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OVERVIEW

Islamic finance could plug UK investment gap

Set to take off in the UK, Islamic finance could fund major infrastructure projects and even be boosted by Brexit

JOHN FOSTER

One of the fastest expanding financial services sectors globally is Islamic finance, which has consistently shown growth rates of around 10 to 12 per cent annually over the last two decades and has assets of around £2.5 trillion. Outside the Middle East and Asia, the UK is the leading hub for the sector and was the first non-Muslim majority country to issue a sovereign Islamic bond, known as *sukuk*, of £200 million in 2014.

There are five licensed, fully Sharia-compliant banks in the UK, with more than 20 other banks offering some form of Islamic banking, and more than £500 million of Islamic funds, hosting the issue of 65 *sukuk*, worth £35 billion.

The UK, especially post-Brexit, may become an even more attractive destination for Islamic finance globally. As Dr Bandar M.H. Hajjar, president of the Saudi Arabia-based Islamic Development Bank, said recently at a conference held at the London Stock Exchange: "You have the necessary financial, regulatory and legal experts to develop the UK market into a thriving global hub for Islamic finance."

However, even among the UK Muslim community, Islamic finance remains relatively unknown and misunderstood. The modern era of Islamic finance began in the 1970s in parallel streams centred on the Gulf States and Malaysia. Growth has mainly been in the development of Islamic banking services, the issuance of *sukuk* and provision of Islamic insurance, known as *takaful*.

Mohammed Amin, former partner and head of Islamic finance for PwC and currently an Islamic finance consultant, explains: "Islamic finance in reality fulfils the same basic function as conventional finance. It simply obeys a set of rules that are outlined in the Koran." These rules include the exclusion of investment in the manufacture of arms, production and sale of pork, alcohol and tobacco, prohibition of speculation, which includes futures, options and spread-betting, and making money from interest.

Islamic banks are funded by non-interest bearing current accounts as well as profit-sharing investment accounts where investors receive a return that is determined by the profitability of the bank or the pool of assets financed by these accounts. Banks do not engage in lending, but in sales, lease, profit-and-loss-sharing financing and fee-based services. In many ways the prohibitions of Islamic finance are similar to those of conventional ethical or socially responsible investment companies.


Chris Jackson - WPA Pool/Getty Images

Majid Dawood, chief executive of Yasaar Capital, the first Islamic finance advisory company set up in the UK, says: "The majority of Muslims are unaware or unclear what Islamic finance actually means. Islamic finance institutions aren't run on a charitable or non-profit basis, they are commercial organisations in the same way that conventional banks are."

Mr Dawood believes there is great development potential for Islamic finance in the UK, both in the *sukuk* and retail markets. Earlier this year, Al Rayan Bank, the UK's leading Sharia-compliant retail bank, became the first financial institution outside the Muslim world to issue a corporate *sukuk*, raising £250 million in residential mortgage-backed securities.

Sultan Choudhury, the bank's chief executive, thinks Islamic finance could have an even-greater influence in the UK, especially in the area of infrastructure development and regeneration.

"I know that in the last few years the government presented a number of UK development projects to Islamic finance and GCC [Gulf Co-operation Council] investors," he says. "I think there is potential for the UK to receive FDI [foreign direct investment] for infrastructure from the Islamic finance market. But the government needs to understand how to structure these projects to make them attractive to Islamic finance investors and come up with more innovative ways to put these opportunities together."

The global Islamic finance market could also help develop other parts of the UK's economy. Harris Irfan, managing director of Cordoba Capital, argues that Islamic finance could be used to boost UK small and medium-sized enterprises (SMEs) by creating a Sharia-compliant SME fund so that FDI from the Gulf and Southeast Asia would help plug the funding gap in the heart of the UK economy.

These are interesting times for Islamic finance as a picture forms around the potential effects of the UK leaving the European Union. As with most aspects of Brexit, at this stage it is impossible to predict exactly what those effects might be. However, there are indications that an exit from the EU may not have a detrimental impact on Sharia-compliant finance. Indeed, it could well create an environment that benefits it.

Wayne Evans, senior adviser for TheCityUK, a financial services lobbying group, believes the UK's departure from the EU will have no bearing on its ability to realise its potential in Islamic finance. "Brexit is essentially a European issue. It should not affect the UK's Islamic finance industry's relationship with the rest of the world," he says. "If anything, it will make London even more determined to build on its international business, so there should be increased opportunity to attract Islamic investment."

Tariq al-Rifai, chief executive of the Quorum Centre for Strategic Studies, a think-tank specialising in Middle Eastern affairs, agrees. He points out that the UK has historically been a haven for Middle East investment and, more recently, Islamic investment. "A vote on leaving the EU will not change this," says Mr al-Rifai. "In fact, at Quorum Centre, we believe that the UK would attract more foreign investment being outside the EU; having the flexibility to negotiate its own free trade deals with countries in the Middle East is just one example of how the UK would benefit.

"Brexit or no Brexit, Middle East investors will continue to invest in the UK and will continue to prefer Islamic finance over conventional finance for UK investments." ◆

UK Islamic banking landscape

5
licensed, fully Sharia-compliant banks

20
banks offer some form of Islamic banking

£500m+
of Islamic funds

FINTECH

Hot competition will ignite financial

The race is on to become the world's leading Islamic fintech hub, with London and the UK putting in a strong bid

The Dubai International Financial Centre's FinTech Hive is the region's first fintech accelerator, opened last year

TIM COOPER

Financial technologies that comply with Islamic law, or Sharia, could help attract 150 million new banking customers in the next three years alone, according to consultants EY.

But Pew Research points out that demand is set to grow well beyond this with the global Muslim population expected to explode from less than two billion in 2015 to almost three billion by 2060.

Malaysia, the UK and Indonesia are leading the race, ranking first, second and third respectively by number of Islamic fintech startups, says Bloomberg Intelligence. However, fierce competition from Middle Eastern countries threatens their supremacy.

In January, Bahraini banks created a consortium aiming to create fifteen fintech providers in five years. Last year, the Dubai International Finance Centre (DIFC) launched an accelerator, called FinTech Hive, with a similar aim.

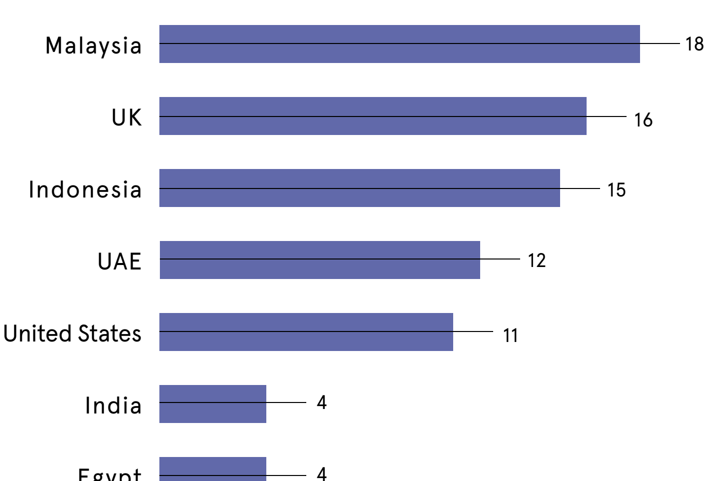
Meanwhile, Abu Dhabi and Bahrain are collaborating to promote fintech and have developed regulatory test beds, known as sandboxes, for emerging technologies.

Raja Al Mazrouei, executive vice president of Fintech Hive, says: "Hive identifies leading technology entrepreneurs, then offers them the opportunity to develop, test and modify their innovations in collaboration with DIFC and regional financial institutions. It is already helping startups grow and thrive.

"This is a major part of Dubai's vision to become the global hub for Islamic fintech. However, Dubai and London are both well positioned, and collaboration between the two will create bigger opportunities."

Top Islamic fintech hubs

Number of Islamic fintech startups by country



IFN Fintech 2017

The UK is upping its game with important new launches such as crowdfunded property investment platform Yielders adding to established players including InsureHalal and Ethos Asset Facilitation Platform. To develop the sector further, the UK also set up an Islamic Fintech Panel in January.

Harris Irfan, chair of the panel and partner at Gateway Islamic Advisory, says: "London has been a leading centre in Islamic finance regulation and infrastructure. But it is losing ground to places like Dubai.

"The UK government has done outstanding work in creating an Islamic finance infrastructure. But there are market-related issues, such as a relative lack of penetration by UK Islamic banks. That is why we set up the panel.

"The government is a panel observer and can help us clear policy hurdles and promote inward investment. That would be a massive boost."

Abdul Basit works with several Islamic fintech firms in his role as principal at research and advisory firm Elipsis. He is also involved with the work of the UK Islamic Fintech Panel.

"The UK is good on regulation and talent, but underweight on capital," he says. "We don't have Islamic pension funds and insurance companies which can provide that capital. But UK fintechs could find funding in majority-Muslim countries. We are also looking at how to attract investment from high-net-worth individuals and sovereign capital.

"From an institutional view, Islamic banks haven't realised the potential for fintech compared to the way conventional banks have. My typical advice to them is get your strategy right now. The next ten years will be disruptive in institutional financial services and you may have to try several things to become successful. The demand is there, with not much competition. So we will see more Islamic fintech products in the next few years."

Nyra Mahmood, managing director at Simply Sharia Human Capital, says: "London has a compelling advantage as Europe's leading fintech hub, but Malaysia is the leader in Islamic fintech. It has the first Islamic digital economy framework, which looks at funding, regulation, compliance, financing and creating a supportive ecosystem."

> "Dubai and London are both well positioned, and collaboration between the two will create bigger opportunities

Ms Mahmood, who was a judge for the Islamic Development Bank's Fintech Challenge held last month with the aim of improving access to Islamic financial services through technology, adds: "To compete, London must develop its ecosystem, fund startups, collaborate with different sectors, support female fintech entrepreneurs and develop the right skills."

Last year, Yielders became the first Sharia-compliant fintech to be authorised by the UK regulator. Founder Irfan Khan says it was challenging to launch as it had to be self-funded.

"Middle Eastern countries have developed strong infrastructure over the last six to twelve months," he says. "Investment and close alignment between regulators and Islamic finance sectors is leading to big developments.

"However, we are also getting more traction on our platform now, which demonstrates the size of the market and opportunity. Banks and fintech companies will collaborate more. So in about 18 months, there will be less difficulty in funding fintech. The sector will also create a new asset class for institutional alternative investment, including in the equity space, over that period."

Rosette Merchant Bank acquires property in Islamic investment tech


RastoS/Shutterstock

structures and plans to diversify into fintech. Chief executive Sam Broadhead says: "The enormous growth of fintech in the UK creates possibilities for new products. Wahed Invest, a successful Sharia-compliant robo-advisory platform in the US, plans to launch in the UK, and we are looking to launch a product through a joint venture between Rosette and Wahed.

"Our second foray into fintech will be a UK-developed, Sharia-compliant supply chain finance solution for UK government bodies. We anticipate huge applicability and could roll it out as a Sharia-compliant fund. The technology demonstrates the advantages of UK fintech, with the ingenuity of IT developers and applicability to English law."

One of the Islamic Development Bank's challenge winners, MyFinB, is a data and artificial intelligence provider that incorporates Sharia principles in solutions for financial and other institutions.

MyFinB chief executive M. Nazri Muhd concludes: "London has potential to grow, though Islamophobic misperceptions towards Islamic finance could constrain it. For London's fintech ecosystem to succeed, it must have a constant focus on customer experience, talent management, collaboration and strong cybersecurity. It will get these soon." ◆

OPINION COLUMN

'As we look beyond Europe, we must build an Islamic finance sector that is both pioneering and successful, but also fair and productive'

A career in Islamic finance doesn't seem the obvious route for a Christian girl from South London.

And yet, ever since I first learnt about this unique and fascinating world, more than 30 years ago, I've spent my working life exploring its intricacies and promoting its principles to my fellow financiers in the UK.

What is perhaps surprising, given that this is a field which traces its origins back thousands of years, is that Islamic finance is full of innovation. It feels fresh and different. And what's more, it's now more international than ever, with London, in particular, emerging as its undisputed Western hub.

The UK government became the first country outside the Islamic world to issue sovereign *sukuk*, a bond structured to generate returns to investors without infringing Sharia law, which prohibits taking or charging interest. Last month, the UK's Al Rayan Bank became the first bank in the world to issue a public *sukuk* in a non-Muslim country. The list of firsts goes on and on.

But as we look to secure our economic future in the post-Brexit era, there remain huge opportunities for us to embrace Islamic finance. As remarked by communities secretary Sajid Javid, himself a key driver of the sector in the UK: "With over 1.6 billion Muslims worldwide, Islamic finance is a massive global industry with huge economic potential to expand."

Mr Javid spoke recently at a global meeting on Islamic finance held in the City of London. The *Sukuk* Summit 2018, hosted by the Islamic Development Bank (IsDB), which represents 57 Islamic member states, brought together investors and experts from around the world to discuss the future of the sector.

That the IsDB chose the London Stock Exchange as its venue is a hugely positive sign. The fact that the government then invited delegates to a reception at 11 Downing Street is another good sign, this time of the importance being placed on this burgeoning sector.

Islamic finance is a hot topic across the political divide. The summit was formally opened by Sadiq Khan, mayor of London, who described Islamic finance as "an area which is driving positive and ethical change around the world".

The mayor's comments rang true for me. What's more, they were a reminder of what it was that fascinated me so, all those years ago.

There is something much more real and tangible about authentic Islamic finance. Indeed, in a world still recovering from the 2008 global financial crisis, the practices of Islamic finance provide a template for how finance could better become a force for good.

Fundamental principles, such as the sharing of risk, linking finance to the purchase and sale of physical assets, and the avoidance of excessive speculation, all seem prudent lessons given the mistakes of the past.

So here is the challenge for London. As we look beyond Europe to new and developing markets, we must build an Islamic finance sector that is both pioneering and successful, but also fair and productive.

Stella Cox
Chair
TheCityUK Islamic Finance Group

Commercial feature

57

states are members of the Islamic Development Bank

A vision of future finance

Islamic finance can be a force for good in the world by promoting ethical and sustainable development projects

The Islamic Development Bank (IsDB) was founded 44 years ago as a development finance institution to foster economic growth, financial inclusion and social progress in the global Muslim community in accordance with the principles of Sharia, or Islamic Law. The IsDB has 57 member states and touches the lives of one in five of the world's population. With annual operations exceeding £7 billion a year and subscribed capital of £24 billion, the IsDB is the leading development bank for the Muslim community.

Underpinning the operations of the bank is the *sukuk* or Islamic bond market, which the IsDB has actively used, developed and promoted to raise capital for its programmes in financial inclusion, infrastructure investment, financial services support, education and health – and the London Stock Exchange (LSE) is central to the bank's *sukuk* programme.

At a *sukuk* conference in London earlier this month – the *Sukuk* Summit – the IsDB's president, His Excellency Dr Bandar M.H. Hajjar, set out the role the UK plays in support of the IsDB's operations globally. He said: "The UK has demonstrated great leadership as the first non-Muslim country to issue *sukuk* back in 2014… the potential for the growth of Islamic finance is clear. Both the UK government and IsDB are actively promoting this objective, and London's emerging role as a hub for Islamic finance is underpinned by a wide skill base, institutional flexibility and historical links with Muslim countries."

The IsDB has listed 11 securities on the LSE, including five *sukuk*, which have raised £4.1 billion, and has just renewed its notes programme that will allow the bank to tap up to $25 billion (£18 billion) of *sukuk* issuance through the London market.

A major focus of Dr Hajjar's vision for the bank is to help drive the development of Islamic finance globally and reach into new areas that require greater development. He said: "Islamic finance has long been seen as specialist or niche in Western economies, but this is changing… I want Islamic finance to be seen not as niche, but instead as a vehicle for ethical investment, promoting long-term sustainability, development capital and investment for Muslims and non-Muslims alike."

He believes that Islamic finance can provide an example for a sustainable global financial system that the conventional system can learn from and maybe help to avoid future global financial crises such as the 2008 crash. He suggests that the conventional system needs to adopt a new banking and finance paradigm based upon universal justice, risk-sharing, a direct involvement with the real economy and the avoidance of excessive speculation – the key principles of Islamic finance.

The bank includes some of the world's wealthiest countries as members, but also 26 of the world's poorest countries, and its core financing activities are focused on supporting key development projects in these states.

To carry out its development remit, the IsDB extends Sharia-compliant loans to its member countries for the financing of infrastructural and agricultural projects such as roads, canals, dams, schools, hospitals, housing and rural development, both in the public and private sectors.

> **I truly believe that *sukuk* can change the world for the better, not only for investors, but for the billions of people who can benefit from the growth it drives**

The investments, in which IsDB is often the sole lender or keystone financier, are designed to have an impact on the economic and social development of the member countries concerned, and are accorded priority by the respective governments. Such loans, in conformity with Sharia, are interest free and the bank recovers its administrative expenses by levying a service fee.

In 2015 and 2016, the IsDB backed a structural infrastructure programme in Turkey, supporting the financing of four renewable energy development projects and six energy-efficiency projects, which helped the country reduce its reliance on fossil fuels, diversify its sources of power generation, diminish its carbon footprint and connect remote rural areas to the power grid. In doing so, the IsDB created jobs, reduced the need to import natural gas from Russia, Iran and Azerbaijan, which was a significant draw on the country's foreign exchange reserves, and helped boost Turkey's industrial output.

The project helped Turkey bring 370 megawatts of electricity from renewable energy sources into its grid and reduced the country's greenhouse gas emissions by more than one million tonnes.

The IsDB worked in partnership with a local partner, the Industrial Development Bank of Turkey (IDBT), providing $100 million on a total project cost of $640 million. This facility enabled the IDBT to leverage investment from other development finance institutions and commercial banks. These were the World Bank, International Finance Corporation, European Investment Bank, German development bank, KfW, and a consortium of local Turkish banks.

Dr Hajjar believes that Islamic finance and the IsDB have a key role to play in developing a sustainable global economy by, for example, supporting the rollout of renewable energy projects in developing countries in partnership with other development finance institutions and impact investors. He said: "We know consumers are looking for investments with ethical returns as well as financial returns. The Islamic finance sector has broken records of promoting financial, social and economic impact investing, as well as financial inclusion and shared prosperity."

The IsDB has announced a funding plan of $2.5 billion for the first half of 2018, the largest since its inception in 1974 and, to support this, the bank recently launched a new $1.25bn *sukuk* under its $25-billion Trust Certificate Issuance Programme. The IsDB also recently launched the $500-million Transform Fund to provide seed money to innovative startups and smaller businesses, helping them implement development projects related to the UN's sustainable development goals, especially in the areas of healthcare, education and fintech.

Key to the IsDB's investment programme is the *sukuk* market and, with $11.5 billion of its own *sukuk* listed on the LSE, London is central to the bank's development goals. Although Dr Hajjar concedes that the *sukuk* market is grappling with its own challenges, including liquidity issues, limited active trading, a lack of standardisation across domiciles and the tendency for Islamic finance investors to buy to hold when investing in *sukuk*, he still sees *sukuk* as a vehicle through which it and the global Islamic finance community can mobilise capital for key infrastructural investments in developing and developed nations.

He said: "I truly believe that *sukuk* can change the world for the better, not only for investors, but for the billions of people who can benefit from the growth it drives. I want the Islamic Development Bank to be at the heart of this movement and I see the UK having a key role in the market as it grows."

For more information please visit www.isdb-pilot.org

$21.25bn

worth of *sukuk* has been issued by the Islamic Development Bank

$3.5trn

Islamic banking industry in 2017

20%

growth in Islamic banking over the last decade

$11.5bn

Islamic Development Bank *sukuks* listed on the London Stock Exchange

1/5

of the world's population is reached through the Islamic Development Bank's work

Islamic Development Bank in action

His Excellency Dr Bandar M. H. Hajjar, president of the Islamic Development Bank, outlines the work of the Saudi-based financial institution and benefits of Islamic finance

Financing priorities of the Islamic Development Bank (IsDB) are guided by a ten-year programme focused on funding projects that will effect real and sustainable economic change in the world's most needy countries.

While infrastructure project financing is a mainstay of the IsDB's financing focus, the bank has also increased its emphasis on poverty alleviation in partnership with many other international organisations and donors, including the Bill and Melinda Gates Foundation.

One of the IsDB's main sources of financing is *sukuk*, or Islamic bonds, and to date the bank has listed all its outstanding public issuances in London and will continue to do so in the future. The IsDB has listed 11 securities on the LSE, including nine public *sukuk*, amounting to $11.5 billion (£8.2 billion). The UK is an important market not only for funding, but also for the IsDB's liquidity investments.

Islamic finance can be an agent of change globally. The global financial order needs to adopt a new banking and finance paradigm that is built on the principles of justice, risk-sharing and direct linkages with the real economy and avoidance of excessive speculation. This is necessary so the world economy, in general, and the financial services sector, in particular, will achieve greater stability and a sustainable growth trajectory.

In addition, Islamic finance has strong potential in promoting not only financial, social and economic stability, but also financial inclusion, shared prosperity, infrastructure and comprehensive human development, which will set the foundation for timely implementation of the UN's sustainable development goals.

The IsDB is particularly focused on development finance in its member countries. The bank includes some of the world's wealthiest nations among its members, but also some of the world's poorest countries. Islamic finance can be used as an alternative financial tool to enhance financial inclusion in developing countries. Throughout this process of financial deepening, Islamic finance can help alleviate poverty, reduce income inequality and promote sustainable growth.

> "Islamic finance can help alleviate poverty, reduce income inequality and promote sustainable growth

The IsDB is a project-based lender and does not offer its members budgetary support. Such support generally has limitations when it comes to stimulating real economic activities and addressing poverty and inequality, as well as financial and social stability in the bank's member countries. Therefore, the IsDB sees *sukuk* as a tool for mobilising capital for public infrastructure and development projects that promote comprehensive human development and fairness.

An example is Gavi, an international NGO that seeks to vaccinate people in the world's poorest countries against preventable fatal diseases. It issued a *sukuk* that raised more than $500 million to help protect tens of millions of children in developing countries against preventable diseases.

The IsDB can also have a significant global impact in increasing access to renewable energy. The bank is considering issuing a green *sukuk* to support renewable energy projects in its member countries, as well as diversifying the IsDB's investor base.

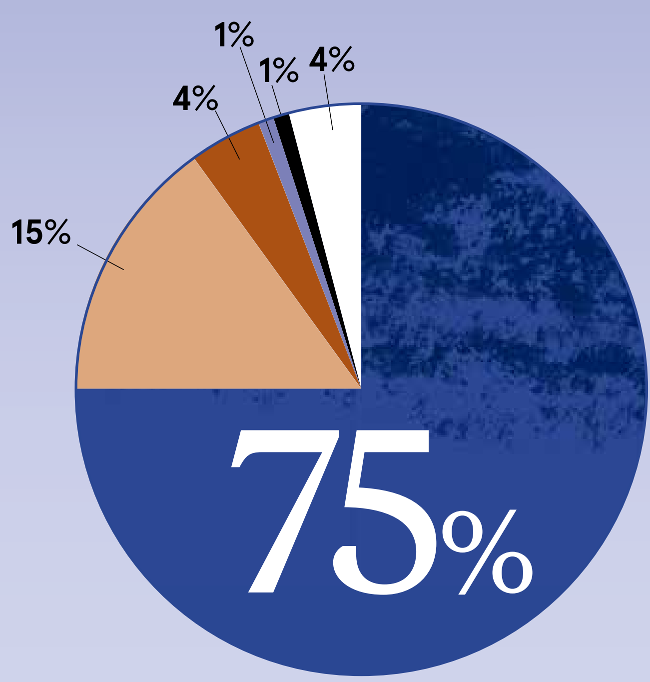
In this way, the IsDB hopes to push *sukuk* issuance into non-Muslim capital markets. Although *sukuk* is currently more relevant to the IsDB's member nations, over the past couple of years it has become more relevant with non-Muslim majority countries as an alternative tool to mobilise funds by tapping Islamic capital markets. Sovereign *sukuk* issued by the UK, Hong Kong, Luxembourg and South Africa are examples of how Islamic finance is broadening its appeal outside the Muslim world.

GROWTH POTENTIAL

The size of the Islamic finance industry has more than doubled since 2009. Awareness of Sharia-compliant banking and finance has risen markedly over recent years, helped by rising per capita income and wealth of Muslims worldwide. While growth has slowed since the financial crisis, the industry is now worth more than $2 trillion and has plenty of scope to grow further, evidenced by a growing gap between the actual and potential size of the industry

ISLAMIC FINANCIAL ASSETS BY SECTOR

Calculated by value of Islamic assets under management



Dubai Islamic Bank 2017

Banks continue to dominate in terms of assets under management, though the increasing popularity of *sukuk* as a form of investment could result in a shifting landscape in the near future. In particular, there is a huge potential for green *sukuk* to mobilise essential finance needed to fund a rising number of clean energy initiatives, especially in the Middle East

$2.3trn

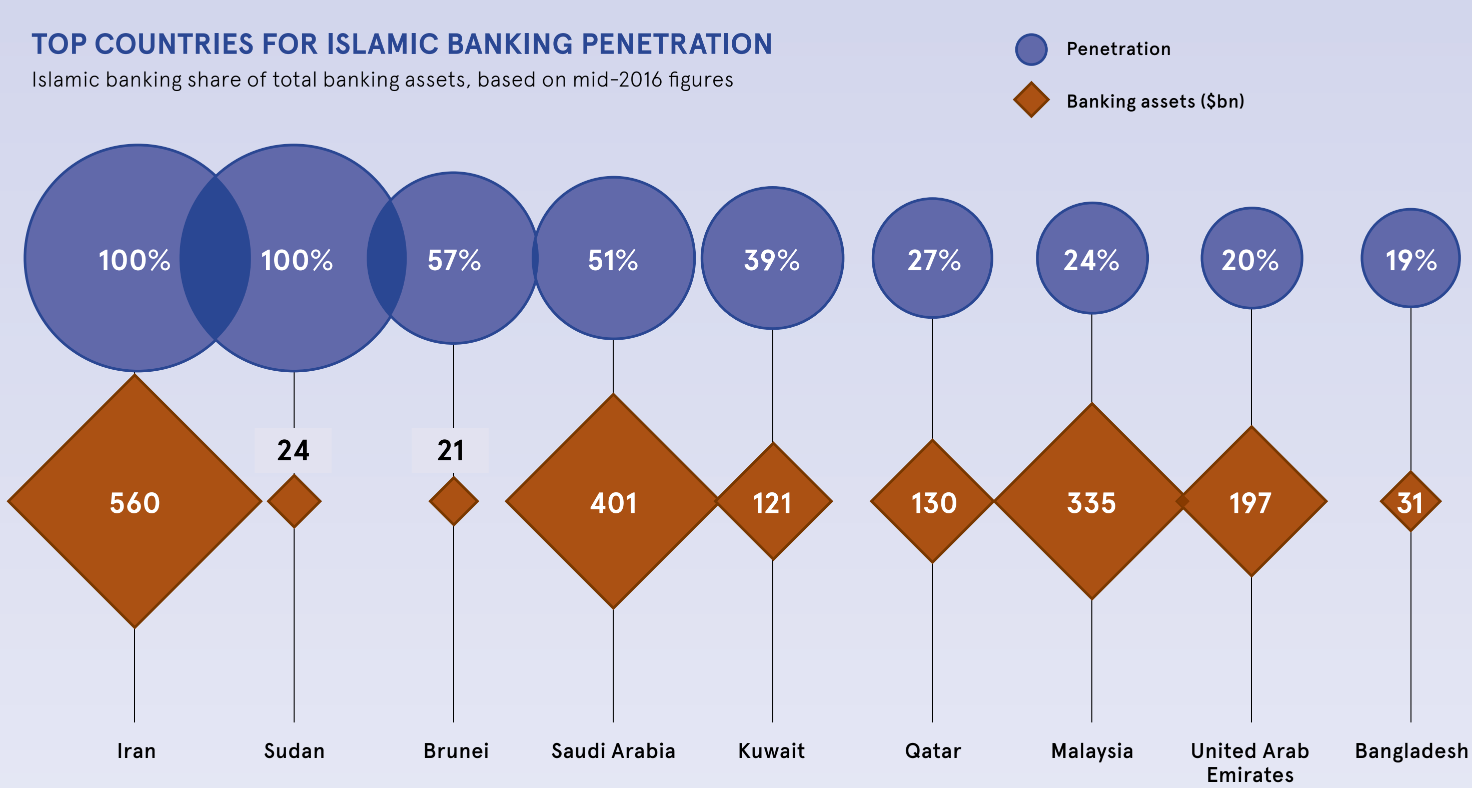
Size of the Islamic finance industry by the end of 2016

$7.8trn

Potential size of the industry in 2016, defined as assets under management of institutions offering Islamic financial services to all those who would like to have access to such services and those who have excluded themselves voluntarily from the financial services market because such services are not available

TOP COUNTRIES FOR ISLAMIC BANKING PENETRATION

Islamic banking share of total banking assets, based on mid-2016 figures



Islamic Financial Services Board/Dubai Islamic Bank 2017

POTENTIAL AND ACTUAL SIZ

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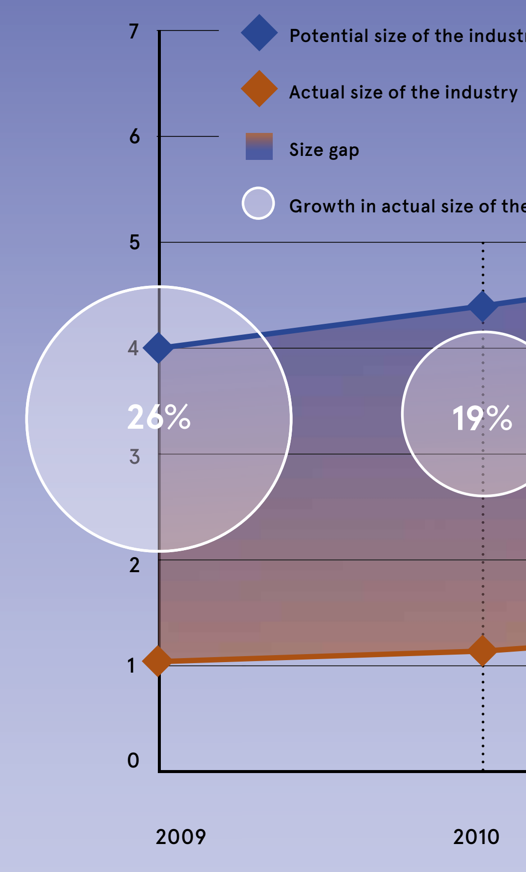

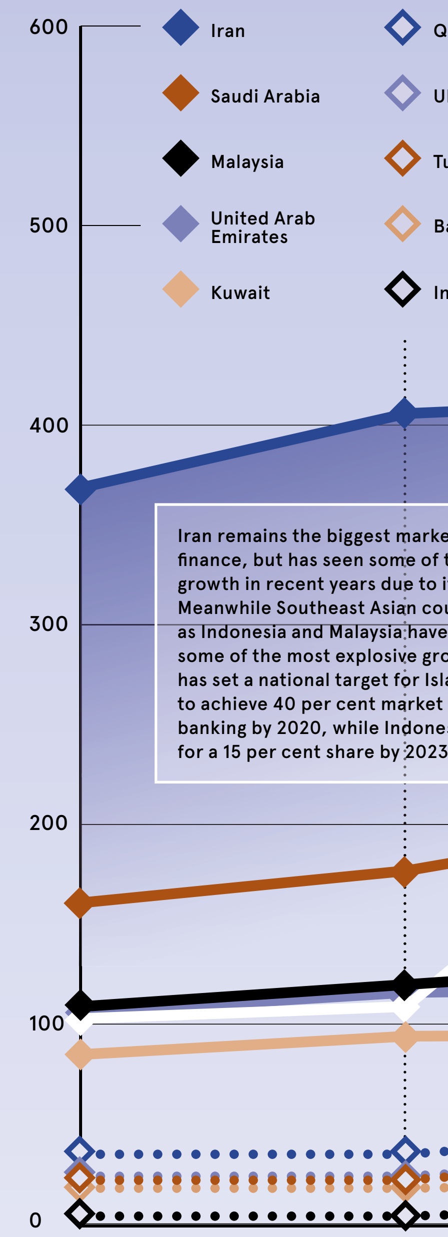

TOP 10 BIGGEST MARKETS I

Islamic financial assets under manage

ZE OF THE GLOBAL ISLAMIC FINANCIAL SERVICES INDUSTRY ($TRN)

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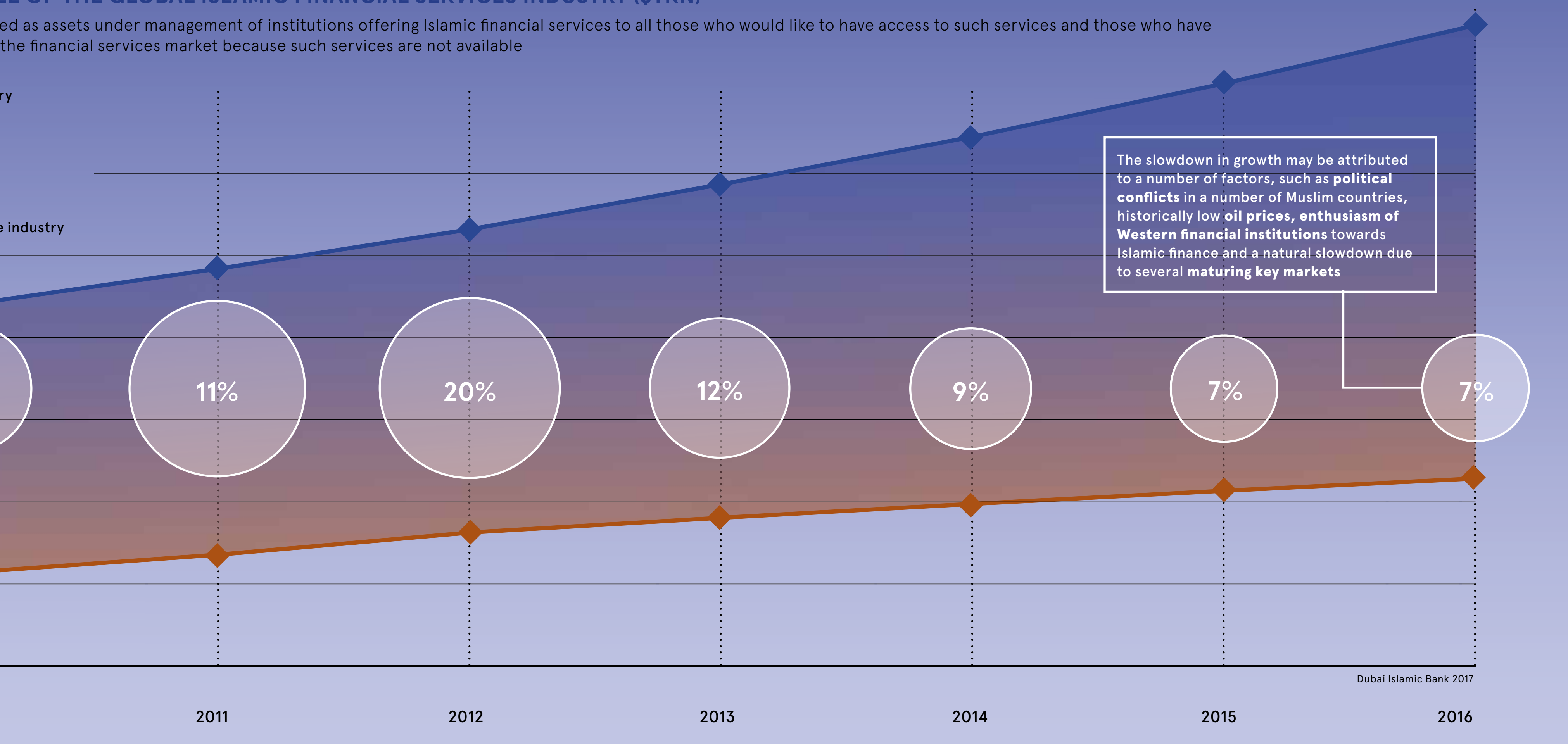
the financial services market because such services are not available



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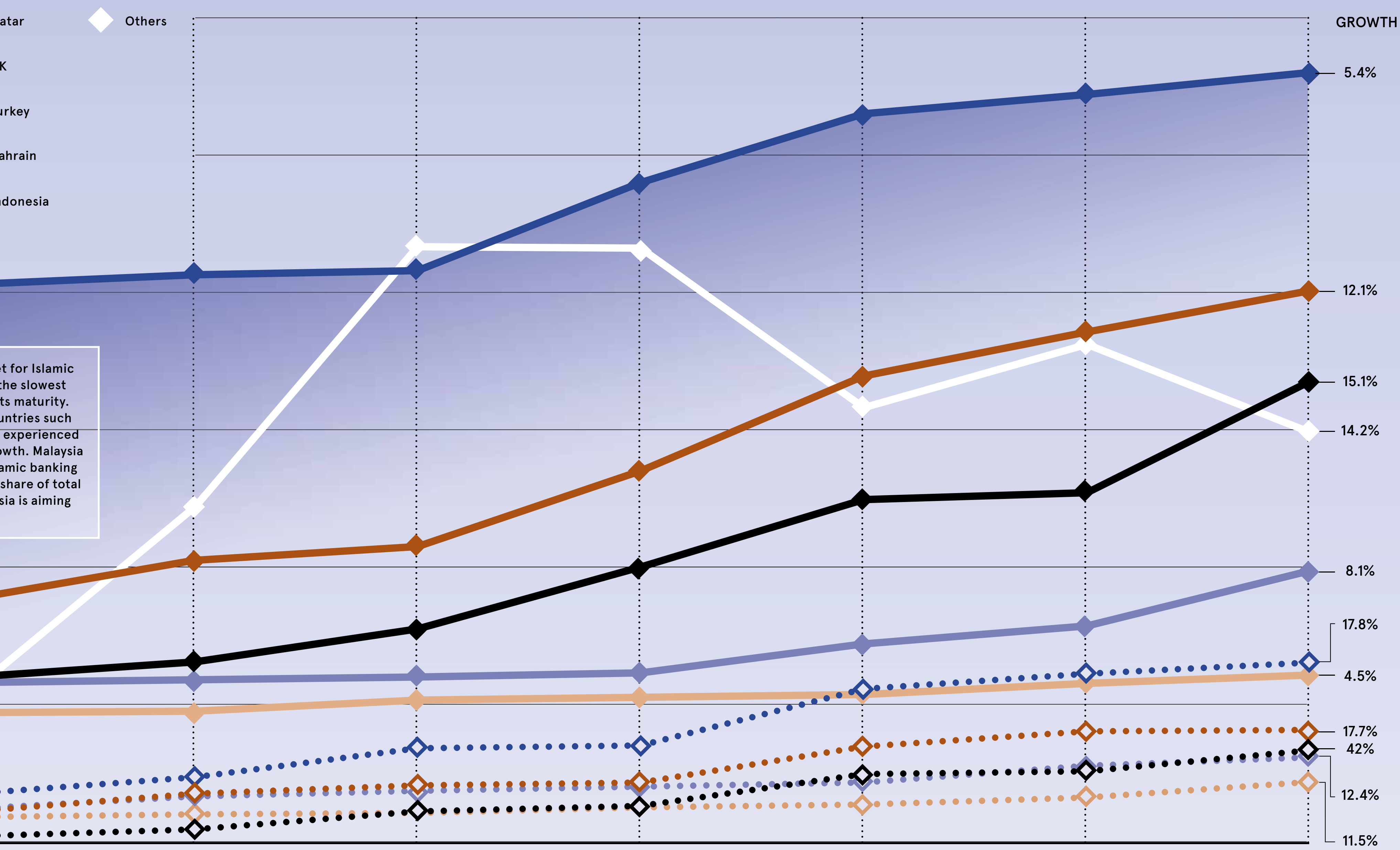

Dubai Islamic Bank 2017

FOR ISLAMIC FINANCIAL SERVICES

ment ($bn)

WOMEN

Opportunities for women to make a mark

As the appeal of Islamic finance continues to grow, more women are seeking opportunities within the sector

Dario Pignatelli/Bloomberg via Getty Images

01

CATH EVERETT

Islamic finance may be a nascent sector, but fast growth is leading to skills shortages that are creating career opportunities not always available for women in conventional finance.

Samina Akram, managing director of London-based Islamic and ethical finance consultancy Samak Consultants, explains: "One of the major challenges the industry faces is a shortage of adequately trained talent. So because it's such a young sector, the right talent can flourish, no matter what their gender."

According to research by global law firm Morgan, Lewis & Bockius, the industry consisted of $2.3 trillion in financial assets at the end of 2017, but is expected to grow to $3.4 trillion by the end of 2018 and $6.7 trillion by the end of 2020.

Concentrated in oil-exporting states, it comprises a number of key hubs – the Gulf Co-operation Council (GCC) countries, which have Dubai as their base, Malaysia and Iran, which taken together account for more than 80 per cent of the industry's total assets, and London. The UK capital has been proactive in creating a favourable regulatory environment for Islamic finance and is the largest market outside the Muslim world.

The global industry, meanwhile, is predicted to continue growing for several reasons. Firstly, Islamic financial assets account for about 1 per cent of the worldwide total. But much of the Muslim world, which accounts for 24 per cent of global population, is young, fast growing and based in middle-to-low-income countries. So as GDP grows and wealth increases, Islamic finance is expected to become the go-to option for religious reasons.

Samak Consultants

02

> **"We're finding a lot more non-Muslim women are being attracted by the sector's ethics and morals**

Moreover, since the financial crisis in 2008, interest in the sector has also grown among non-Muslims keen to find a more ethical, transparent means of investment, particularly in London.

Most people who have moved into the industry so far have tended to come from a conventional finance background. But Ms Akram believes as awareness of the sector's ethical approach continues to grow, its popularity will rise among millennials in general and women in particular.

For the moment though the proportion of women in Islamic finance is very mixed depending on where they are based in the world.

For example, in Malaysia the gender balance is almost on an equal footing due to the hard work of Dr Zeti Akhtar Aziz, the first female governor of the central bank, Bank Negara Malaysia. Indonesia also has several women sitting on Sharia boards but, by way of contrast, there are very few in GCC countries and none in the UK.

Victoria Mesquita Wlazlo, Islamic finance partner at Morgan, Lewis & Bockius in Dubai, explains: "The number of women active in a given industry greatly depends on the sophistication of that industry, so there are fewer women in Islamic than conventional finance. But even in the latter, which is very sophisticated, there are still problems of under-representation in senior positions."

She adds that the situation is not helped by an incorrect perception that individuals must be Muslim to participate, although they do need to understand Sharia law, as this inevitably reduces the talent pool.

Ms Wlazlo entered the sector herself in 2009 from a conventional finance background by taking an MBA in Islamic finance and switching firms to find an employer prepared to give her an opportunity and mentoring.

"There's no structured career path and no given formula to get into Islamic finance," she says. "It's still a bit niche and teams are relatively small, so it may prove a bit more challenging than getting a job with a standard litigation team, but there are opportunities if you're prepared to become an expert in your field."

Moreover, the perception that women are not welcome in the sector is simply untrue, she says. "Women always have to work harder than men to get to the same position, but I haven't found things any more difficult in Islamic finance," Ms Wlazlo says. "There are things you need to respect and understand, such as scholars won't shake your hand for Sharia reasons, but I haven't found it a particular challenge dealing with Sharia boards or Islamic finance bankers."

01
The Islamic finance gender balance in Malaysia is almost on equal footing, in no small part due to Dr Zeti Akhtar Aziz, the former first female governor of the central bank

02
Samina Akram, managing director of Samak Consultants, says a lack of talent is one of the major challenges facing the industry

Farmida Bi, partner and head of Islamic finance at global law firm Norton Rose Fulbright, believes that being in the industry since it first began taking off in 2002 has given her a "blank piece of paper" to "develop areas of law from the start", which as a lawyer is rare.

She acknowledges, on the one hand, that the sector still has to become conscious of the fact that women need to play an integral part in all fields whether as lawyers and accountants or Islamic scholars.

But on the other, she says the sector's relative youth means it is still "changing and morphing", particularly in relation to ethical finance. This means opportunities still exist to help shape it, she says.

"There are lots of different, new areas to explore such as fintech and Sharia-compliant impact bonds, so women shouldn't be put off. It's a new area with a huge way to go, so there are possible areas of interest for everyone," Ms Bi says.

To support women joining, as well as those already working in the sector, Ms Akram has set up the Women in Islamic and Ethical Finance Forum as an international networking group. Launched in 2015, it now has 8,000 members across 200 countries.

"While there still aren't huge numbers of women in the industry, what is changing is their level of visibility. As Islamic finance grows in profile, we're also finding a lot more non-Muslim women are being attracted by the sector's ethics and morals," she concludes. ◆

Commercial feature

Spreading the word of Islamic banking

People from all backgrounds can invest and get good returns through the ethical, risk-sharing structure of Islamic banking

The UK is the leading Western centre for Islamic finance and has good growth prospects. Over twenty UK banks offer Islamic finance services, which is more than double the number in the United States and far ahead of other Western countries. Five of these twenty are fully fledged Islamic banks, operating in compliance with the Islamic law, known as Sharia.

A 2017 report by TheCityUK estimates that assets in UK Islamic finance were more than $5 billion (£3.5 billion) in 2016. That is a tiny percentage of the trillions invested in conventional UK banks and the potential is huge given that more than three million, or around 4.4 per cent, of the UK population are Muslims, according to the latest census.

Agha Khan
Senior product manager and Islamic banking co-ordinator

This UK Muslim market is still relatively underserved, with room for more competition in Sharia-compliant savings, home financing and other financial products.

But Islamic finance is a rapidly growing sector globally and, as an international financial centre, the UK is set to benefit. The country has become a leading centre of Islamic finance education and training. It is also a centre of innovation and second only to Malaysia in the number of Islamic financial technology startup firms.

Many large UK infrastructure projects have already used Islamic finance in their funding and this is set to keep growing.

TheCityUK report also highlights how the UK's Islamic finance sector has benefited from supportive government policies. The challenge is to maintain its leading position in Islamic finance and to become a leader in setting international Sharia-compliant standards, it says.

Agha Khan, senior product manager and Sharia co-ordinator for UBL UK Ameen Islamic Banking, the Islamic window of United Bank UK, says the potential market extends beyond UK Muslims as a large percentage of Islamic banks' customers are non-Muslims.

'The UK market is growing and new products and services are being launched regularly," says Mr Khan. "Islamic financial products have a set of universal and ethical values that relate to everyone. Hence, if the service, price and benefits are competitive and meet with their values, people will opt for them whether Muslim or not.

"It is important to reiterate Islamic finance is not only for Muslims. As a bank we aim to support the needs of Muslims and non-Muslims alike through our Ameen Islamic Banking offering. But we have a strong track record with Muslims where adhering to the principles of their faith is a key driver for the choice of banking provider. They want a fully Sharia-compliant product, approved by a Sharia scholar.

"Sharia scholars apply their knowledge about Islamic law and scrutinise every aspect of our products and services, and ask us to evidence how we comply with Sharia law and avoid investing in non-compliant activities.

"For example, Islamic law forbids the payment and receipt of interest. Instead we work on a profit-share basis. To ensure that we comply, we have a Sharia compliance team that reviews our portfolio against our Sharia guidelines, this is then approved by our Sharia scholar and any inadvertent Sharia non-compliant income is diverted to charity. That means any income arising from a Sharia non-compliant transaction must not go to the Islamic income account of the bank or the customer."

Another factor driving growth is the ethical stance of Islamic banks, for example in excluding investments and financing in sectors that may have a negative impact on the environment and society, such as the adult entertainment industry, alcohol and firearms.

The latest *Ethical Markets Consumer Report* shows that assets in the wider UK ethical banking market grew from £9 billion in 2010 to £21 billion in 2016.

Adam Ginty, head of customer experience at United Bank UK, says Islamic banking products are set to continue benefiting from this rapid growth in ethical banking as awareness of the alternatives keep growing. "This is driving business from inside and outside the Muslim community," he says.

Mr Khan adds that Islamic banks' focus on prudence and sustainability has also been an attraction, especially since the 2008 financial crisis. "The nature of Islamic banking principles mean that the profit and loss linked to an Islamic banking facility shall be shared between the bank and the customer, and underlying investments must only be in Sharia-compliant assets. So there is shared risk, joint ownership and partnership in many of those Islamic products and services.

"This leads to Islamic banks having to take a longer-term view of any relationship in comparison to short-term gain, as has been witnessed in some conventional banking institutions in the past, potentially leading to a more positive outcome for our customers.

"Also we do not invest in or use speculative instruments such as derivatives, futures or swaps and other types of instruments or products that have been linked to the financial crisis."

Another strength of United Bank UK is its personal approach, with a network of community relationship managers who will meet customers either in-branch, at home or at their place of work, says Mr Ginty.

"They take the time to explain the products and services so customers can make informed decisions," he says. "For each home purchase or buy-to-let purchase plan, a person reviews every case, unlike other banks where a 'computer says no' approach is used. Many customers still want to speak to someone in a branch who can explain things properly. Not many banks do that now, but we build our bank around it."

United Bank UK has six branches in Glasgow, London, Ilford, Birmingham, Bradford and Manchester.

"We have a number of Sharia-compliant products suitable for most everyday banking needs," says Mr Ginty. "Many customers in the communities where we have a branch presence invest in our home purchase products for self-occupancy and buy-to-let purposes, and use our Islamic current accounts, fixed-term deposits and notice accounts to manage their day-to-day finances.

"United Bank UK has traditionally served the south Asian diaspora through strong links with our parent bank. However, as a UK incorporated and regulated bank, we continue to serve a diverse customer base and are continually evolving our products, services and online capabilities to ensure that we can continue to meet the needs of our customers."

As part of the bank's corporate sustainability and responsibility agenda, United Bank UK engages in a number of community outreach initiatives. For example, staff members provide money management talks and workshops in local schools to help the younger generations better understand how to manage their finances in later life. The bank also partners with two charities to help give back to its communities through volunteering and raising funds for community projects.

Perhaps the biggest obstacle to growth is awareness. Mr Ginty says many UK Islamic banks are small and lack the resources to raise awareness compared with conventional banks.

"There is an onus on UK Islamic banks to educate the market and we are doing that," he says. "For example, United Bank UK is launching an educational newsletter, which will drive awareness in Muslim and non-Muslim communities about the capabilities of Islamic banking."

Technology will help as it improves awareness of choice and access to products. "This will be an enabler for the Islamic market as people realise they have more choice than just the big high street banks now. They have more alternatives to find the bank that meets with their needs and aligns with their values," says Mr Ginty.

Mr Khan adds: "As awareness of Islamic banking grows and it becomes less niche, the product range could expand. For example, we could see more Sharia-compliant financing vehicles for businesses come into the market. Also international banks from Muslim-majority countries are investing more in the UK as they see opportunities for growth. They want Sharia-compliant investments. So this will develop the larger-scale end of the market."

But most importantly, awareness needs to grow that Islamic banking can offer people the opportunity to invest and get good profits through the ethical, risk-sharing structure of Islamic banking, with the security of the Financial Services Compensation Scheme, he concludes.

> "We do not invest in or use speculative instruments such as derivatives, futures or swaps and other types of instruments or products that have been linked to the financial crisis

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SUKUK

Financial device set to take off in the West

Islamic law prohibits *riba*, or interest, therefore prohibiting traditional Western debt instruments as investment vehicles, but the *sukuk* is used to link borrowing with the purchase of a specific asset

Simon Dawson/Bloomberg via Getty Images

MUSHTAK PARKER

The global *sukuk* market is poised for exciting new developments, not only in its traditional Middle Eastern and Asian markets, but also in the UK, the acknowledged Western hub for Islamic finance.

Supply of *sukuk* has been driven primarily by the entry of Saudi Arabia into the market in 2017, Malaysia's pioneering socially responsible *sukuk* investment strategy and, more recently, the world's first three green *sukuk* issuances. In addition, there is a continuing spate of government participants, such as Saudi Aramco and Emirates Airlines, and corporate issuers, both repeat and new entrants.

On the demand side, *sukuk* is now an established financial instrument for financing government budget deficits and liquidity management of Islamic financial institutions, corporate refinancing of existing debt and business expansion. This boosts bank capital and liquidity, under Basle III provisions, financing infrastructure, especially in renewable energy, transport, healthcare, and oil and gas sectors, and in social finance to fund education and vaccination programmes, as well as monetising *waqf* (trust) assets for the benefit of the community it serves.

> "Support for Islamic finance is a perfect example of our ambition to promote London as the financial centre of the world

Sukuk is also issued to serve as an investment instrument for retail, and high-net-worth and institutional investors. It is an essential component of a mixed Sharia-compliant investment portfolio together with equities and real estate.

Market traction in 2017 saw primary *sukuk* issuances touch $100 billion compared with $88.28 billion the previous year. This figure could top $200 billion in 2018. In February, the Saudi Ministry of Finance, for instance, issued its eighth consecutive domestic *sukuk* ($1.93-billion tap issuance) bringing the total Saudi domestic *sukuk* issuance to a staggering $19.07 billion for the period July 2017 to February 2018.

Saudi Arabia issued its maiden international $9-billion *sukuk* in 2017, with another offering due this year, thus bringing the total volume of sovereign *sukuk* issued by Riyadh between April 2017 and February 2018 to $28.07 billion.

Also in February, Indonesia issued the first sovereign green *sukuk* totaling $1.25 billion, the proceeds of which, according to the Indonesian Ministry of Finance, "would be used to invest in environmentally friendly projects such as renewable energy plants, green tourism and waste management".

Similarly, Mali became the fourth Central Bank of West African States (BCEAO) member country after Senegal, Ivory Coast and Togo to issue a debut *sukuk* raising $285 million.

Dr Bandar Hajjar, president of the Islamic Development Bank (IsDB), the 57-member multilateral bank with a subscribed capital of $33 billion, would like to see *sukuk* become a common feature in the global market.

According to Dr Hajjar: "We have a real opportunity to realise the potential of Islamic finance and build a truly global marketplace, starting right here in the UK. Although the international *sukuk* market is in its nascent stages, there is enormous potential for growth. I truly believe that *sukuk* can change the world for the better; for investors, but also for the billions of people who benefit from the growth it drives."

Sukuk has already made an impressive economic impact in infrastructure and more recently in green *sukuk*. These range from financing refineries, roads, hospitals, power stations and housing, among others. The G20, International Monetary Fund, World Bank, and the Basle Committee for Banking Regulation and Supervision have all recognised the potential and promotion of *sukuk* in financing infrastructure in Africa, Asia and the Middle East.

The IsDB alone has so far earmarked $2.5 billion of development finance for projects in member countries in 2018. In March, it mandated eight banks to arrange roadshows for its latest benchmark *sukuk* offering under a $25-billion programme.

Malaysia set the pace with the world's first two green corporate *sukuk* in 2017, the proceeds of which will fund the construction of solar power plants in Malaysia. They were issued by Chinese-owned companies under the socially responsible *sukuk* framework, established by the Malaysian Securities Commission in 2014.

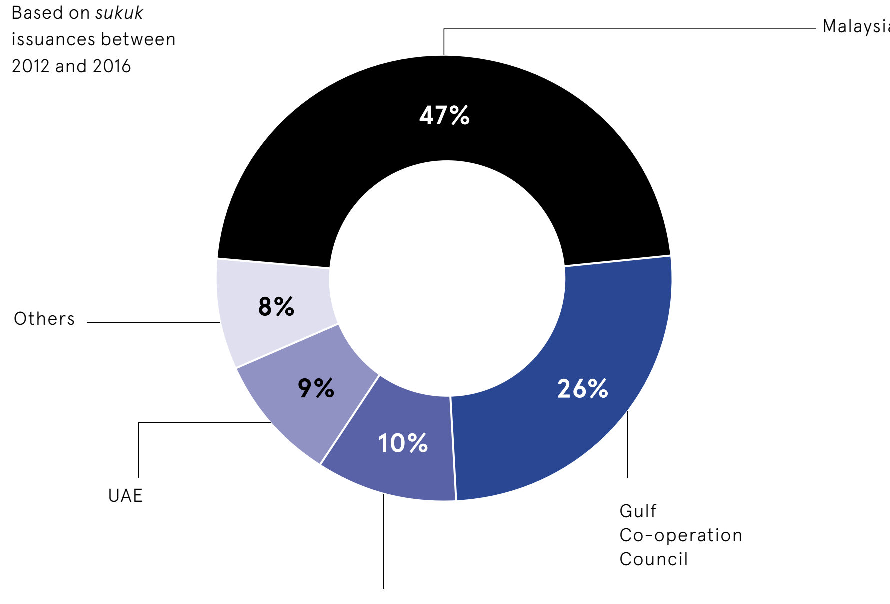
The IsDB's ambition to globalise *sukuk* has been met with equal gusto by the UK's Treasury economic secretary and City minister John Glen, who says: "Britain is open for business and our support for Islamic finance is a perfect example of our ambition to promote London as the financial centre of the world. We're already recognised as the Western hub for Islamic finance and we're committed to ensuring this continues."

Sukuk has had a big economic impact in infrastructure, from financing refineries, roads and hospitals to power stations and housing

As such the £250-million debut *sukuk* issued by the UK-authorised Al Rayan Bank in February puts down a number of important markers. It is the largest sterling *sukuk* to date, the first bank in the world to issue a public *sukuk* in a non-Muslim country and the first Sharia-compliant residential mortgage-backed securitisation in the UK.◆

Global sukuk issuance by region

Based on *sukuk* issuances between 2012 and 2016



Dubai Islamic Bank 2017

Insight

What is a sukuk?

A ***sukuk*** is an Islamic financial certificate, similar to a bond in Western finance, but which complies with Islamic religious law, or Sharia. Since the traditional Western interest-paying bond structure is not permissible, the issuer of a ***sukuk*** sells an investor a certificate and then uses the proceeds to purchase an asset, of which the investor has partial ownership.

OPINION COLUMN

‘The challenge for Islamic finance is to evolve products that prefer innovation over imitation’

Late-2007 saw the first run on a British bank in living memory with various scandals severely damaging the trust and reputation of banks. Subsequently stakeholders across society started demanding a more socially responsible, ethical and systemic stable form of banking.

At the same time the Islamic finance industry, a faith inspired form of ethical banking, was enjoying unprecedented growth. Mainstream analysts looking for alternative models were intrigued how Islamic banks had avoided the sub-prime crisis.

Ironically, a parallel discontent was growing within the Islamic finance industry. The early pioneers had sought to create Islamic alternatives to existing conventional banking products. However, their success was now fuelling introspection whether the sector had become overly engineered by focusing on the letter of the law as opposed to the spirit, or *maqasid*, and ignoring its ethical basis.

Reflecting on this in 2010, the UK Islamic Finance Council (UKIFC) began a pioneering journey to explore and co-ordinate the contemporary ethical finance market, identifying areas of synergy with Islamic finance.

While there is no universally agreed definition of ethical finance, it is generally employed as an umbrella term covering areas such as environmental, social and governance criteria, socially responsible investment social impact funds, green bonds and sustainable finance, among others. The common theme is in addition to profit, non-financial factors impacting broader society are considered.

There has been a recent trend towards positioning Islamic finance within the umbrella of ethical finance. For some, Islamic finance principles are intrinsically interwoven with ethical finance values. Others argue that Islamic finance is clearly demarcated, regulated and has standard-setting bodies promoting a consistent global approach, which is not as present in the wider ethical finance sector.

Another school of thought questions whether Islamic finance is ethical by reference to the *maqasid* because of the creation of synthetic products using a “form over substance” approach to replicate the economics and risk profile of conventional products.

Recently, UKIFC ran a conference critically reviewing the ethical credentials of Islamic finance. Participant feedback highlighted that 80 per cent believe Sharia Supervisory Boards are not doing enough to ensure Islamic finance products meet both the spirit and the letter of the law, and 75 per cent of respondents felt Islamic finance providers do not meet their ethical aspirations.

While some argue that Islamic finance should be seen as distinct from the wider conventional ethical finance space, on closer inspection there appears more in common than divides. For more than eight years, the UKIFC has run ethical finance roundtables in Edinburgh which have highlighted this. In 2013, the UKIFC held a multi-faith ethical finance roundtable with the Archbishop of Canterbury which concluded that while there are differences in approaches to finance among the Christian, Jewish and Muslim faiths, there are very large areas of commonality.

Building on this, in 2016 UKIFC launched the world’s first joint venture in ethical finance between the Islamic finance sector and the Christian Church via the Church of Scotland. It aims to create a practical ethical finance solution available to everyone, regardless of religious or ethnic background and inspired by the shared values between the faith traditions.

The legal maxim that frames Islamic finance is everything is permissible (*halal*) except that which is specifically deemed impermissible (*haram*). Considering the global ethical finance market is valued at more than $22 trillion compared with the Islamic finance industry being valued at around $3 trillion, coupled with the significant convergence and shared values, the prize is clear.

The challenge for Islamic finance stakeholders is to evolve a next generation of products that prefers innovation over imitation and genuinely aligns with the highest ethical principles that are shared by so many.

Richard de Belder
Advisory board member
UK Islamic Finance Council

AFRICA

New frontier for Islamic banking

The continent where Islamic banking was launched holds great potential which is now beginning to be realised

Joerg Boethling/Alamy Stock Photo

Gulf African Bank is set to launch a Sharia-compliant banking service through M-Pesa, Vodafone and Safaricom's popular mobile money-transfer service in sub-Saharan Africa

SARAH RUNDELL

The first modern-day Islamic bank was founded in 1963 in the dusty aluminium town of Mit Ghamr, 80 kilometres north of Cairo. The Mit Ghamr Savings Bank offered the usual loan and deposit facilities for local farmers and businessmen, but via a profit-and-loss-sharing model rather than charging or paying interest, forbidden under Sharia law. It also specialised in micro-finance and community projects, until it folded four years later.

Since that inauspicious start, Islamic banking has grown to become an important part of the global banking industry, forecast to reach $3 trillion by 2020. It's growth mostly driven by demand from Muslim populations in Asia and the Middle East for financial products that not only don't use interest, or *riba*, but have other Sharia-compliant characteristics. These include physical assets underscoring transactions, and avoiding investment in sectors such as alcohol and pork.

Now this growth is also being fuelled by demand from Africa's 250 million Muslims in the continent where Islamic banking first put down roots 55 years ago.

Regulatory body, the Islamic Financial Services Board (IFSB), valued sub-Saharan Africa's Islamic financial services industry at $30 billion in 2017. Much of that growth has come from African governments issuing sovereign *sukuk*, or Islamic "bonds", to finance costly infrastructure. Countries from South Africa to Nigeria and Togo have issued *sukuk*, which have been snapped up by Middle East and Asian investors with a glut of savings looking for Sharia investments. In 2016 African governments issued $1.3 billion in Islamic bonds.

As the *sukuk* sector has taken off, so a continent-wide industry serving businesses and retail clients with Sharia-compliant products is beginning to be established. One hope is that Islamic finance could help extend financial services to Africa's unbanked. The World Bank estimates as many as 350 million people don't have a bank account in Africa, with countries home to large Muslim populations having the highest level of unbanked.

Banking champions, such as the National Bank of Egypt, FinBank of Nigeria, Absa Bank of South Africa and the First Community Bank of Kenya, have set up dedicated Islamic "windows" through which to offer Sharia-compliant products. South Africa's wealthy can now invest with Sharia-compliant asset managers and Nigeria Jaiz Bank, Nigeria's only dedicated Islamic bank, illustrates the potential of the market with healthy growth in profits.

> **A lot of money looking for a home from the Middle East is behind the growth of the sector in Africa**

Kenya, where 15 per cent of the 50-million-strong population are Muslim, has one of the most developed Islamic banking sectors in Africa, boasting three Islamic banks, licensed *takaful* or insurance businesses and a recently obtained membership of the IFSB. "The region's huge Muslim community represents low-hanging fruit for Islamic banks," says Onyango Obiero at Dubai Islamic Bank in Nairobi.

Mr Obiero, who heads up small and medium-sized enterprise (SME) banking, says Sharia's joint-ownership model particularly suits financing Kenya's fast-growing SME sector where underlying, concrete assets support loans and financing. "We finance machinery and trucks, and have become a player in the transport and construction sectors. We also provide trade finance, lending against stock and helping traders with their working capital," he says.

But Islamic banks face the same challenges operating in Africa as traditional lenders. Sharia-compliant or not, banking requires things like collateral, property titles and documentation that many people don't have, says Mr Obiero.

For bank customers with only a few, small transactions, the fixed costs make it too expensive. Many people live far away from their nearest bank and still prefer to borrow from family and friends, and keep their money under the mattress, rather than use formal financial institutions. It's one explanation for the fact that countries such as Senegal and Niger, where most of the population is Muslim, have only one Islamic bank each.

Moreover, much of the sector's growth to date has been supply driven from Middle Eastern and Asian investors, rather than home-grown demand from African consumers. As investors from the Middle East have sunk money into sovereign *sukuk*, so it is banks from the Middle East that have put most of the capacity-building resources into the sector, says Thorsten Beck from London's Cass Business School. "You have to bear in mind that a lot of money looking for a home from the Middle East is behind the growth of the sector in Africa," he says.

Growth could also be limited in countries such as Kenya and South Africa, where Muslim populations are smaller. Yet Mr Obiero believes the Sharia banking model gives it a transparency and fairness that rivals conventional banking and will extend its appeal beyond an Islamic identity. "It can be for Hindus, Christians and unbelievers – the most important thing is the product," he says.

Political instability is another potential problem. Many countries have been cautious about actively pushing the sector in case it stokes existing religious tensions. Nigeria, fighting Islamic terror group Boko Haram in the north, only has one Islamic bank and two with Islamic "windows". It's a banking sector still dominated by traditional lenders despite Nigeria's 80-million Muslim population.

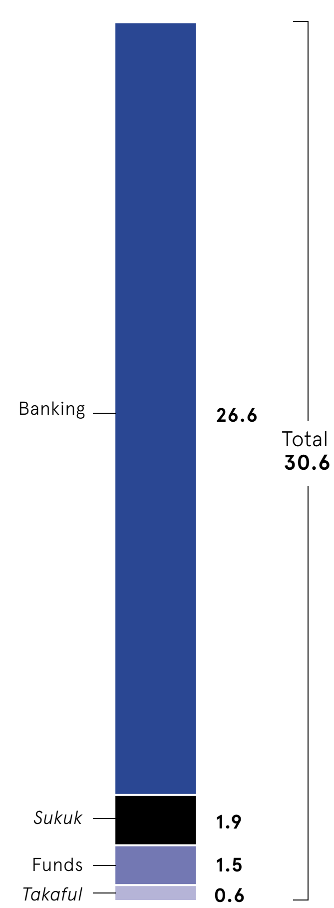
But Professor Mehmet Asutay from Durham University Business School believes the swathe of sovereign

34%
of adults across sub-Saharan Africa do not have a bank account, while 16 per cent have formal savings

World Bank

Islamic financial services market in sub-Saharan Africa

Based on the value of assets by sector ($bn)



Islamic Financial Services Board 2017

sukuk issues is indicative of increasing government support for the sector. "A sovereign *sukuk* provides legitimacy from the state," he says.

Slowly but surely governments are building the regulatory framework the sector needs. Kenya recently introduced important changes to its stamp duty and VAT regulation to create a more level playing field between Sharia and conventional products. Explosive growth at Nigeria's Jaiz Bank is linked to the government giving it a licence in 2016 to operate in all Nigeria's 36 states. Elsewhere Uganda's Central Bank is preparing Islamic banking regulation.

Innovation could provide a key to the sectors growth too. An example is Kenya's mobile operator Safaricom and Islamic bank Gulf African Bank's plan to launch M-Sharia, a Sharia- compliant banking service through M-Pesa, Safaricom's mobile money service.

Success in Africa's small, emerging economies could also include offering more of the services that Egypt's Mit Ghamr Savings Bank pioneered back in the 1960s, according to Professor Asutay. Micro Islamic finance products and community finance, which clearly connect to Africa's real economies and the volatile and vulnerable finances of ordinary people, would trigger more growth. "Africa needs capacity-building and financial empowerment on the ground," he concludes. ◆

PIUS UTOMI EKPEI/AFP/Getty Images

Case study

Nigeria

Islamic banking could grow faster in Nigeria than any other African country. According to the Washington-based Pew Research Centre, by 2030 there will be 116.8 million Nigerians practising Islam, up from 75.7 million in 2010, and by far the largest increase in sub-Saharan Africa.

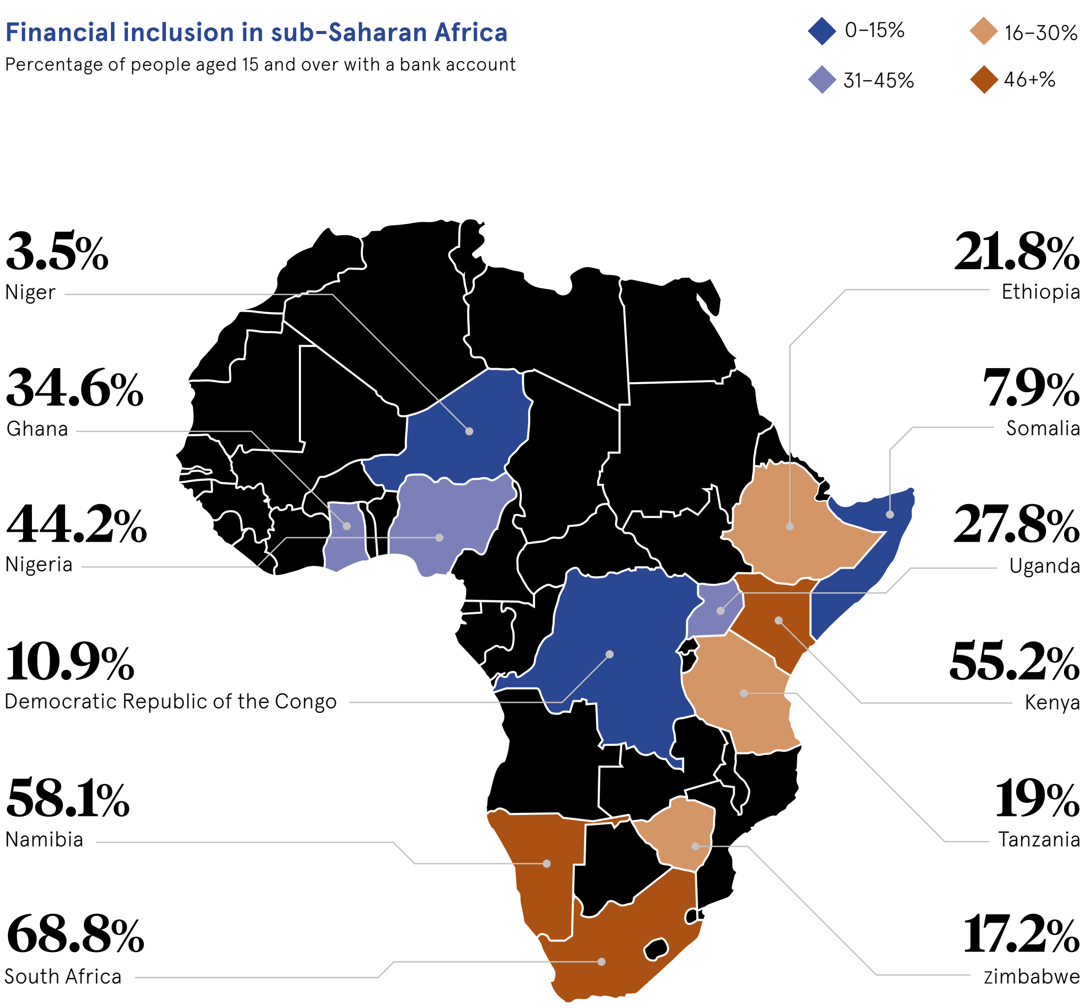
Nigeria passed laws governing Islamic banks in 2009 and the Nigerian central bank now has an advisory council of experts that oversees the sector. The Security and Exchanges Commission has issued guidelines for Islamic fund management and *sukuk*, and PENCOM, the national pension commission, is finalising its investment guide for the sector.

The country has one fully fledged Islamic bank, Jaiz International, which has been operational since 2012 and received a licence from the central bank to operate nationally in 2016 when the bank grew its assets by 28.4 per cent.

Traditional banks, including First National Bank, Absa Bank and HBZ Bank, offer Islamic finance "windows" alongside conventional services. Four institutions, Lotus Capital, Sterling Bank, Stanbic IBTC and Cornerstone Insurance, now manage Sharia-compliant assets. Lotus Capital has diversified Islamic offerings with a halal share index and exchange-traded fund.

Financial inclusion in sub-Saharan Africa

Percentage of people aged 15 and over with a bank account



World Bank, data accessed 2018

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