of restrictions against Qatar as a result of the geopolitical blockade being lifted is expected to have a positive effect on the State's Islamic finance sector as its access to the GCC market is restored.

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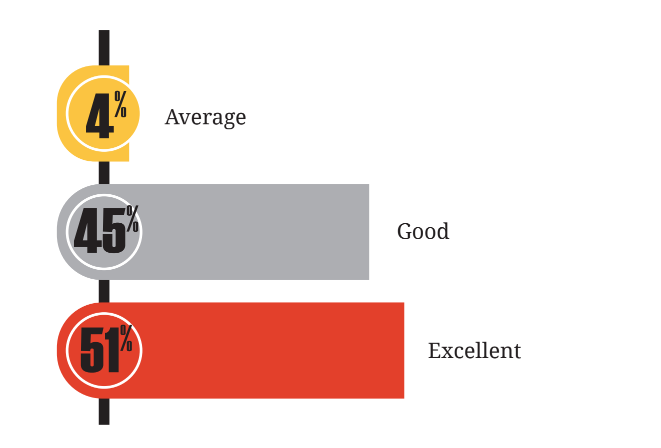

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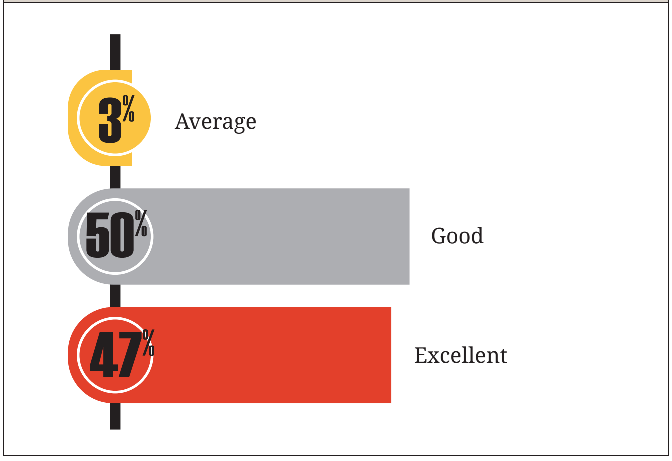
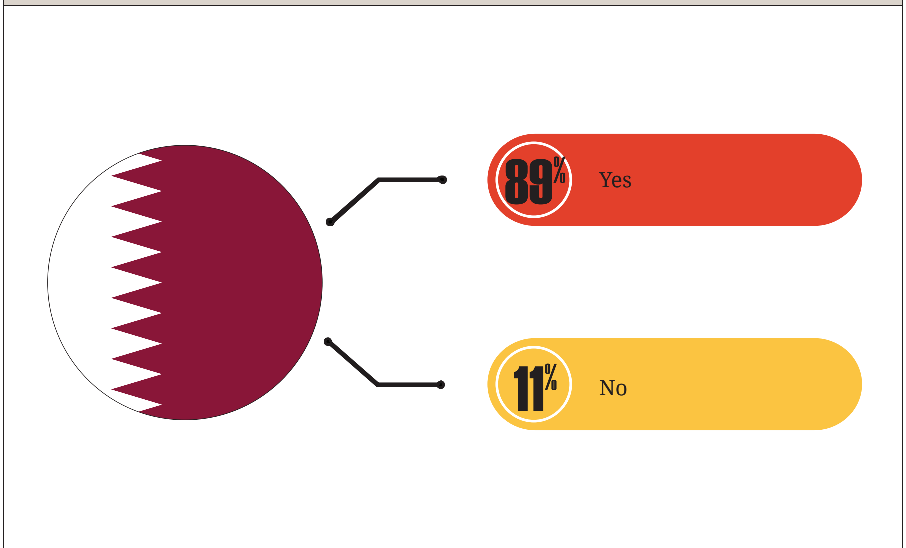


Delegates Who Would Like to Attend IFN Qatar OnAir Roadshow 2023



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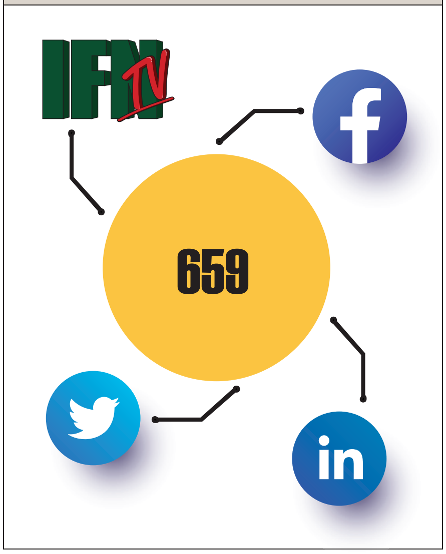
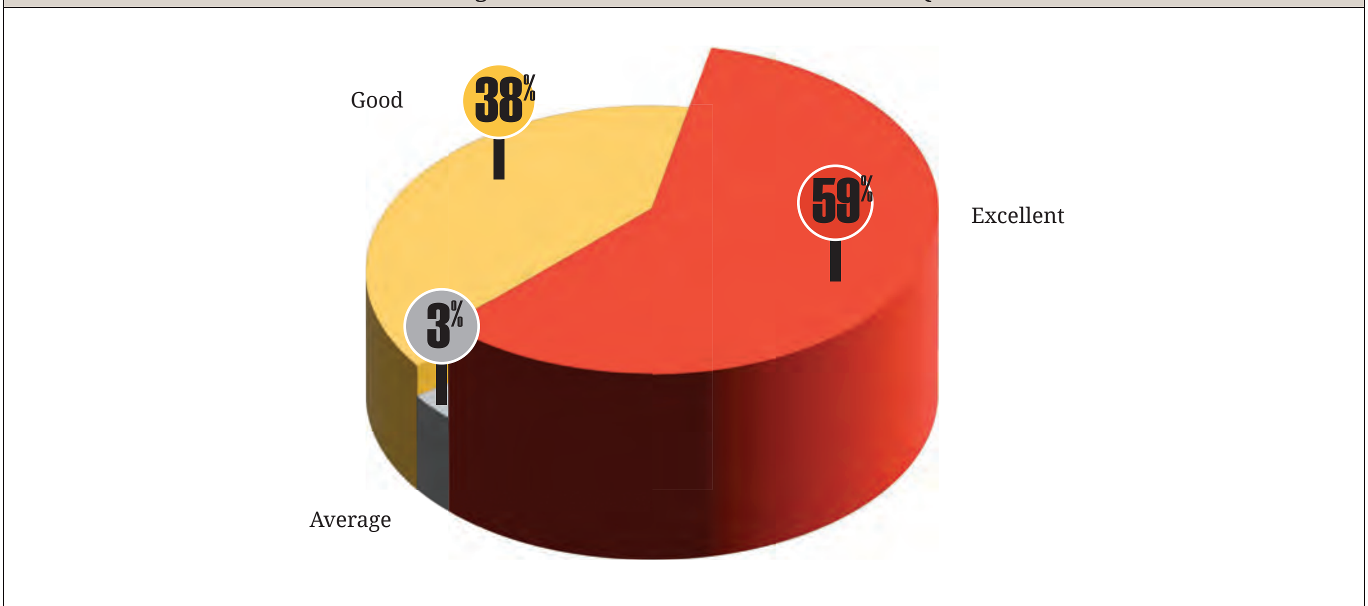


Fulfilling Potential: Islamic Financial Services in Qatar



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Session One - Enlarging the Footprint of Islamic Financial Services in Pakistan: Digitalization and Conversion

In conjunction with the State Bank of Pakistan's Licensing and Regulatory Framework for Digital Banks, and with five digital banking licenses available in 2022, how will the development, provision and distribution of digital Islamic financial services evolve in Pakistan? How can Islamic finance in Pakistan successfully capitalise on technological innovation? What is the status of conversions of conventional banking institutions/branches to Islamic? What is the outlook for Islamic banking in Pakistan amidst these conversions and the expansion of existing outreach?

Moderator:
Yavar Moini, Senior Investment Officer, International Finance Corporation

Panelists:
Akhtar Javed, Director BPRD, State Bank of Pakistan
Ali Imran Khan, Deputy Head IT, Meezan Bank
Azeem Pirani, CEO, Pak Qatar Family Takaful
Dr Irum Saba, Associated Professor (IBA), Program Director (MS-IBF-IBA) and Sharia supervisory/Advisory Board Member, IFIs
Muhammad Faisal Shaikh, Head, Islamic Banking, Faysal Bank

Fintech and digitalization major growth drivers for Islamic finance in Pakistan, say leading experts

Pakistan's Islamic finance players and regulators confirmed they are amplifying their digitalization efforts as the industry is reaping the benefits from the implementation of technology-driven initiatives. VINEETA TAN has the details.

With a growing mobile-connected digitally-savvy population, Pakistan stands to benefit tremendously from financial technology advancements, particularly from a financial inclusion perspective, industry leaders and regulators concurred at the recent IFN Pakistan OnAir Roadshow 2022.

Faysal Bank for example, has seen its conversion exercise catalyzed by its digitalization measures.

"Technology is a major driver behind our conversion into a fully-fledged Islamic bank — we integrated a utility which allowed the changing of customer bank accounts without the need for them to change their debit cards or cheque books. We believe this was the biggest for the conversion process as customers are not required to visit a branch," shared Muhammad Faisal Shaikh, the head of Islamic banking at Faysal Bank.

The conventional lender, which began aligning its entire operations to Shariah compliant principles in 2014, has successfully converted 211 of its conventional branches so far as well as widened its Islamic bank branch network. Out of the 639 branches it has nationwide, only one remains to be converted. Muhammad believes the bank's entire branch network would be fully compliant by September 2022.

The Islamic Republic's financial regulators — the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP) — have mobilized various measures to nurture technology progress. The SECP for example recently launched a committee to identity issues faced by investors in tapping the Islamic capital markets, with innovation a key focus area.

> "Sustainability as a goal has become mainstream in many sectors including the financial industry. The panelists agreed that the Islamic financial industry has a crucial role to play in mobilizing sustainable finance to make the transition to a climate-resilient and sustainable economy.
>
> As a responsible regulator of the financial system in the country, the State Bank of Pakistan (SBP) continues to play its due role to create a conducive regulatory and business environment for the green markets to flourish. As such, the SBP has undertaken various initiatives, both on the regulatory and developmental fronts, to push the financial industry toward sustainable finance.
>
> However, a lot of work still needs to be done around sustainable finance such as developing a national green taxonomy and promoting environmentally friendly financial instruments such as green bonds and Sukuk. This requires a synergetic approach from all stakeholders to collaborate and come up with the best possible options to promote sustainable finance in the country."
>
> *Akhtiar Ahmed is the senior joint director of IH&SMEFD at the SBP.*

The committee engages market participants and gather their input while reviewing existing frameworks and regulations to ensure effective policies are designed and implemented, said Dr Irum Saba, an associated professor and program director at the Institute of Business Administration Karachi, who is also the chairperson of the SECP's newly minted committee.

REVIEW

Session Two - Islamic Green & Sustainable Finance Solutions in Pakistan

How should Pakistan further employ Shariah-based green and responsible financing solutions in response to important challenges such as limiting climate change, alleviating poverty, and driving financial inclusion? What does the evolution of green Sukuk mean for potential issuers in Pakistan? How can Pakistan encourage the development of effective Islamic sustainable funds and investment products? Finally, what is the potential for private sector financing of Shariah-based green infrastructure projects in Pakistan?

Moderator:
Ahmed Ali Siddiqui, Group Head Shariah Compliance, Meezan Bank

Panelists:
Azhar Aslam, Managing Director and Head Islamic Banking, Standard Chartered Saadiq
Akhtiar Ahmed, Senior Joint Director, IH and SME Finance Department, State Bank of Pakistan
Dr Scott Levy, Founder, Al Waseelah
Tayyaba Rasheed, Head of Investment Banking Group, Faysal Bank

The SBP on the other hand has introduced various regulatory frameworks, starting with its branchless banking framework in 2008 and most recently its digital bank policy.

"By providing incentives and flexibilities, we encourage incumbents and new players — local as well as international players — to establish digital banks in Pakistan," shared Akhtar Javed, the SBP's director of the Banking Policy and Regulations Department, adding that the regulator has received 20 digital bank applications — Islamic and conventional. The SBP intends to issue five such licenses.

Ali Imran Khan, the deputy head of information technology at Meezan Bank, revealed that the Islamic bank is working with a number of fintech companies to expand its outreach. This is in line with Meezan's fintech strategy of collaboration and interoperability.

"We are moving toward open banking and we are designing systems in such a way that our APIs [application programming interfaces] can easily be used and integrated, allowing us to integrate with new entities within 15–30 days. We believe we can scale our services through APIs," said Ali.

Panel moderator Yavar Moini, a senior investment officer at the International Finance Corporation, concurred with Ali, noting that APIs offer plenty of opportunities for Islamic financial institutions in Pakistan to penetrate the retail segment, beyond the wholesale banking segment.

Nevertheless, while there has been material Islamic finance progress thanks to fintech developments, financial institutions need to continue working with the regulators and government to ensure sustained momentum and drive financial inclusion, particularly in the area of market literacy.

"Bottom line is if the public is unaware of the products available in the market, we are stuck in a situation where the benefits of the products are not realized," opined Pak Qatar Family Takaful CEO Azeem Pirani. "We need to find better ways to enhance awareness to encourage the consumption of financial products."

The need for public education and market awareness is also a recurring theme in the second session of IFN Pakistan OnAir Roadshow on Islamic green and sustainable finance solutions in the Islamic Republic. The panelists — Azhar Aslam, the managing director and head of Islamic banking of Standard Chartered Saadiq; Akhtiar Ahmed, a senior joint director at the SBP; Dr Scott Levy, the founder of Al Waseelah; Tayyaba Rasheed, the head of investment banking group at Faysal Bank; and moderator Ahmed Ali Siddiqui, Meezan Bank's group head of Shariah compliance — highlighted the lack of market awareness about sustainable finance as a main challenge to the development of Islamic sustainable finance in Pakistan.

To watch the whole proceedings of IFN Pakistan OnAir Roadshow, click here.

Moderator:
YAVAR MOINI
Senior Investment Officer, International Finance Corporation

Yavar Moini is a senior investment officer with the International Finance Corporation (IFC) with over 27 years of banking experience with international, supranational and regional institutions primarily in the GCC countries and Pakistan. At the IFC, he is part of the advisory team for the Middle East, Central Asia, Turkiye, Pakistan and Afghanistan (MCT region) and the subregional anchor for the Middle East, Pakistan and Afghanistan. In addition to Islamic finance, he focuses on capital market development, structured products, access to finance for SMEs, digitilization, developing green finance and financial inclusion, especially for forcibly displaced persons.

AKHTAR JAVED
Director BPRD, State Bank of Pakistan

With 25-plus years of working experience, Muhammad Akhtar Javed is a seasoned central banker with a background in the field of accounting and commerce. He has been associated with the State Bank of Pakistan (SBP) since 1996 and during his career at the SBP, he has been entrusted to work in diversified banking areas such as policy, licensing, supervision and inspection. Currently, he holds the position of director of the Banking Policy & Regulations Department.

Muhammad Akhtar is a recognized name in the banking circles and is known for his guidance and involvement in adoption and promotion of Islamic banking in Pakistan. He has played a vital role in propagation and licensing of fully-fledged Islamic banks and Islamic windows of conventional banks in Pakistan. In his supervisory capacity, Muhammad Akhtar played an instrumental role in nurturing and supervising Islamic financial services and reinforced the efforts of the entire banking industry toward a Shariah compliant system in Pakistan. As an advocate of Islamic banking, he has promoted the use of Islamic finance at various international and local forums and has supported the transformation of financial services to the Islamic mode of financing.

ALI IMRAN KHAN
Deputy Head IT, Meezan Bank

Ali Imran Khan is an information technology (IT) strategist with over 27 years of experience in the financial sector and capital market and has worked at key positions in the leading organizations of Pakistan. He is currently working as the deputy head of IT at Meezan Bank.

Ali holds a Bachelor's degree in Commerce and a Master's degree in Business Administration from Karachi School of Business and Leadership (KSBL). He is also the Secretary of IT Steering Committee at Meezan Bank.

His last assignment, prior to joining Meezan Bank in August 2008, was at Central Depository Company of Pakistan (CDC) where he served as Manager Projects since September 1999. As the deputy head IT, Mr. Ali is currently leading the function of IT governance, business analysis and Project Management Office and responsible for the digital transformation of every layer of the organization.

AZEEM PIRANI
CEO, Pak Qatar Family Takaful

Azeem Pirani is CEO of Pak Qatar Family Takaful. He has been working in various senior roles with the Pak-Qatar Takaful group of companies for over 12 years. This includes his senior role in Pak-Qatar Family Takaful as the head of bancaTakaful. He has also worked as the regional head for Pakistan at FWU AG. Further, he served as the head of marketing and ADC at Meezan Bank. He brings over 20 years of diversified experience in Islamic banking and Takaful.

Azeem's primary schooling was spread between Canada and Saudi Arabia while he did his undergraduate studies in the US and postgraduate studies in Canada.

Azeem actively promotes and provides national as well as international expertise on Islamic finance and Takaful to various institutions worldwide.

DR IRUM SABA
Associated Professor (IBA), Program Director (MS-IBF-IBA) and Sharia supervisory/Advisory Board Member, IFIs

Dr Irum Saba has more than 17 years of progressive regulatory, research, training and teaching experience with organizations of international repute. She is a Shariah-registered financial planner. She holds the Chartered Islamic Finance Professional credential from INCEIF with distinction and a PhD in Islamic finance from INCEIF. She holds a Master of Communications degree with distinction and a postgraduate degree in Islamic banking and insurance from the Institute of Islamic Banking and Insurance, London.

MUHAMMAD FAISAL SHAIKH
Head, Islamic Banking, Faysal Bank

Muhammad Faisal Shaikh is the head of Islamic banking at Faysal Bank which is in the process of converting its entire conventional banking business into a fully-fledged Islamic bank. The conversion is regarded as the largest conversion of a conventional commercial banking business. As the head of Islamic banking at Faysal Bank, his prime responsibility is to ensure the smooth conversion of the bank's business. The bank has already converted a significant portion of its assets and branches.

A graduate of the Institute of Business Administration, Karachi, Muhammad Faisal has over 20 years of experience in the field of Shariah structuring, compliance and product development. Prior to joining Faysal Bank, he was associated with BankIslami Pakistan and Meezan Bank as part of the founding teams.

Muhammad Faisal has been instrumental in the development of various pioneering Islamic corporate and consumer banking products and Sukuk structures in Pakistan including the Islamic Export Refinance Scheme of the State Bank of Pakistan and Pakistan's inaugural sovereign international Sukuk. He led the team which converted the conventional assets and liabilities of KASB Bank after its acquisition by BankIslami Pakistan. Prior to this, his team structured the acquisition and conversion of Citibank Pakistan's conventional housing finance portfolio by BankIslami Pakistan.

Muhammad Faisal was part of Meezan Bank's founding team and was an active member of the team responsible for the conversion and merger of the Pakistani operations of Societe Generale into Meezan Bank. He also played an important role in the development of initial commercial banking under Islamic modes of finance under the supervision of Dr Muhammad Imran Usmani and Justice (Rtd) Muhammad Taqi Usmani.

Muhammad Faisal has also served as a member of different advisory committees in the State Bank of Pakistan and AAOIFI.

Moderator:
AHMED ALI SIDDIQUI
Group Head Shariah Compliance, Meezan Bank

Ahmed Ali Siddiqui completed his Bachelor's and Master's degrees in business administration from the Institute of Business Administration (IBA), Karachi with six gold medals and a focus on Islamic finance and management information systems.

Ahmed has over 21 years of experience and is currently working as the group head of Shariah compliance at Meezan Bank. Among other honorable positions, he is also the secretary for the Shariah board at Meezan Bank and the chairman of the Standing Committee on Islamic Finance of the Federation of Pakistan Chambers of Commerce & Industry. He is also part of the joint financial advisors team to the government of Pakistan for the issuance of sovereign Sukuk and Islamic financing transactions. He is also the founding director of the IBA Center for Excellence in Islamic Finance.

Ahmed is actively involved in Islamic banking training activities and has conducted numerous training sessions, corporate workshops and seminars around the world. He was named in Islamica 500 in 2020 as among 500 of the world's most prominent and influential personalities who have pioneered the Islamic economy and the Halal industry.

Ahmed is the author of several publications in the areas of Shariah compliant product development; sovereign Sukuk and deal structuring; development of innovative solutions for retail, corporate and consumer banking; formulation of policy guidelines; Islamic banking training; Shariah audit; applicative research; and Islamic financial advisory services.

AZHAR ASLAM
Managing Director and Head Islamic Banking, Standard Chartered Saadiq

Azhar Aslam has 30 years of foreign bank experience (15 years dedicated to Islamic banking) across geographies with American Express, Citi, Dubai Islamic and Standard Chartered. He has extensive experience in supervising diversified businesses, franchise and risk management, and product development and marketing.

Azhar rejoined Standard Chartered in January 2011 to head the Islamic banking business and has played an instrumental role in positioning it as a key contributor to overall country revenue. Since February 2015, Azhar has the additional responsibility of governance of the central and north regions.

Azhar is a member of the Advisory Council of Lahore School of Management Sciences for Islamic Finance and a member of the Pakistan Banking Association's committee on Islamic banking.

Azhar actively participates in community services through employee volunteering for social causes like education and support for the less privileged in society and driving the sustainability agenda.

Azhar holds an MBA from the Institute of Business Administration, Karachi.

AKHTIAR AHMED
Senior Joint Director, IH and SME Finance Department, State Bank of Pakistan

Akhtiar Ahmed is the senior joint director at the State Bank of Pakistan (SBP) and is a seasoned central banker with more than 20 years of experience at the SBP. He has worked in the areas of financial inclusion, SME finance, green banking and banking supervision. He has played a pivotal role in the formulation of various refinance schemes for the promotion of the SME sector. He is one of the key contributors of SBP policy for the promotion of SME finance, National SME Policy 2021 and Green Banking Guidelines. He is also involved in various projects with local and international stakeholders to inculcate the green banking culture in the local banking industry.

Currently, Akhtiar is heading the SME Finance Division and Green Banking & Infrastructure Finance Division at the SBP. Prior to his current assignments in development finance, he has worked in the Banking Supervision Group of the SBP, where he conducted onsite inspection of banks/ development finance institutions for assessing their overall financial soundness.

Akhtiar holds an MBA with a specialization in finance from SZABIST, Karachi and a Bachelor of Engineering degree in civil technology from Mehran University Jamshoro. He also has local and international exposure to training, seminars and conferences and has represented the SBP at a number of conferences and seminars.

DR SCOTT LEVY
Founder, Al Waseelah

Dr Scott Levy is CEO of Bedford Row Capital (BRC), a non-bank originator giving businesses a fast, effective and cost-efficient way to access critical finance through debt capital markets. Dr Scott founded the firm four and a half years ago, bringing together a management team with decades of experience in structured finance that has since executed more than 70 transactions in Sukuk, liquidity management, high-yield and green bonds — fulfilling businesses' diverse financing needs and giving investors access to yield.

Based between London and Estonia, Dr Scott has over 25 years in financial services and 18 years in Islamic finance, structuring, capital markets infrastructure, asset-backed securities, securitization, debt capital markets and asset management. He leads BRC's global offering underpinned by integrity, innovation and insight across the firm's offices in London, Tallinn, Zurich, Singapore and Dubai.

TAYYABA RASHEED
Head of Investment Banking Group, Faysal Bank

Tayyaba Rasheed is the executive vice-president/head of the Investment Banking Group at Faysal Bank. She is highly qualified with more than 20 years of diversified corporate and investment banking experience, and a proven successful career in investment banking, corporate banking and corporate finance with profound skills in project financing, infrastructure financing, Sukuk issuance, syndication, capital markets, credit risk and Islamic finance. She is a well-known corporate and investment banker with an exceptional track record of closing large-ticket complex deals and is focused on delivering results across the board. She has closed and led several key mandates in the infrastructure financing area, in particular the renewable energy space, ie wind and solar power independent power producers. She has worked in senior positions at CIBG NBP and Bank Alfalah where she started her career as a management trainee officer.

Tayyaba holds an MBA from the Institute of Business Administration and is a CFA and FRM charterholder. She holds a junior associateship from the Institute of Bankers Pakistan. She successfully completed the National Institute of Banking and Finance certification program and underwent a thorough Islamic finance training program. She has also completed the Directors Training Program and is now a certified independent director.

Tayyaba also serves as an independent board director on the boards of a few listed companies.

Pakistan: Aiming for a fully Islamic financial system

Having the second-largest Muslim population in Asia after Indonesia, Pakistan is a key Islamic financial market in the region. NESSREEN TAMANO provides an overview of the Shariah finance industry of the country, which has in the past couple of years revived its push for a fully Shariah compliant financial system.

Regulatory landscape

Islamic banking was formally established in Pakistan in 1977, making it one of the earliest Muslim nations to practice it. The State Bank of Pakistan (SBP) regulates both the conventional and Shariah banking sectors, while the Securities and Exchange Commission of Pakistan (SECP) oversees the Islamic capital market and the Takaful sector.

The Shariah Governance Regulations 2018, issued in November of that year, include guidelines on Shariah compliance certification, comprehensive screening for both listed and unlisted companies, internal and external auditing, income purification and a charity distribution mechanism. It also requires Shariah compliant businesses to secure approval from the SECP before running operations.

In 2019, the third iteration of the Strategic Plan 2019–25 by the SBP, which focuses on increasing the share of Islamic banking with updated legal and regulatory frameworks, was launched. Prime Minister Imran Khan also approved the five-year National Financial Inclusion Strategy, which has provisions to develop Islamic banking to broaden existing levels of financial inclusion in the country.

In 2020, the Pakistani National Assembly's Standing Committee of Finance formed a special committee to expedite the implementation of a fully Islamic financial system. A comprehensive plan to eliminate Riba from the country's largely conventional financial industry is currently in the works. In 2022, the Federal Shariat Court gave an order for the financial industry to become fully interest-free by 2025.

Banking and finance

There are five fully-fledged Islamic banks (Al Baraka Bank Pakistan, BankIslami Pakistan, Burj Bank, Dubai Islamic Bank Pakistan and Meezan Bank) and 16 conventional banks with stand-alone Islamic banking branches in the country. Faysal Bank is in the process of converting into a fully-fledged Islamic bank by the end of 2021.

Pakistan's Islamic banking assets stood at PKR4.8 trillion (US$27.94 billion) as at June 2021 and held 17% of total banking assets, up from 15.3% in June 2020, according to the central bank. Islamic deposits also recorded a year-on-year increase, holding 18.7% in market share, up from 16.9% in the previous year.

The apex bank in February 2019 launched three Islamic refinancing schemes catering to the SME, agricultural and renewable energy sectors to provide long-term, cheaper liquidity.

In 2020, the SBP introduced Islamic Naya Certificates — sovereign investment papers reserved for non-resident Pakistanis that are available through an exclusively digital process. The Pakistan Stock Exchange also launched the country's first Shariah compliant exchange-traded fund (ETF), the Meezan Pakistan ETF, and, in 2022, the Central Directorate of National Savings introduced its first Islamic products.

Capital market

The Pakistani Islamic capital market is active; the SECP regularly publishes a list of Shariah compliant issuances in the Pakistani Islamic capital market.

The government has also tapped the Islamic market since 2019 to help reduce the nation's circular debt, which is estimated at PKR1.4 trillion (US$8.15 billion), issuing Sukuk through its SPV Power Holding. It is also looking at Sukuk issuances to support infrastructure projects and plug the budget deficit; plans to issue local Sukuk worth around PKR100 billion (US$582.16 million) and international Sukuk worth US$1 billion are in the works.

Meanwhile, the SECP this year launched guidelines on raising funds through the capital market via the issuance of green Sukuk for the financing of environmentally friendly projects.

Takaful

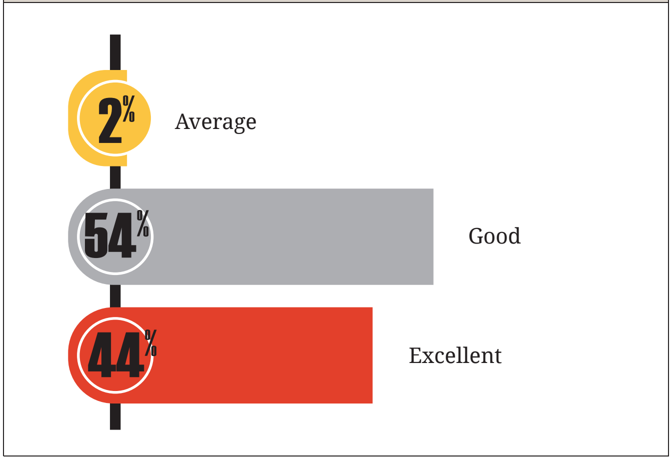
The Islamic insurance sector, which includes Takaful operators and conventional insurers with Islamic units, is governed by the SECP with dedicated regulations. There are three fully-fledged Takaful operators and 21 Islamic windows in the market. In late 2018, the SECP granted approval to state-owned Pakistan Reinsurance Company to establish the first re-Takaful window in the country.

Outlook

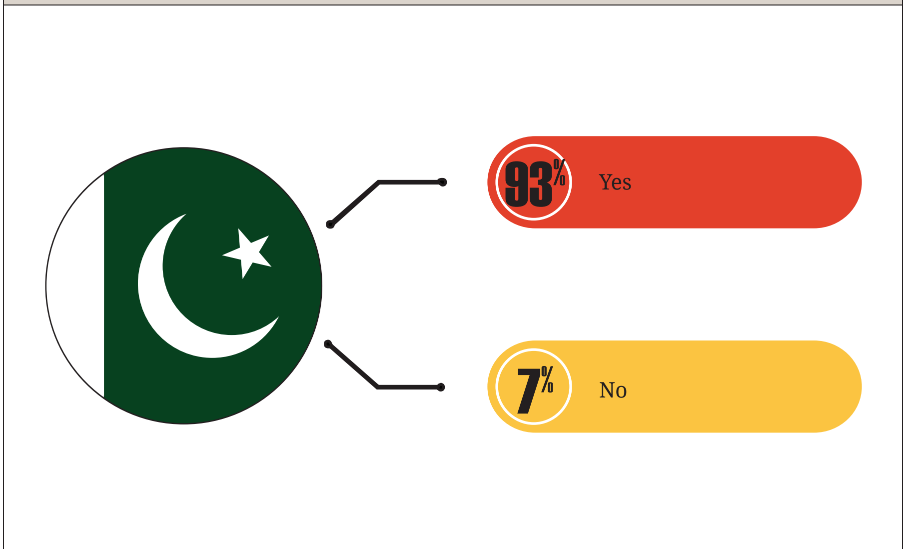
The regulators play a major role in the development of the Islamic finance industry in Pakistan, and they have — particularly the central bank — been active in the past year in nurturing the Shariah sectors. The new committee especially formed by the government to push for a fully Islamic financial system is expected to support the government's target of having the Islamic deposit pool make up 30% of the whole pool by 2025, with Islamic banks taking a 35% share of the branch network as well.

Pre-event Contact

Overall Evaluation of the Event



Delegates Who Would Like to Attend IFN Pakistan OnAir Roadshow 2023



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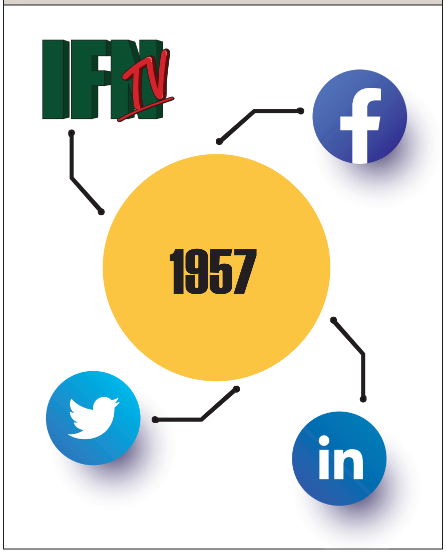
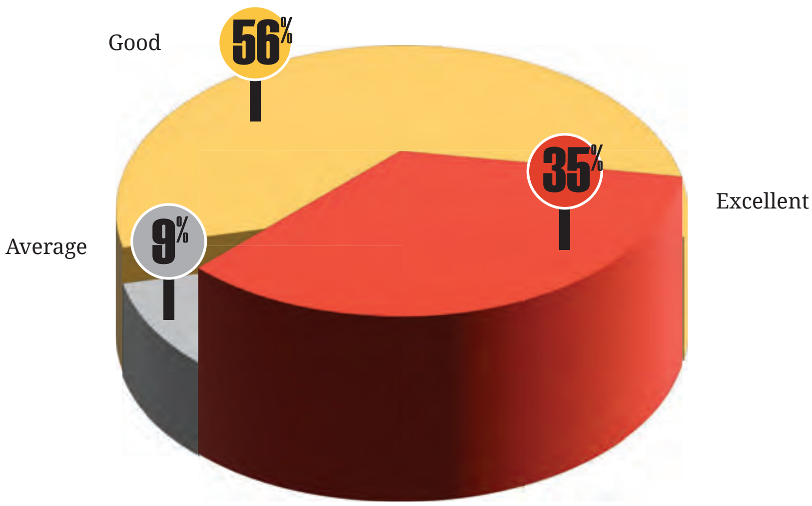
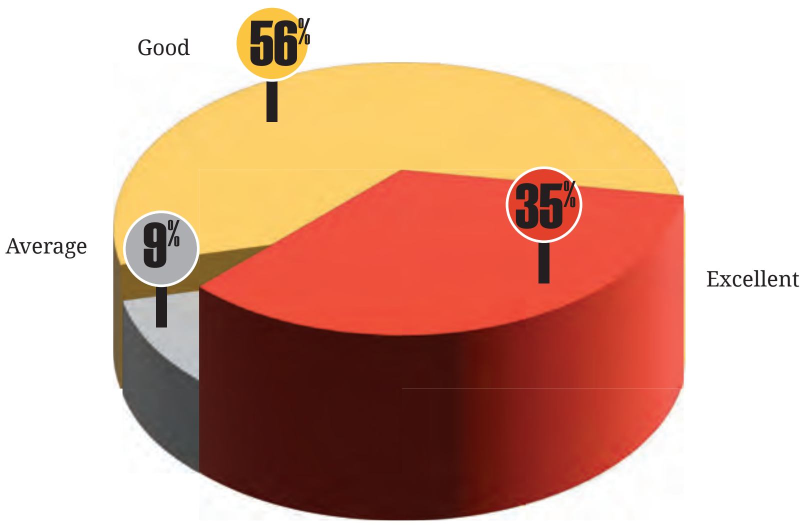


Session One — Enlarging the Footprint of Islamic Financial Services in Pakistan: Digitalization and Conversion



Session Two — Islamic Green & Sustainable Finance Solutions in Pakistan



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REVIEW

The Road Ahead: Enlarging the Footprint of South African Islamic Financial Services

Does the global increase in the adoption of ethical and socially responsible financial products bode well for the development and distribution of Islamic financial products in South Africa, and how are the two sectors symbiotic? If we consider the South African Islamic banking market, where is the activity, where is the growth, and has Islamic banking in South Africa lived up to early expectations? Can digitalization play a role in helping Islamic banks grow and scale, while ultimately helping the underbanked segments of South African society? What steps has the republic taken to bolster the growth and development of sustainable finance and investment, and where does Islamic finance play a role in this journey? What is the potential for private sector financing of long-term green and sustainable infrastructure projects in South Africa? Finally, when will we see further sovereign, quasi-sovereign and regulatory capital Sukuk issuance, and what factors influence decisions made by potential South African issuers? We seek the views of a respected panel.

Moderator:
Muhsin Jeena, Client Director, Middle East and North Africa, Old Mutual Investment Group

Panelists:
Dr Akeem Oyewale, CEO, Marble Capital
David Testa, Executive Director, DDCAP
Mouhamad Ahmed Tidjani Sow, Head treasury sales/Trade Manager/corporate banking, The Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC)
Dr Scott Levy, Founder, Al Waseelah
Yasmina Francke, CEO, South African National Zakah Fund
Yumna Emeran, Head of Coverage Analyst, Development Bank of Southern Africa

Experts see great Islamic finance potential amid market excitement for potential South African sovereign Sukuk comeback

Amid an eight-year hiatus from the Islamic capital market since its 2014 sovereign Sukuk debut, market participants are keeping a close watch on South Africa's National Treasury potential market comeback, with some expecting it to come to fruition within the next 18 months. VINEETA TAN writes.

"I am understanding that the National Treasury is really looking at developing a local ZAR issuance and that's quite exciting," Yumna Emeran, the head of coverage analyst at government-owned Development Bank of Southern Africa (DBSA), shared at IFN South Africa OnAir Roadshow. "We know that infrastructure is one of those catalysts that can be used for socioeconomic growth and so it is quite fortuitous that the National Treasury is looking at tapping the local Islamic market in order to spur that growth again, and they are looking at quite a large nominal amount. I think the National Treasury's main ambition is not just liquidity but to also look at alternative sources of financing."

Adding that the decision to issue Sukuk is a strategic one to diversify sources of funding, Emeran further said: "We are quite excited to see what the National Treasury will be putting out. We potentially see this coming toward the end of the year, or at least within the next 18 months."

The South African government first tapped the Sukuk market with a US$500 million offering back in 2014, becoming the first sovereign on the continent to do so. Despite going relatively silent since then, industry players — local and international — see immense Islamic finance potential in the South African economy.

"ICIEC has supported more than US$8 billion in transactions in the last five years in Western African countries; however, no matter how big this figure is, we understand that there is greater potential in South Africa," revealed Mouhamad Ahmed Tidjani Sow, the head of treasury sales/trade manager/corporate banking at the Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC), who added that the multilateral institution aims to facilitate a total volume of over US$5 billion-worth of transactions in South Africa over the next five years or so through partnerships with local financial institutions such as the DBSA.

And the potential extends beyond Islamic banking.

Even though only about 3% of South Africa's 60 million population identify as Muslims, Yasmina Francke, CEO of South African National Zakah Fund, noted that based on data from the banking sector, the potential for Zakat is close to ZAR1 billion (US$58.76 million).

"And this would exclude the asset management component as well as Muslims using conventional banking. So, we believe that the potential for Islamic finance is there, and we, therefore, need to advocate for concrete solutions. I think part of this conversation is perhaps to speak about a social impact Sukuk model," Francke opined.

Challenges such as a limited Islamic investment pool and policy barriers persist, but market experts remain optimistic.

“The people of South Africa could be a huge beneficiary to a wider adoption of Islamic finance across all sectors of society. The need for large infrastructure projects as well as the basic social provision of health, water and education all fit perfectly with the needs of the country and the fundamental opportunity offered by widening access to Islamic finance. The first government Sukuk put Sukuk on the agenda but little progress around taxation has limited further development. The strong commercial and technical capabilities in the country could be directed to Islamic finance to create a deep source of capital which would help the country meet both UN SDGs and the fundamental ethics of Islamic finance. Education at all levels, from the government to the man on street, will be a challenge but the determination of the local market to work with external expertise could help deliver on the country’s broader social impact and infrastructure needs.”

Dr Scott Levy is the founder of Al Waseelah.

“We talk about the depth of capital available, but there are too few issuers, and too many barriers to taking on an infrastructure project or a social finance project,” commented Dr Scott Levy, the founder of UK-based Al Waseelah, adding however: “There’s a lot of pent-up demand, and there’s a lot we can do together if we bring the different actors together.”

Dr Akeem Oyewale, CEO of Nigeria’s Marble Capital, concurred.

“Given the enthusiasm, the sophistication of the economy, the level of participation of Islamic finance experts in South Africa, if we can get a bit of policy support, it is going to ensure we have a rapid rise in adoption of Islamic finance in South Africa.”

Likening South Africa to other non-Muslim majority nations with high Islamic finance prospects, David Testa, an executive director at DDCAP, said: “The UK has been quite good at [economic diplomacy] and I think certainly to structure and allow financings which are empathetic to the Muslim community and the Muslim investor base is very important for governments to be aware of. And certainly, the South African government is very aware of that, and I think it is a very important part of their armory going forward, not only to perhaps do another sovereign Sukuk issue when market conditions permit, but also there’s the private sector and other elements in the public sector whether it is in energy or infrastructure which are no doubt a very natural fit with Shariah principles.”

To watch the full discourse of IFN South Africa OnAir Roadshow 2022, click here.

Moderator:
MUHSIN JEENA
Client Director, Middle East and North Africa, Old Mutual Investment Group

Muhsin's career in the Professional Investments industry spans over 23 years. Over this period he has occupied senior roles at several investment firms – including Old Mutual Investment Group, RMB Asset Management and Absa Investments. He covers a wide spectrum of public and private investment strategies and bespoke client solutions. He is extremely passionate about Islamic Sustainable Investing and dedicated to driving the the adoption and advancement of Islamic Finance in Africa, the Middle East and Globally. He holds an executive MBA and Honours Degree in Finance.

DR AKEEM OYEWALE
CEO, Marble Capital

Dr Akeem Oyewale is CEO of Marble Capital and an Arthur Anderson scholar, and has over 20 years of extensive experience in investment banking, credit marketing, trade finance and sustainable finance. He managed the Stanbic IBTC Nigerian Equity Fund, Nigeria's largest mutual fund at the time, and was responsible for the launch of the Stanbic IBTC Ethical Fund. He is a fellow of the Institute of Chartered Accountants of Nigeria, the Chartered Institute of Stockbrokers and the Chartered Institute of Bankers of Nigeria. He is also an associate of the Chartered Institute of Taxation of Nigeria. He was previously CEO of Stanbic IBTC Stockbrokers (Nigeria's largest stockbroking firm), Stanbic IBTC Asset Management and Stanbic IBTC Nominees, all of the Standard Bank Group.

Dr Akeem holds a doctorate degree in management of technology and innovation from Da Vinci Institute in South Africa; an MBA from Manchester Business School in the UK; and a Bachelor of Science (Hons) degree in accounting from the University of Lagos. He is an alumnus of the Said Business School, University of Oxford and a certified impact investing expert from the Graduate School of Business, University of Cape Town. He also has a professional certificate in Islamic capital markets from International Centre for Education in Islamic Finance or INCEIF in Malaysia. He is currently a member of the Securities and Exchange Commission Financial Literacy Technical Committee.

DAVID TESTA
Executive Director, DDCAP

David Testa is an executive director at DDCAP and is on the board of DD&Co and DDGI.

David has worked in the financial services sector for almost 20 years, and for most of that time in Islamic finance. He was previously CEO of Gatehouse Bank, leading the team that obtained its banking license, and he has continued to specialize in Islamic capital markets and investment products.

Immediately prior to joining DDCAP in August 2017, David worked for the Kuwaiti European Holdings Group, owned by significant investors in the GCC, where he was CEO of its two UK operating companies, including an FCA-authorized advisory firm focusing on Shariah compliant investment opportunities in the UK.

Before joining Gatehouse, David worked for WestLB for 10 years and led the Islamic finance team there, closing over US$5 billion-worth of Islamic financing transactions. Perhaps most notably, David was the lead banker on the GBP225 million (US$290.33 million) Shariah compliant UK-leveraged buyout of Aston Martin from Ford.

David started his career as a solicitor, working in London and Tokyo with international law firm Slaughter and May and, subsequently, Ashurst, specializing in corporate finance and banking, and in particular capital markets and derivatives.

David is a frequent speaker and panelist at Islamic finance conferences in the GCC, the UK and the rest of Europe.

David holds a Master of Arts degree in modern history from Oxford University.

MOUHAMAD AHMED TIDJANI SOW
Head treasury sales/Trade Manager/corporate banking, The Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC)

Mouhamad Ahmed Tidjani Sow (Tidjani) holds a Master's degree in negotiation and management from Sup de Co Montpellier in France. Prior to his appointment as the country manager at the Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC), he worked for 14 years in commercial banking as a corporate account manager, trade finance manager and head of foreign exchange sales in affiliates of multinational banks and regional banks.

Since 2018, Tidjani has overseen the sub-Saharan region and facilitates trade and investment between member countries and the world through Shariah compliant risk mitigation tools. He has participated in the structuring of several infrastructure projects in the region and helped ICIEC member countries combat the negative impacts of the COVID-19 pandemic by supporting the importation of essential goods.

DR SCOTT LEVY
Founder, Al Waseelah

Dr Scott Levy is CEO of Bedford Row Capital (BRC), a non-bank originator giving businesses a fast, effective and cost-efficient way to access critical finance through debt capital markets. Dr Scott founded the firm four and a half years ago, bringing together a management team with decades of experience in structured finance that has since executed more than 70 transactions in Sukuk, liquidity management, high-yield and green bonds — fulfilling businesses' diverse financing needs and giving investors access to yield.

Based between London and Estonia, Dr Scott has over 25 years in financial services and 18 years in Islamic finance, structuring, capital markets infrastructure, asset-backed securities, securitization, debt capital markets and asset management. He leads BRC's global offering underpinned by integrity, innovation and insight across the firm's offices in London, Tallinn, Zurich, Singapore and Dubai.

YASMINA FRANCKE
CEO, South African National Zakah Fund

Yasmina Francke is CEO of the South African National Zakah Fund (SANZAF), one of the largest Zakat institutions in South Africa. She was appointed in 2018 as the first female CEO of the organization. Before taking on this full-time position, she served as a SANZAF executive board member for over 10 years in a voluntary capacity.

Yasmina holds accreditation and qualifications in Zakat management, Islamic finance, social science, management and marketing. She has over 25 years of experience in the corporate world where she worked mostly in the financial services sector at a few top South African blue-chip companies. In her current role, she manages eight regions with a total of approximately 110 staff members across 29 offices in South Africa.

Empowerment and development are placed in the spotlight at SANZAF with a focus on skills development and vocational training for the youth to ensure employability that can lead to financial independence. Yasmina is also very active in advocating Zakat and the importance of Islamic social finance.

Yasmina is also an international speaker having presented at the World Zakat Forum Annual Conference, IBF Seminar, ILMA Conference (Pakistan), World Bank and Redmoney OnAir webinars. She is also currently the deputy secretary-general of the WZF.

Recently, Yasmina was rated 17th among the 300 most influential women in Islamic business and finance by Cambridge IFA in its WOMANi 2020 Annual Report.

YUMNA EMERAN
Head of Coverage Analyst, Development Bank of Southern Africa

Yumna Emeran is the head of the Coverage Analysts Team at the Development Bank of Southern Africa (DBSA). She has more than 24 years of experience in the financial services industry, spanning the local and international, investment management and corporate banking spheres. Her notable transactions include the South African National Treasury Sukuk and a cross-border corporate banking deal award for an international London and South Africa listed bank.

Yumna's role at DBSA included a secondment as the head of strategy responsible for steering the bank's financial sustainability and a more emphasized development role of the development finance institution. Her current role sees her strengthening data management and analytics for improved business investments and client intelligence. Prior to joining DBSA, Yumna was the vice-president of the Financial Institutions Coverage Portfolio (FIC), supporting global trade with the big four South African banks. In addition to this, she held the role of senior banker, launching the Microfinance Portfolio in South Africa as well as managing the CSI Portfolio in the region. During her tenure, she delivered the FIC Banking Strategy for South Africa and managed multimillion rand budgets across the portfolio.

Yumna holds various marketing and public relations certifications as well as a postgraduate diploma in Islamic finance and banking (Cum Laude). She has received an innovation award for a collaboration launched with an equities broker. She represented the South Africa CIB branch at international Global Coverage Conferences in Paris, Brussels, Bahrain and London, and held business development initiatives in the Ivory Coast, Ghana and Ethiopia.

Outside of work and academia, Yumna volunteers in strategic development in Awqaf South Africa, a Waqf institution managing poverty alleviation projects and facilitating fundraising drives.

South Africa: Tapping the Islamic finance market

South Africa, widely known for having the region's second-largest economy by GDP and a pioneer in Islamic finance, is unfortunately also suffering from a weakened economy. The African nation is looking to sustain its economic recovery with a plan based on infrastructure developments, which is expected to attract Islamic investors. NESSREEN TAMANO writes an overview of the country's Shariah finance and banking industry.

Regulatory landscape

Islamic banking and finance in South Africa is governed by the same legislation as its conventional counterpart, with accommodations for Shariah compliant transactions. Concepts including Mudarabah, Murabahah and Musharakah are recognized in the Taxation Law Amendment Act of 2010 as well.

Sukuk facilities were formally recognized in 2011 as an instrument for the government only, but later in 2016 were opened up to public entities and listed companies.

In 2018, the government started developing a regulation to audit Islamic institutions; it was expected to be launched in early 2019 but has yet to materialize.

Banking and finance

South Africa boasts a sophisticated financial system with over 50 banks, according to the South African Reserve Bank.

The Republic has only one fully-fledged Islamic bank, however — Al Baraka Bank South Africa (Al Baraka SA), which was established in 1989 — and one fully-fledged retail financier, Lendcor, which converted into a Shariah compliant institution in 2016. Four other banks offer Islamic products on a window basis — Barclay's Absa Bank, Habib Bank Zurich's HBZ Bank, First National Bank and Standard Bank.

According to the Banking Association of South Africa, the Islamic banking sector of the country has shown substantial growth, with total deposits reaching ZAR37 billion (US$2.38 billion) as at the end of June 2020 compared with ZAR35 billion (US$2.25 billion) recorded at the end of December 2019 and ZAR23 billion (US$1.48 billion) achieved at the end of December 2018.

An Islamic crowdfunding platform was said to be in the works in 2018, focusing on funding for industries like import–export, manufacturing and agro-processing. Also in the pipeline is an Islamic robo-advisor awaiting regulatory approval.

A few Shariah compliant products debuted in the market in the past few years, including Murabahah financing, as well as a working capital solution and trade finance product by Global Islamic Financial Services Firm — the former is said to be the first Islamic invoice discounting solution in the region.

Takaful

There are two fully-fledged Takaful operators in South Africa: Absa Takafol, previously Takaful SA which was established in 2003 and acquired by Absa Group in 2011, and Takaful Africa, which partners with Canada-based Fairfax's subsidiary, Bryte Insurance Company South Africa.

In 2017, First National Bank's Islamic unit started offering Takaful products, and Al Baraka SA has also expressed interest in tapping the Takaful market.

Asset management

There are 11 asset management companies offering Shariah instruments with over 20 Islamic funds, including at least three exchange-traded funds (ETFs), in the South African Islamic fund space.

The first Islamic mutual fund in the country was introduced by Al Baraka SA in 1992 — a collaboration with Old Mutual Investment Group — and Absa Group pioneered Shariah ETFs with its NewFunds Shariah Top 40 Index ETF in 2009.

Other funds in the market include Old Mutual's 10-year close-ended African Agri Farmland Fund and the Rasmala Trade Finance Fund by UK-owned and Dubai-based Rasmala Investment Bank. In late 2019, Momentum Securities launched a global Shariah portfolio that invests in MSCI World Islamic Index companies.

Sukuk

South Africa was the first African government to tap the global Sukuk market with its debut issuance worth US$500 million in 2014. A sophomore rand-denominated Sukuk facility was expected in 2018 but has been delayed at least three times; early this year, the National Treasury said it will be issuing a US$3 billion Sukuk paper in 2021/22 to diversify its debt portfolio, but this has yet to materialize.

In the corporate market, Al Baraka SA issued its maiden Sukuk, the country's first Tier 2 capital Sukuk by a bank, in 2018 and announced plans for a second issuance which was supposed to be in 2019. State-owned electricity provider Eskom is also working on a domestic Sukuk issuance.

Outlook

Islamic finance industry players in South Africa remain optimistic, despite the market being limited due to a lack of distribution channels and insufficient awareness-building. There remains a bright outlook for the Islamic investment market, especially with a recent spike in regulatory support; the government earlier this year reaffirmed its commitment to keeping Islamic finance a part of its funding strategy.

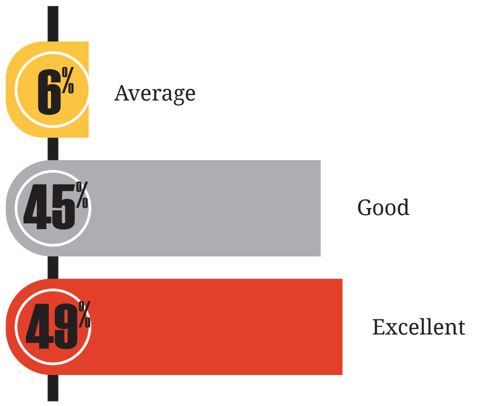
Yasmina Francke is CEO of the South African National Zakah Fund.

"It was certainly a very interesting session and highlighted the need to engage more with our respective networks as there is so much value in the work each entity is doing, albeit in silos. We need to harness these for our benefit. The session certainly helped to strengthen connections that we can draw on in the future. I also appreciated the opportunity to bring Islamic social finance into the spotlight as it often gets neglected in the broader Islamic finance conversation."

Yumna Emeran is the head of coverage analyst at the Development Bank of Southern Africa.

"As a panel member, I enjoyed this session immensely and found the content quite valuable. It was interesting to hear the varying insights from my fellow panelists. The moderator was especially courteous and structured and the pre-recorded session seems to work best."

Pre-event Contact



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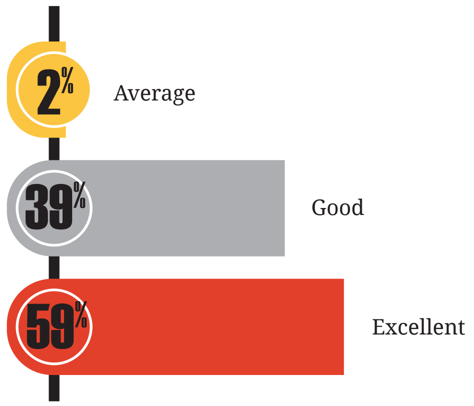
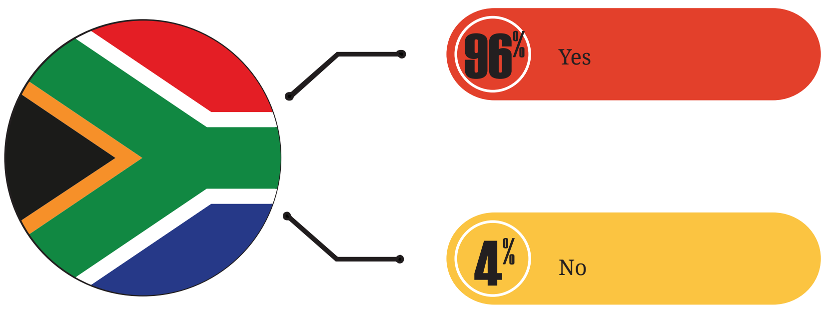


Delegates Who Would Like to Attend IFN South Africa OnAir Roadshow 2023



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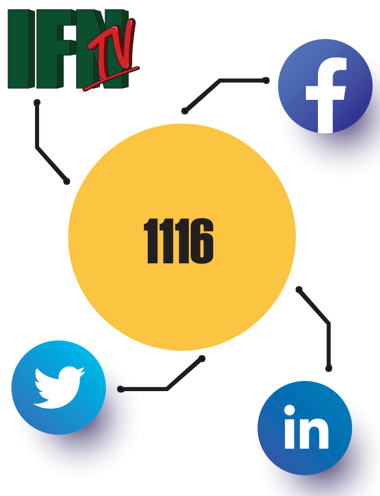
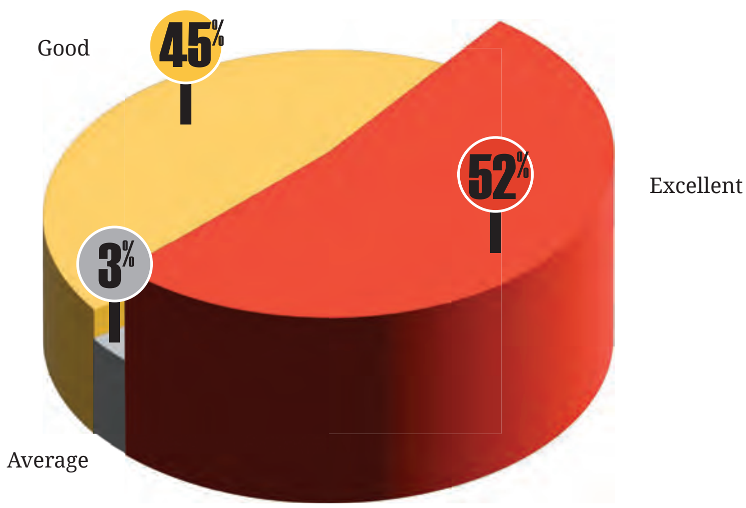


The Road Ahead: Enlarging the Footprint of South African Islamic Financial Services



Building Momentum: Opportunities in Kuwait

What implications will potentially higher global interest rates and oil prices have on Kuwait's economy, and how will this influence the activities of domestic Islamic financial institutions? What is a realistic current assessment of today's Kuwait's Islamic financial services sector – where are the opportunities for growth? Will the domestic Islamic capital market continue to be dominated by sovereign and Tier-1 and Tier-2 regulatory issuance? How are stakeholders driving digitalization in the financial services industry, and what efficiencies will innovation have for financial institutions and customers alike? Where does sustainability play a role in the funding of the Kuwaiti corporate and SME sectors, and will Islamic green finance and investment demonstrate notable growth in the country?

Moderator:
Dr Issam Altawari, Founder and Managing Partner, Newbury Consulting

Panelists:
Ajai Thomas, Chief Financial Officer, Kuwait International Bank
Ashraf Madani, Vice President, Moody's Investors Service
Mourad Ali Mizouri, MENA region Senior Division Manager (Business Development), The Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC)
Muhammad Ikram Thowfeek, Founder and Managing Director, MIT Global Group
Dr Scott Levy, Founder, Al Waseelah

Bank mergers and conversions signal pent-up demand for Islamic finance in Kuwait, say experts

The potential merger between Al Ahli Bank of Kuwait and Gulf Bank may come as a surprise to some, but the decision to potentially convert one of the banks to fully comply with Islamic principles is not as surprising, given the recent promising Islamic finance growth, according to industry experts. VINEETA TAN has the story.

Al Ahli Bank of Kuwait and Gulf Bank this month signed an MoU to outline a proposed acquisition. This comes just a month after local Islamic banking giant Kuwait Finance House (KFH) agreed to take over Bahrain's Ahli United Bank (AUB Bahrain) for about US$11.6 billion, a deal which took almost four years to materialize.

"We are seeing this first-of-its-kind cross-border consolidation deal in the GCC where KFH is acquiring AUB Bahrain to form a much larger entity that would help KFH diversify its asset base to become a champion in Kuwait and a regional champion competing with other regional champions such as FAB [First Abu Dhabi Bank] in the UAE and Saudi National Bank in Saudi Arabia. I think consolidation will be a key driver going forward for the growth of the Islamic finance industry in Kuwait and also in the region," said Ashraf Madani, a vice-president at Moody's Investors Service, at IFN Kuwait OnAir Roadshow 2022.

Echoing Ashraf's sentiments is fellow panelist Muhammad Ikram Thowfeek, the founder and managing director of UAE-based MIT Global Group. "The mergers will strengthen the country and the banking sector," Muhammad said, adding that with a bigger balance sheet, Kuwaiti banks will be better positioned to grab deals outside of the local market.

With Islamic banking touting a market penetration rate of about 42% — one of the highest globally — Kuwait is a strong Islamic banking player. It has seen demand and performance grow steadily over the last two years, thanks to high oil prices and rising interest rates which culminated in robust profits for Islamic banks in the first half of 2022, according to Ajai Thomas, CFO of Kuwait International Bank. In fact, Islamic banks are bucking the historical trend and now have stronger asset quality and profitability than their conventional peers.

Referring to the possibility of either Al Ahli Bank of Kuwait or Gulf Bank potentially converting into a fully-fledged Islamic bank should the merger go ahead, Thomas said this is indicative of the "huge appetite for Islamic products and Islamic bank products in Kuwait".

Ashraf agreed with Thomas. "Given what we are seeing in Kuwait, especially more recently since the pandemic where Islamic finance asset growth has outpaced the growth on the conventional side, there is clearly a signal from the market saying the demand for the next five to 10 years in Kuwait is favoring growth in Islamic finance as opposed to the conventional side."

Kuwait's potential, however, extends beyond Shariah banking.

As it is a fairly small, but deeply wealthy, market, Kuwait is well positioned to become a center for Islamic debt capital, opined Dr Vladimir Malenko, the business development advisor of UK-based Bedford Row Capital.

"Islamic venture capital is spread very thinly across the world, so I think this is the best niche for Kuwait at this particular point," commented Dr Malenko. "A lot of cities such as Kuala Lumpur and Dubai are trying

to make their own place in this market, but Kuwait is much better positioned to become this financial center and I think venture capital is by far the best solution for the Islamic market and for Kuwait in general. I believe that with our joint efforts, we can make it happen and we are definitely positioned to place one or two Islamic venture capital funds from Kuwait City within the next six to eight months.”

More Islamic investment activities are indeed in the pipeline.

Having extended US$1.2 billion in Islamic funding support to Kuwait since 1994, out of which almost US$650 million was to promote the import of strategic goods, the Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC) is in discussions with local Kuwaiti banks and Kuwaiti entities to facilitate investments abroad, among others.

“We also have discussions with KIDBA [Kuwait Direct Investment Promotion Authority] and we are working with them to sign an agreement to promote inward investment into Kuwait, in line with the Kuwait 2035 Vision,” shared Mourad Ali Mizouri, the ICIEC’s MENA region senior division manager for business development.

IFN Kuwait OnAir Roadshow 2022 was moderated by Dr Issam Altawari, the founder and managing director of Newbury Consulting.

*To watch the full proceedings of the event, click **here**.*

Moderator:
DR ISSAM ALTAWARI
Founder and Managing Partner, Newbury Consulting

Issam Al Tawari is currently the managing partner of Newbury Economic Consulting focusing on debt capital market advisory and restructuring. He was the founder/chairman and managing director of Rasameel Structured Finance Company, a capital market-focused investment company supervised by the Capital Markets Authority/Central Bank of Kuwait and chairman of Rasameel Investment Bank, a Dubai-based, Dubai International Financial Centre-regulated bank. His latest area of interest is the development of Islamic debt capital markets.

Issam started his career with Arab Banking Corporation (ABC)-Bahrain on the commercial banking side. He then worked extensively on corporate finance issues with ABC's Islamic bank to become associate director. He joined The International Investor (TII), Kuwait in 1998 on the structured finance side. His last position at TII was COO and a partner with the structured finance group.

Issam has served on the board of directors of a number of companies and funds and currently serves as an independent director with Alkhabeer Capital out of Jeddah. He constantly speaks at Islamic banking industry conferences, seminars and in media commentaries.

Issam was a member of the Young Arab Leaders Association and the Kuwaiti Economic Society. In addition, he is an alumnus of both the Harvard Business School and Henley Management College and received his MBA from the University of Hull (Dist.) in England in 1998 and his Bachelor of Arts degree in economics and business administration from Kuwait University in 1987.

AJAI THOMAS
Chief Financial Officer, Kuwait International Bank

Ajai Thomas is CFO of the Kuwait International Bank (KIB) and is responsible for the bank's financial control, planning, reporting, capital management and investor relations. Ajai joined KIB in 2014 with a proven track record in leading teams with multicultural backgrounds and ensuring deliverables within tight deadlines in India, Bahrain and Kuwait. His experience prior to joining KIB includes a decade of assurance assignments at PwC and Deloitte & Touché. Ajai is a chartered accountant (ICAI, India), a certified information systems auditor and a certified data privacy solutions engineer (ISACA, US). He also holds a Master's degree in financial management and a Bachelor's degree in physics in addition to various certifications in Shariah compliant banking. Various banking periodicals have featured his articles and he is a regular speaker in the Middle Eastern banking sector.

ASHRAF MADANI
Vice President, Moody's Investors Service

Ashraf Madani is a vice president–senior analyst with Moody's Financial Institutions Group. Based in Dubai, Ashraf covers a portfolio of large conventional as well as Islamic financial institutions in the GCC. He is also responsible for the Saudi and Kuwaiti banking system outlooks. Since joining Moody's in May 2017, Ashraf has authored many research pieces focusing on GCC credit, funding and liquidity conditions in addition to issuer in-depth research.

Before joining Moody's, Ashraf's career was mostly in banking with 15-plus years of experience working in international and regional banks like Citi, Arab Bank and First Abu Dhabi Bank. He spent most of his banking career working in the global markets and risk divisions where he developed extensive knowledge on GCC markets. His last position before joining Moody's was as the head of financial institutions and non-banking financial institutions risk for National Bank of Abu Dhabi (now First Abu Dhabi Bank), managing the credit risk for a large portfolio of GCC and international issuers.

MOURAD ALI MIZOURI
MENA region Senior Division Manager (Business Development), The Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC)

Mourad Mizouri, a graduate in international trade from IHEC Carthage University, Tunisia, has 20 years of diverse experience in the banking and insurance industries. He has a Master's degree in banking from IFID Tunisia and a diploma in Islamic finance from the Institute of Islamic Banking and Insurance in the UK.

Mourad joined the Islamic Corporation for the Insurance of Investment and Export Creditin 2008 as a commercial underwriter and then he moved to the Business Development Department where he served in many functions until he became the manager of the MENA Senior Division. Before that, he served six years as a financial analyst in the Central Bank of Tunisia.

Mourad is a board member in one of the African Islamic financial institutions and is among the founding team of the AMAN UNION association, a union of commercial and non-commercial insurers from the OIC member countries, that was established in 2009 in Lebanon.

MUHAMMAD IKRAM THOWFEEK
Founder and Managing Director, MIT Global Group

Muhammad Ikram Thowfeek is one of the very rare and unique Islamic finance personalities in the industry. Teaching Islamic finance on various topics is his passion and he has taught more than 5,000 Islamic finance students globally over the last three decades. He is a chartered accountant by profession and an Islamic banker and ethical entrepreneur by practice. He is equipped with more than 30 years of practical experience and exposure in a 40-plus-year-old Islamic finance industry.

Muhammad Ikram is also a setting-up strategist, having set up six prominent Islamic banks and Islamic financial institutions in the world from scratch. He is also an author, a career coach, a prominent speaker in international Islamic finance forums and most importantly, a humble and a simple human being.

DR VLADIMIR MALENKO
Islamic finance advisor, Bedford Row Capital

Dr Vladimir Malenko is the managing director of FairFin OU, an Islamic finance consultancy that specializes in Sukuk and Islamic microfinance. Prior to setting up FairFin, Vladimir worked as an Islamic finance consultant at Sberbank, Russia's largest bank, where he developed several innovative Shariah compliant instruments, including microfinance Tawarruq-based shares, Sukuk Salam for grain and the Islamic stock market index. Dr Vladimir currently writes about Islamic private equity and venture capital for Islamic Finance news. He published 'The Dubai IPO Guide' and 'Russia: the next investment destination'. He holds three advanced degrees: MBA and JD (from the US), and MD (from Russia). He studied private equity at the Singapore Management University and Amsterdam Institute of Finance.

Kuwait: Staying in the lead

Kuwait remains the fifth leading nation in terms of Islamic banking share, according to the IFSB's Islamic Financial Services Industry Stability Report 2021, as well as a prominent player in the regional and global Islamic finance industry. NESSREEN TAMANO writes an overview of the Shariah finance sector in the emirate.

Regulatory landscape

The country's Islamic finance and banking industry is supported by a legal infrastructure facilitating Shariah compliant activities, that is also backed by the Capital Markets Authority (CMA) and the Central Bank of Kuwait (CBK).

Islamic banks are regulated under Law No 30 of 2003, and the capital market under Sukuk regulations issued by the CMA in 2015, clarifying the terms of structuring and governance of Islamic issuances.

In 2019, the CBK issued comprehensive Shariah audit regulations and finalized a draft law on establishing a centralized Shariah board. In 2020, the National Assembly unanimously voted in favor of the central bank's formation of a Shariah inspection body to regulate Kuwait's Islamic banking and finance sectors. The CBK has a Certified Shari'ah Auditor Certificate Program, the passing of which is mandatory for Shariah compliant institutions in the country.

An impasse remains in the nation's public debt law which has, since 2017, prevented the proposal of a new law that will allow the Kuwaiti government to issue debt. Industry players are hopeful that a resolution will be announced this year, which should bode well for the country's plans for a sovereign Sukuk issuance, if any.

Banking and finance

There are six fully-fledged Islamic banks in Kuwait — Kuwait International Bank (KIB), Kuwait Finance House (KFH), Boubyan Bank, Warba Bank, the Kuwaiti branches of Bahrain's Ahli United Bank (AUB) and Saudi Arabia's Al Rajhi Banking & Investment Corporation. Islamic banking windows are currently not permitted by the central bank.

Discussions on mergers and acquisitions in the Kuwaiti banking sector are plenty: the planned merger between KFH, the country's first Islamic bank which started operations in 1978, and AUB is expected to result in one of the world's largest Islamic banks. It was first proposed in 2018, but delays caused by the global coronavirus pandemic resulted in both entities still, almost four years later, discussing the merger. As of this writing, the initial offer closing date for KFH's acquisition of AUB is set for the 7th September 2022.

Boubyan Bank made a US$212.1 million all-cash offer to fully acquire BLME Holdings, the parent company of UK-based Bank of London and The Middle East (BLME). This year, Bahrain's Ithmaar Holding completed the sale of some of its key assets to Al Salam Bank Bahrain, including the former's ownership stakes in the Bank of Bahrain and Kuwait.

In the financing sector, Al Mulla International Finance Co is the only licensed fully-fledged Islamic finance company in the country, but other finance companies do offer Shariah compliant solutions.

The country's Islamic asset management industry is vibrant — the central bank lists at least 12 Shariah compliant funds out of over 50 in Kuwait, as well as 14 operational Islamic investment companies.

Sukuk

The Kuwaiti Sukuk market, while small, has seen an increase in activity, particularly from corporates, in the past few years. Last year, KIB issued a US$300 million Tier 2 Sukuk facility that received US$2.7 billion in orders, and Warba Bank issued a US$500 million Sukuk facility that was oversubscribed 6.32 times. Both KFH and AUB issued US dollar-denominated additional Tier 1 Sukuk facilities in 2021 as well.

This year, Boubyan Bank closed its US$500 million Sukuk Wakalah offering with an orderbook of US$1.2 billion. Meanwhile, Kuwait-based Equate Petrochemical Co previously established a US$2 billion Sukuk program (under which a subscription has yet to be offered), while Kuwait Credit Bank is looking into issuing Sukuk to support its Islamic finance offerings.

As for sovereign papers, the central bank continued to regularly issue short-term Sukuk under the Tawarruq structure alongside conventional papers.

Takaful

The Takaful sector is regulated by the Ministry of Commerce and Industry under Kuwait's insurance law, Law No 24 of 1961. In 2019, the Council of Ministers approved the establishment of the Insurance Regulatory Unit, a separate regulatory body for the insurance sector.

According to the IFSB, Kuwait's Takaful sector held 22.1% of the insurance sector's total premiums, 87% of which were contributed by General Takaful, as at the end of 2017. At present, there are at least 10 Takaful operators in the country.

Outlook

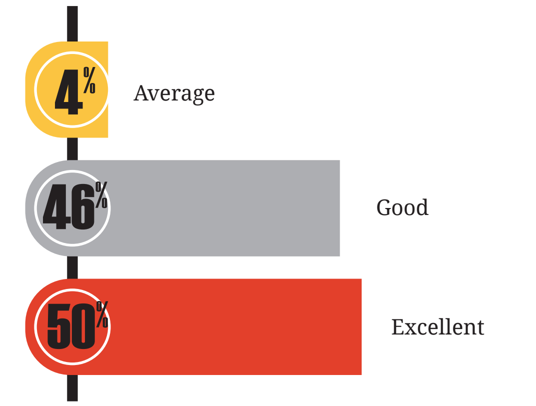
Although the Kuwaiti economy has been affected by the volatility of the oil and gas sector, particularly in the last two years of the pandemic, the country's Islamic banking sector recorded an increased asset size relative to its conventional counterpart: 44% share of the market as at the third quarter of 2020 in comparison to 41.6% in the same period in 2019, according to the IFSB.

Strong support from the government and the other Islamic finance jurisdictions in the GCC region and the capital market's inclusion in the MSCI Emerging Markets Indices last year are good signs for the Shariah finance industry as a whole.

Muhammad Ikram Thowfeek is the founder and managing director of MIT Global Group.

"While wishing the IFN team success in all their endeavors, these IFN OnAir events highlighting specific countries on Islamic finance challenges and progress are a remarkable initiative to give a quick update of Islamic finance in a country. IFN OnAir Kuwait, held on the 17th August 2022 with diverse panelists sharing their knowledge and experience from various practical perspectives, was quite informative to get a glimpse of a real update of a country. The session was successfully moderated by Dr Issam al Tawari and indeed it was a thought-provoking, thought-sharing and a remarkable one too."

Pre-event Contact



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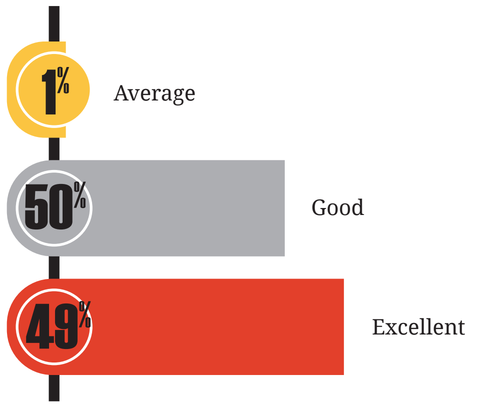
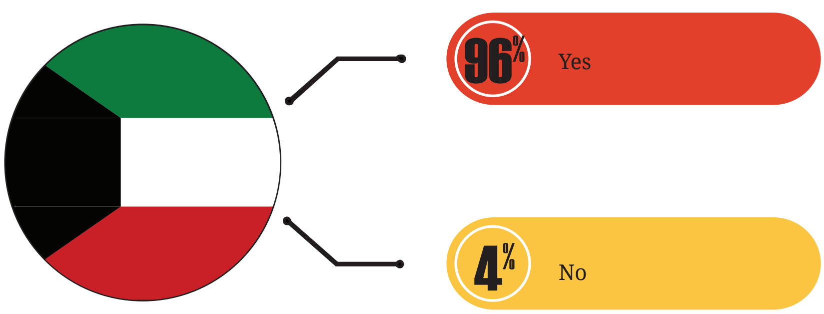


Delegates Who Would Like to Attend IFN Kuwait OnAir Roadshow 2023



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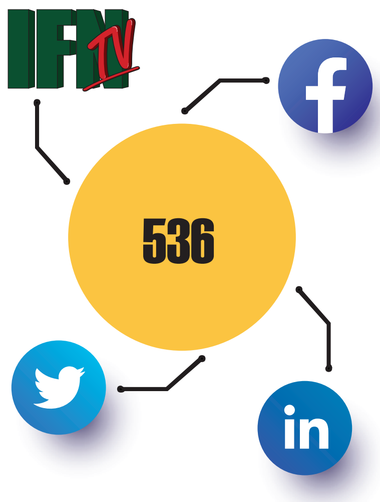
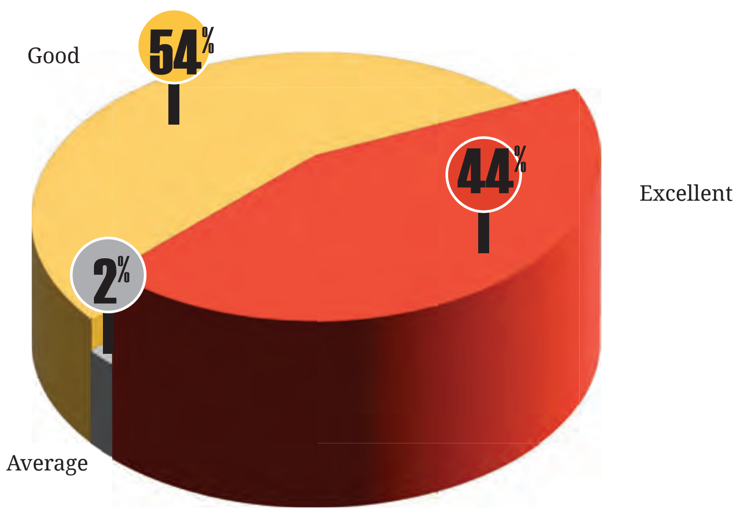
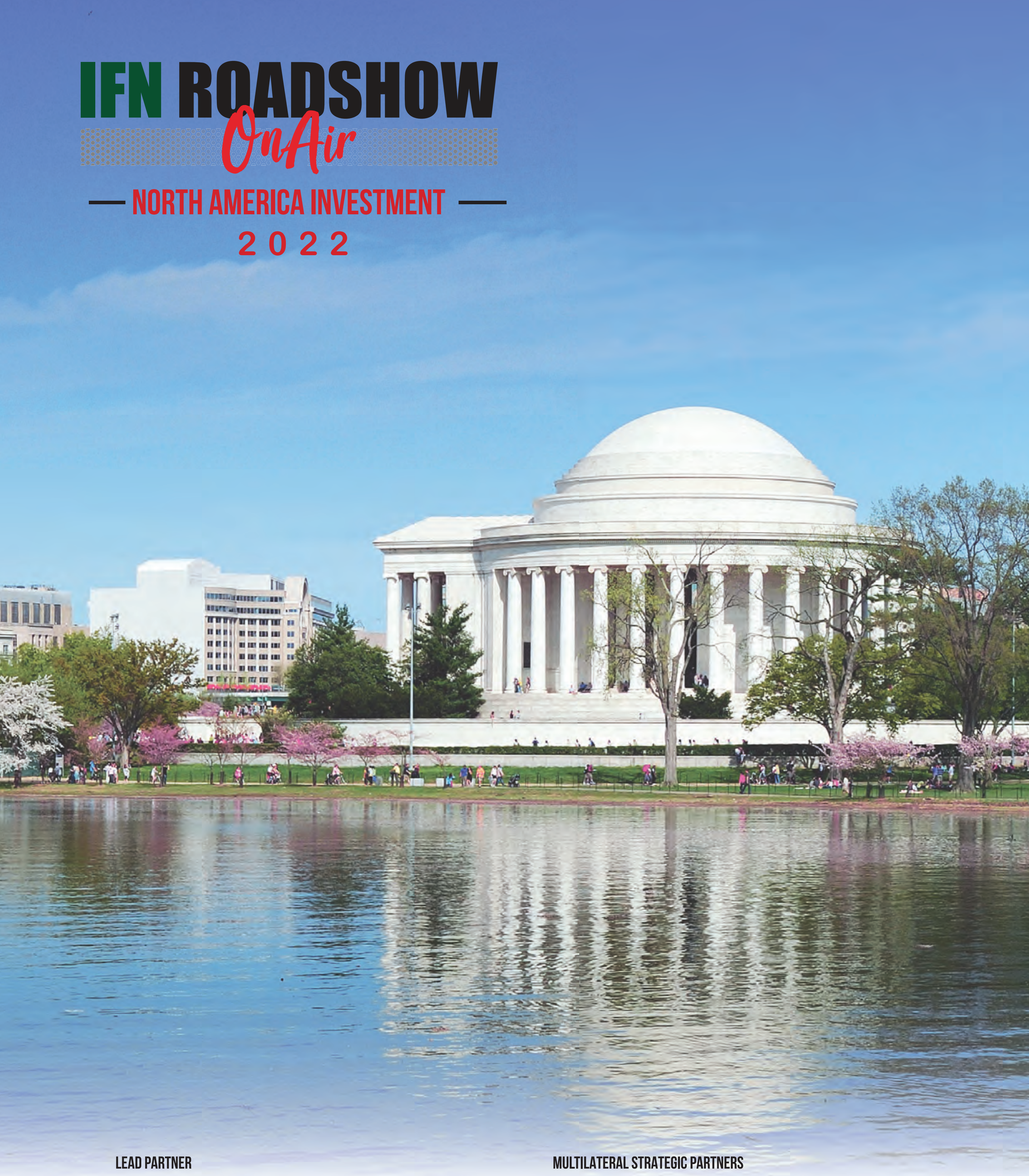


Building Momentum: Opportunities in Kuwait



IFN ROADSHOW OnAir

NORTH AMERICA INVESTMENT 2022



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The Deployment of Shariah Compliant Capital into North America: Trends and Opportunities

What are the global investment flows and trends that continue to influence the deployment of Shariah compliant capital in north America today? What are recent significant developments in north American Shariah compliant private equity, and can we identify potential targets for private equity investment in the US market? What are the latest opportunities and demands for Shariah compliant direct investment into north American real estate markets? How significant is the private placement market in the North American Shariah compliant investment landscape? What structures are being employed to facilitate Shariah compliant investments in north America, and what investment types and asset classes are in favour? Can we identify geopolitical events, international developments and transactions that may influence future investment trends, and what are other potential areas for the deployment of Shariah compliant capital in the north American market? We seek the views of an expert panel.

Moderator:
Ashraf Gomma Ali, Managing director, Ihsan Advisory and Islamic Finance Expert (IFC – world bank group)

Panelists:
Dr Aamir A. Rehman, Chair, Innate Capital Partners
Aijaz Hussain, EVP Sales and Director, UIF Corp
Omar Kalair, Director UM Group Canada
Dr Scott Levy, Founder, Al Waseelah

North America to welcome new Islamic financial products amid growing demand for ESG finance

At least two financial institutions in the North American region are preparing to launch new Islamic financial products on the back of growing demand amid the mainstreaming of ESG instruments. VINEETA TAN has the details.

UIF Corporation, a Michigan-based Islamic financial institution which primarily focuses on the home mortgage market, recently expanded its portfolio to include vehicle financing, with a view of further diversifying its offerings.

"We just launched our auto financing program in Michigan," confirmed Aijaz Hussain, UIF Corp's executive vice-president of sales and a director, at IFN North America Roadshow 2022. "Soon we'll be opening it up to other states as well. And we'll be offering construction financing, and there are a few other products in the pipeline as well."

The expansion of the product pipeline is driven by the sophisticated consumer behavior of UIF's target market: Muslim millennials and Gen Z, who are keen to subscribe to a wider range of financial products, beyond home financing, which are in line with their religious beliefs.

Neighboring Canada may also see its limited Islamic finance product universe expand.

"We are in active discussion with a few Canadian banks and also with a few parties overseas. We are looking to launch a product within the Canadian space in the coming future," revealed Omar Kalair, the director of UM Group, or United Muslim Financial, which operates an investment fund alongside a real estate brokerage.

Official reliable comprehensive data on Islamic finance and investments in the US and Canada are scarce as the lion's share of such transactions are done on a private basis; however, empirical evidence from industry participants point toward substantial rise in interest and adoption.

> The North American market has historically been very attractive for direct, private investments particularly in real estate. If the assumptions are correct, this could be more than US$100 billion per year and this is not likely to abate with continued development in sectors as different as hospitals and residential and commercial real estate. The vastness of the opportunities and the general perception of the US as the lowest risk, most liquid market is unlikely to change in the near future. But what about the market for millions of Muslim Americans? How big is the addressable market and are there real opportunities to scale?
>
> The problem for the discussion is the market sizing is quite difficult to demonstrate. There are no great success stories to emulate with new business models. Yes, successful operations in the US and Canada exist but scaling these is a problem without more capital. US investors think big — billions — and so far there is no investment case to raise capital in North America to grow the product set: mortgage, SME, investment or insurance products. International investors may offer a better route for capital-raising. Interestingly, the US market does have a successful private equity (PE) business and unlike other jurisdictions, PE investments where they are aligned to ethical (not just Shariah) markets may offer the best opportunities.
>
> The vastness of the market has not helped the innovative attempts to expand the range of the products locally but excellent work is being done; baby steps at this point but with the enormity of the market, there are plenty of opportunities to grow profitable and impactful businesses.
>
> *Dr Scott Levy is CEO of Bedford Row Capital.*

"Fifteen or 20 years ago when we would approach a conventional manager with the considerations that are driving a Muslim investor, they were much less familiar, much less willing and able to adapt and to accommodate those requirements. Now, we see a lot more enthusiasm among conventional managers to embrace ESG, and to embrace Islamic finance considerations as part of that," observed Dr Aamir A Rehman, the chair at Innate Capital Partners.

"I think investment structures which are on a private pool of capital deploying money into the US will continue to grow," echoed Dr Scott Levy, the founder of Al Waseelah.

*To watch the full proceedings of IFN North America Investment Roadshow 2022, click **here**.*

Moderator:
ASHRAF GOMMA ALI
Managing director, Ihsan Advisory and Islamic Finance Expert (IFC – world bank group)

Ashraf Gomma Ali is the managing director of Ihsan Advisory which works at the intersection of Islamic finance/Shariah/SDGs and positive impact. He believes that these areas share a natural connection and that the future of Islamic banking depends on truly embracing these concepts and integrating them in the spirit of Ihsan (spiritual beauty and perfection).

Ashraf is a leading international Shariah advisor who has worked in Shariah supervisory positions for over 15 years in nine different countries around the world in North America, the Middle East and Southeast Asia. He holds a Bachelor of Science degree in finance from the University of Maryland (US), a Bachelor of Law degree in Shariah from Umm Al-Qura University (Mecca, Saudi Arabia) and a Master's degree in Islamic finance practice from INCEIF (Malaysia). He is also an internationally certified Shariah auditor and advisor with AAOIFI and a registered Shariah advisor with the Malaysian Securities Commission.

Ashraf has advised on billions of dollars of projects worldwide including extensively advising on project financing, Islamic debt securities (Sukuk), corporate finance and treasury products. He has served as a Shariah board member to both traditional and digital Islamic banks. He also has a keen interest in the intersection of ESG and sustainability with Islamic finance and was part of the UN project to draft the section on Islamic banking in the UNEP FI Principles of Sustainable Banking. He currently serves as an Islamic banking, ESG and sustainability consultant based in Istanbul. Ashraf has recently joined Phi Wallet as a co-founder and CFO. Phi Wallet is an Islamic fintech which seeks to empower Shariah sensitive investors to protect and preserve their wealth through physical gold ownership and other real assets.

DR AAMIR A REHMAN
Chair, Innate Capital Partners

Innate Capital Partners invests the personal capital of Dr Aamir A Rehman.

Dr Aamir has been engaged in values-aligned investment for over 20 years. He has served the finance community as an investor, advisor, author and educator. He is an investor in numerous financial services ventures. He seeks to invest in and support enterprises that help people align their finances with their values.

Dr Aamir's corporate roles have included being a co-founder and managing director at Fajr Capital, a private equity group that has successfully invested over US$700 million in investments. He earlier served as the head of strategy for HSBC Amanah, the global Islamic finance business of the HSBC Group, and as a consultant with the Boston Consulting Group.

Dr Aamir serves on the boards of directors of Fajr Capital Advisors, Dinar Standard and Shukr Investments. He also serves on the board of directors of the Mercer County Community College Foundation in Mercer County, New Jersey.

In addition to his work in investments, Dr Aamir has served as a senior advisor on Islamic finance to the United Nations Development Programme. He has also consulted the World Bank Group on the impact of Islamic finance on development and financial inclusion.

Dr Aamir is a senior fellow at the Richman Center for Business, Law, and Public Policy at Columbia University. He is also an adjunct faculty member at Columbia Business School, where he has co-taught a course on the foundations of private equity. His doctoral dissertation at Columbia University examined how private equity professionals learn from experience. He is the author of the books 'Gulf Capital and Islamic Finance: The Rise of the New Global Players' (McGraw-Hill, 2009) and 'Dubai & Co.: Global Strategies for Doing Business in the Gulf States' (McGraw-Hill, 2007), among other publications.

Dr Aamir hold a Bachelor's degree from Harvard College, a Master's degree from the Harvard Graduate School of Arts and Sciences and an MBA from the Harvard Business School. He further holds a doctoral degree in education from Columbia University.

AIJAZ HUSSAIN
EVP Sales and Director, UIF Corp

Aijaz Hussain has worked in the field of investments and Islamic banking for almost 25 years. For the first seven years, Aijaz worked with UBS and Morgan Stanley (formerly Smith Barney) in the area of investment management. His areas of specialty include Islamic investments, hedge funds, and managed accounts. As part of the Private Client Group, he consulted high-net-worth clients in investment and hedging strategies, charitable trusts and estate planning.

In 2003, Aijaz joined Guidance Residential, a then-start-up Islamic financing company and played a major role in its growth into a multibillion-dollar financing company.

On the 1st April 2011, Aijaz joined University Islamic Financial (UIF), a Michigan-based Islamic banking company in the capacity of vice-president of national sales. As the head of sales, his responsibilities include sales management, implementing UIF's growth strategy and improving overall efficiency within the organization. In January 2013, Aijaz was appointed to the board of directors at UIF for his contribution to the company's success. Aijaz has conducted over 500 seminars and written numerous articles on Islamic financing over the years.

OMAR KALAIR
Director UM Group Canada

In 2004, Omar Kalair founded UM, which became Canada's premier Islamic financial Institution as the first Canadian member of the IFSB and AAOIFI. In 2005, UM received a Mudarabah financing facility that reached US$120 million to finance residential (Musharakah) households. Hundreds of these families came to UM with a net worth as low as US$40,000 to purchase a home that many today value over US$1 million. A study quantified over US$200 million in increase in the net worth of these families due to UM.

Kalair was recognized among CIC's top 20 Muslim business leaders at the Canadian parliament. He was presented the 'Islamic Finance Business Leadership Award –- N America' by World Finance and awarded the 'Entrepreneur of the Year' award by the Canadian Islamic Chamber of Commerce. His alma mater, Wilfrid Laurier University celebrating its 100-year anniversary, selected Kalair as one of the 'Top 100 Alumni of Achievement' from close to 100,000 alumni. Kalair has been admitted in an Islamic economics PhD program.

Kalair has engineered, launched, marketed and retailed many Islamic finance products, some of which were offered in Canada for the first time in partnership with institutions. Many regulators in such countries as Saudi Arabia, France, the UK, Russia, Malaysia, etc, have engaged with UM. UM formulated an international Shariah advisory board that included Sheikh Nizam Yacuby, Dr Aznan Hassan and Mufti Dr Zubair Usmani.

Kalair has spoken at Islamic finance conferences across the world including: Boston(Harvard), New York, Toronto, Montreal, London, Istanbul, Moscow, Kazakhstan, Manama, Dubai, Abu Dhabi, Bahrain, Muscat, Karachi, Hong Kong, Kuala Lumpur and more.

DR SCOTT LEVY
Founder, Al Waseelah

Dr Scott Levy is CEO of Bedford Row Capital (BRC), a non-bank originator giving businesses a fast, effective and cost-efficient way to access critical finance through debt capital markets. Dr Scott founded the firm four and a half years ago, bringing together a management team with decades of experience in structured finance that has since executed more than 70 transactions in Sukuk, liquidity management, high-yield and green bonds — fulfilling businesses' diverse financing needs and giving investors access to yield.

Based between London and Estonia, Dr Scott has over 25 years in financial services and 18 years in Islamic finance, structuring, capital markets infrastructure, asset-backed securities, securitization, debt capital markets and asset management. He leads BRC's global offering underpinned by integrity, innovation and insight across the firm's offices in London, Tallinn, Zurich, Singapore and Dubai.

Canada: More support for Islamic finance needed

There is a growing demand for Islamic financial products and services in Canada where, according to the latest data reported by Statistics Canada, Muslims make up around 3.7% of the total population — a number that is expected to almost double by 2030. NESSREEN TAMANO writes an overview of the Shariah finance industry in the North American nation.

Regulatory landscape

Canada has one of the world's safest banking infrastructures, according to the World Economic Forum's Global Competitiveness Survey, but despite allowing for Shariah compliant financial transactions, the country still has no dedicated Islamic finance regulation.

An attempt to address and correct this issue was made years ago, with the government establishing a joint task force comprising officials from several entities including the Bank of Canada and the Department of Finance, to look into regulations that would accommodate Islamic banks and windows. The Ontario government and Toronto Financial Services Alliance have also raised the topic of having provisions for Islamic finance and banking within the regulatory landscape. Nothing concrete has materialized from these discussions to date, however.

Regulating the general banking and finance industry — and therefore the existing Islamic one — is the Office of the Superintendent of Financial Institutions. Meanwhile, Islamic Finance Advisory Board, a self-regulatory, non-profit and voluntary body, provides Shariah advisory, education and mediation for the Shariah finance sector.

Banking and finance

Islamic finance has had a long history in Canada and is predominantly focused on mortgage financing. Housing finance cooperatives that offer Shariah compliant financing to its members have been around for over four decades; Ansar & Islamic Co-operative Housing Corporation was the first to introduce this in 1980.

Also active in the scene are Zero Mortgage Canada, which offers a fully Halal suite of home financing products; Winnipeg-based Assiniboine Credit Union, which also has an Islamic offering; and Halal Financial Corporation, which has recently become the only Islamic financial institution in North America to be accredited by Al Azhar as Shariah compliant.

In 2017, Saudi Arabia's Alawwal Group expanded to Canada as Manzil Group, which focuses on real estate as its primary business focus. In 2019, Manzil launched the country's first income Halal mortgage fund, and in the same year, US residential real estate equity partner Unison started marketing an open-ended Shariah compliant residential REIT to institutional investors.

In 2022, Manzil acquired digital platform Muslim Will Solutions, which itself had raised CA$2.44 million (US$1.93 million) in seed funding to support its growth.

Education

Several higher education institutions offer Islamic finance courses, including the University of Toronto's Rotman

School of Management and McMaster University, which lists an MBA Islamic finance course via its DeGroote Business School. The Centre for Islamic Knowledge, a new learning institute, was established in Mississauga, which has one of the largest concentrations of Muslims in the country, and offers a certificate program in Islamic finance.

Capital market

Canada has yet to introduce Sukuk instruments — tax obstacles remain the biggest issue. In the Islamic capital market space, the Shariah fund segment is the most active with Global Growth Assets's Global Iman Fund, Absolute Wealth's two Islamic funds and Bullion Management Group's Islamic mutual fund, among others.

Online gold platform Goldmoney entered the market in 2017, as did robo-advisor Wealthsimple with its investment portfolio that tracks the MSCI ACWI Islamic Index. In 2018, Aya Financial introduced the country's first Islamic deposit product, and institutional investor Winnermax announced plans to launch an Islamic private equity fund called the Aperture Global Fund I. US-based wealth manager ShariaPortfolio also opened a Vancouver office in 2020. In 2021, Wealthsimple launched its Shariah World Equity Index ETF (exchange-traded fund), Canada's first Islamic ETF.

Canada has an Islamic index, the S&P/TSX 60 Shariah, which has 18 constituents as at the end of 2020.

Takaful

The Canadian Islamic insurance market remains small. The first insurer to provide Takaful was the Co-operators Group in 2008 (now the Co-operators General Insurance Company), in collaboration with Ansar and Qurtuba (Montreal) Housing Co-op. Meanwhile, Sun Life and Manulife, both of which offer Islamic products in Southeast Asia, originated from Canada.

Outlook

While there is enormous potential for a thriving Islamic finance and banking industry, it is still very limited, and the main hurdle is regulatory. The initiatives that have been put in place by industry players in cooperation with Muslim communities have been helpful, but the government will have to push for stronger development on the regulators' level to make any substantial change. For now, both the Islamic fund space and Islamic fintech are areas for potential quick growth, but an Islamic banking framework would propel the industry forward.

The US: An attractive real estate sector

The demand for Islamic financial products has increased in the US, particularly among its growing Muslim population, but the sector is still relatively small and has yet to go mainstream. NESSREEN TAMANO writes an overview of the Islamic financial industry in the US.

Regulatory landscape

There has been increasing interest in Islamic finance in the US, not only from the Muslim population but also from non-Muslims looking for ethical financial products. Despite this, there are still no dedicated regulations for the industry in the nation.

Both Shariah compliant and conventional products offered in US financial institutions are governed by the same federal and state laws, some of which do accommodate certain Islamic structures.

The financial regulatory bodies involved in regulating the Islamic finance industry include the Federal Reserve, the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the Internal Revenue Service and the Securities and Exchange Commission.

Banking and finance

There are very few institutions that offer Islamic finance, among them Devon Bank and University Islamic Finance, as well as some conventional financial institutions. Most US banks and mortgage brokers offering Shariah compliant products remain localized institutions that cater to Muslim communities.

A majority of Islamic financial activities in the US focus on mortgage financing and the real estate sector, popular not only among US Muslims but also international investors keen to channel investments into US property.

Leading the market are housing agencies Freddie Mac and Fannie Mae as the primary investors in Islamic mortgages. Other companies include social impact start-up Guidance Residential, Walton Group of Companies and LaRiba which offers Musharakah and Ijarah home financing options.

Since the start of 2020, a number of asset managers overseas, including Riyad Capital, the Riyad REIT Fund manager; Qatar First Bank; Gulf Islamic Investments; Sidra Capital; Investcorp; Boubyan Capital Investment Company; and most recently in 2021, GFH Financial Group, have announced their acquisition of US assets.

This year also saw the launch of Islamic challenger bank Fair which is based in Texas, while California-based Islamic neobank Fardows, which offers deposit-taking and robo-advisory services, also announced its official launch.

Fintech

The Islamic fintech scene in the US has been active in the past few years. In the lead is US-headquartered Halal investing platform ShariaPortfolio, which has been operating since 2003, serving 26 states. Fintech-based investment firm Wahed Invest in 2019 launched Islamic

exchange-traded funds that track the FTSE USA Shariah Index, designed for interested retail and institutional investors.

In April 2020, Magni Global Asset Management opened its Magni Islamic Stewardship portfolio, the benchmark for which is the Shariah S&P 500, to individual investors through a partnership with robo-advisor Newday Impact Investing.

This year also saw at least three new Shariah compliant players: trading platform AmanaTrade, Halal stock screener Halal Investors, robo-advisor Aghaz Investments and Halal investment platform Zoya.

Sukuk

There are only a few publicly disclosed offerings in the Sukuk market as Islamic deals in the US are mostly conducted on a private basis. There are currently no listed Sukuk in the US.

University Bank privately placed a Sukuk facility in 2018, which is said to be the country's first Islamic debt transaction structured and governed under US laws. East Cameron Gas, General Electric and Goldman Sachs are among the companies that have issued Sukuk in the US.

In 2020, Pentavirate also issued a US$500 million Islamic paper backed by US commercial real estate and issued under the Seattle-based company's US$2.5 billion Sukuk program.

Takaful

A few companies offer Takaful products including AIG, which launched Islamic solutions in 2008, and Zayan Takaful, which partnered with Lexington Insurance Company to also provide homeowner policies to its customers.

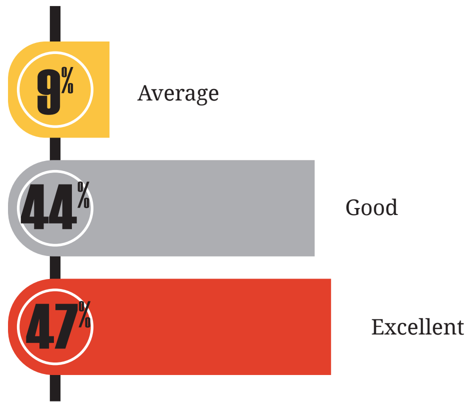
There are still no regulations dedicated to the Takaful industry however, and insurance is regulated by individual states with different licensing requirements.

Outlook

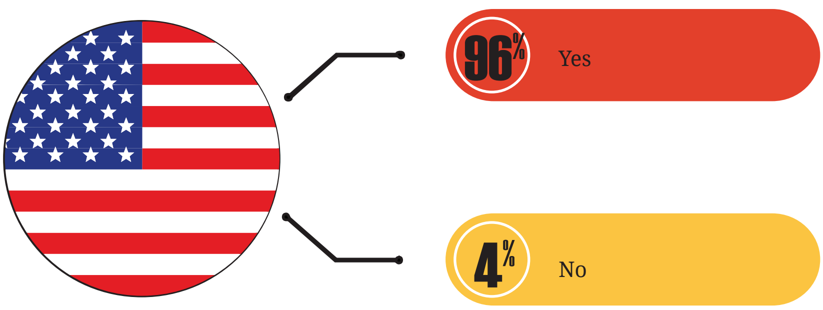
While there is potential for Islamic finance to grow in the US, the lack of regulatory and legal support is seen by experts and industry players to be the biggest obstacle to achieving this growth, particularly since Shariah law is a highly contested topic in the country. A framework would also lend more clarity to — and enable more — Islamic financial transactions that have requirements not covered in the current regulations.

Pre-event Contact

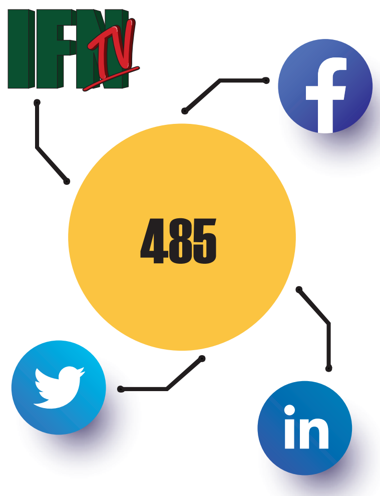
Overall Evaluation of the Event



Delegates Who Would Like to Attend IFN North America OnAir Roadshow 2023



Viewerships



The Deployment of Shariah Compliant Capital into North America: Trends and Opportunities