

## DUBAI ISLAMIC ECONOMIC ROUNDTABLE SERIES 2014 – 6

# Human Capital through Certification and Accreditation

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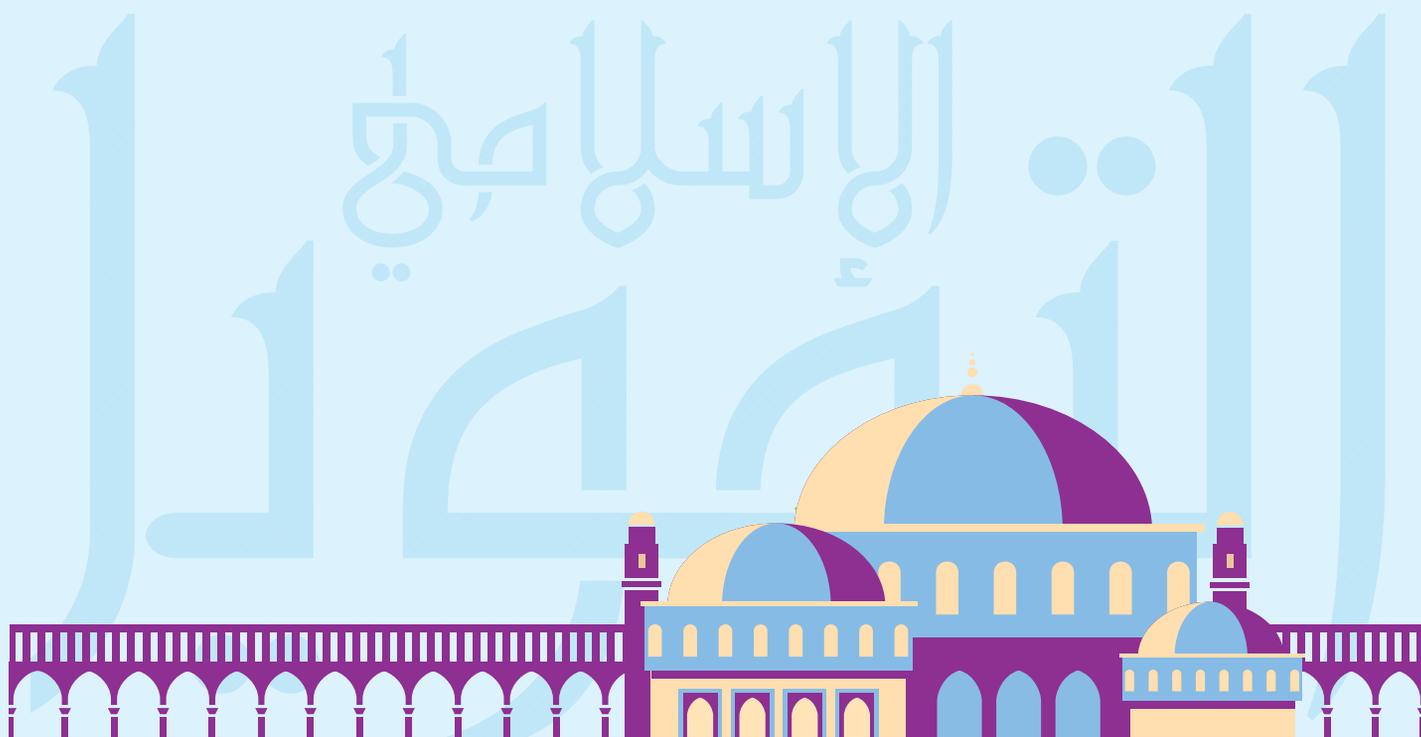
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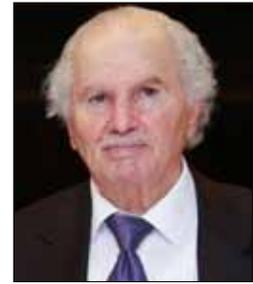
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**Dr Noel Tagoe** is a chartered management accountant. Prior to joining CIMA he taught at University College Dublin (UCD) in Ireland and the universities of Manchester, Reading and Oxford. He has also held senior accounting and strategy positions with BP and Elf Aquitaine (now part of Total Oil) in Africa. Dr Noel established and led KPMG's financial advisory consulting practice in West Africa for three years. He was previously Head of Research and Development at CIMA.

**Dr Eddy Chong Siong Choy** is a former academic professor and deputy vice-chancellor for Academic Affairs and Research at Linton University College, Malaysia. He is a certified trainer, having undergone the Certified Training Professional program under the Chartered Institute of Personnel and Development (CIPD), UK. Dr Chong's wealth of experience gives him unique insights into accreditation policies and practices, and it is this thought leadership that finds him in high demand as a speaker and advisor. Seated on the Malaysian Qualifications Agency's panel for both academic programs and individuals through Accreditation of Prior Experiential Learning since 2009, and more recently as the chair of the Panel of Experts in the development of academic program standards for Business Studies, Dr Chong is well-versed in the development and practical application of accreditation.

**Yasir Mustafa Osman Ourtashi** has over 13 years of core experience in learning and development functions and the implementation of new initiatives to enhance productivity and performance. Formerly with Oman International Bank and HSBC, he joined Emirates NBD as a senior manager for learning and development in 2003. In August 2013, he became the head of training for Emirates Islamic Bank, where he is responsible for managing the bank's learning functions.

**Dr Ali Al Sadik** is one of the leading economists in the Gulf region. Currently senior economist and project manager at the Dubai Economic Council, Dr Ali was formerly a senior staff at the Arab Monetary Fund, where he held senior positions during 1979- 2004 of which: the director of the Economic Policy Institute; research supervisor; member of the Investment Committee, and Loans Committee.

# Human Capital through Certification and Accreditation

**The search for human capital poses significant challenges to organizations faced with the need for global managers with international experience, and qualified specialists with multi-functional expertise. Organizations must consider investing in human capital as a strategic target and an essential requirement for future success.**

A group of the foremost industry experts in the field of training and accreditation recently gathered at the Dubai International Financial Center (DIFC) under the aegis of IFN and the Dubai financial authorities to discuss the current and chronic gap in the provision and training of human capital for the Islamic financial services industry; evaluate the value of certification

and accreditation; and identify what steps can be taken to address this need and evolve new and more effective platforms for qualifications going forward.

Islamic Finance *news* was proud to bring together the exceptional industry knowledge, experience and analytical judgment of leading industry players Dr Noel Tagoe, Dr Eddy Chong, Dr Ali Al Sadik and Yasir Mustafa Osman Ourtashi. With representatives from multiple countries and some of the sector's premier educational agencies, financial institutions, training providers and economic organizations, the discussion was characterized by its eloquence, insight and invaluable analysis of the current situation.

**IFN:** We are delighted to have a very diverse panel with us today, with excellent representation from all sectors, so we should hopefully be able to make some good progress. Perhaps the best way to start would be to try and identify the actual size of the human capital gap that the industry is facing at the moment, and how is this impacting its growth and development? And can I pass that straight over to Dr Eddy.

**Dr Eddy:** Thank you very much, and thanks to the panel for being here as well. I would also like to express our appreciation to IFN, for gathering us here today to discuss the various issues on talent development in the Financial Services Industry, particularly Islamic Finance.

To answer the question, I would like to start with the recent study conducted by FAA which demonstrates an acute shortage of professionals across different levels – from entry to middle and senior levels. I believe this is a global phenomenon. Our statistics show that the shortage for skilled talent is significant not only in Malaysia, where the industry is in need of 40,000 new professionals – but in Indonesia, which has a shortage of 17,000. Similarly, UAE has a plan to create around 7,800 jobs in the next year or so. This is a critical challenge for the FSI practitioners, as lack of talent will impede the growth and development of the industry.

In terms of the discussions held at the IFN Global Forum over the last two days, we note that there has been an impressive growth in the industry. Dubai, especially endeavors to be an Islamic hub in the next couple of years, while Malaysia has already established itself as the Center for Islamic Finance. Bahrain and Qatar are also pushing for a similar agenda. Irrespective of the priorities of these countries, the lack of talent will be a big impact on how the industry is growing. Yesterday in my presentation at the IFN Forum I shared some of the key issues of a large Islamic finance talent pool and its implications on the industry. For instance, many conventional practitioners are assigned Islamic finance roles, but are given limited training. Many of the practitioners lack specific Shariah knowledge, especially applied Shariah. The areas we can expect to see grow in the near future are liquidity, Sukuk, Takaful and the capital market. Hence we need people to drive this growth.

**IFN:** Speaking of these specific skills that we are missing – Yasir, you are a practitioner with a bank on the frontline of this battle and you see these people every day – in fact, you train them! So what are the core skills they are missing – can you identify the biggest issues that you experience in your role?

**Yasir:** Thank you very much. I would endorse the fact that there is a shortage in the specific space of Islamic banking; in fact, I would expect the gap to be wider than it was presented. What we have seen over the last years is that there are three major issues: quantitative, qualitative and structural in nature. The latest one is more important, as in many cases we have a lot of people in the workplace who have been employed with the wrong set of skills. Many organizations are sometimes forced to do that because of the scarcity of resources, they cannot get exactly what they are looking for. So this is a



Noel

third dimension to the problem – we had quantitative, and qualitative, and now you have structural issues and these need to be fixed very quickly.

**IFN:** So how can they be fixed – do you have any suggestions as to what can be done to address these?

**Dr Ali:** Well in terms of the second issue, looking at this shortage. In general, we have a shortage in the banking sector as a whole. We have it in the conventional sector as well. And what kind of shortages do we have? We need people to be interested to work in banking institutions. But in the Islamic sense, what we need to define is the type of shortage. For example, if you need someone to tell you whether something is Shariah compliant or not, you have plenty of people who will do that.

**Yasir:** Yes, very true.

**Dr Ali:** And also, they don't have a common criterion. They have separate criteria. So we have a shortage in the banking sector in general, and we have lack of skills, and also in the Shariah compliance area we have people who can do this but they do not share the same skills or criteria or standards, so there is no consensus. So it is an extremely difficult situation. But it can be amended. Why do I say this? Because while we see growth globally and in our region, there are still plenty of unemployed. And not only that, but there are high numbers of unemployed university graduates. So with planning and with coordination, we can ameliorate the situation – by retraining these graduates, into whatever traditional or Islamic finance skills you need.

**IFN:** Interesting. I think you made two points there, and the second one is something it would be good to refer to Dr Noel on, in a few moments. But before we do that, going back to your first point: can we try to identify the specific skill set that you think is actually lacking? Can we break it down – what do they need that they currently don't have?

**Dr Ali:** In general, but especially in the Islamic sector, the most important is risk management. This is important for the conventional banking business too, but for Islamic banking it is paramount – what are the risks, and how can we manage them. (General expressions of agreement).

**Dr Noel:** I agree. And I think that in Islamic finance, there

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are two issues related to risk. There is the normal risk which comes with conventional finance, such as liquidity risk, default risk, currency risk, etc. And then there is another dimension of risk to which Islamic finance is particularly exposed. Conventional banking passes on risk to people. In Islamic finance the providers of funds share risk with those they provide funds to. So you need to determine the risk exposure of the organizations that you are in funding partnerships with. And that is quite significant. It is the whole notion of risk arising from different areas of operations. There are the risks that people need to understand that come from the economic environment, but there are also risks that align with the industry, that people are dealing with – financial risk. And getting people at different levels in organizations to appreciate this, and then to know what to do with the risk – that is the challenge. It is one thing knowing what the risks are – and another thing knowing what mitigations can be put in place and how those mitigations will roll out. That is why people have to understand their own risk capacities, risk appetite and risk tolerance. To bring that into play in a financing arrangement is quite difficult and I think that this is one of the places where there is a huge lack of knowledge.

**“ Many conventional practitioners are assigned Islamic finance roles, but are given limited training. Many of the practitioners lack specific Shariah knowledge, especially applied Shariah ”**

I would also identify product development as another area. Looking at the range of products on offer, there hasn't been a lot of innovation so far. Essentially what I am seeing are bolt-ons to conventional products - an Islamification of conventional products. I don't know if that may be because of a lack of common standards between Shariah boards and scholars, both across jurisdictions and within jurisdictions, that is holding this development back. I also don't know whether perhaps sometimes a lack of clarity in the regulatory environment might also be an issue. But I do know that what we face, in terms of conventional finance regulation and innovation, is that the two are not necessarily opposed to each other. I can give you the example of a car. If you ask people: which car would you drive fast? A car with no brakes, but a good accelerator – or a car with good brakes and a good accelerator? The regulatory system acts as a brake, while the accelerator is innovation. But you would hardly drive a car without brakes at a very fast pace – you would go slow. But if you trust your brakes then you can go as fast as possible, without necessarily having to use them. That to me is symptomatic of the situation. If you have clarity in the

regulatory system, where people know the rules of the game, they know how to play and they know the boundaries – then they learn very quickly how to develop innovative products as the global economy changes, and as the demography changes – not only in terms of age but in terms of spending power, in terms of spread, in terms of the connectivity around the world. These are some of the things that I would like to see in Islamic finance.

**IFN: So do you think that if we had a deeper, more comprehensive Shariah banking education, we would see more product innovation?**

**Dr Noel:** I think it needs to be attached on different levels. In the fields that relate to the regulatory environment, you need people that are experienced enough in regulations and understanding how to tie these systems together so that they aid but do not impede progress. That's one. And then the industry grows up around it – so the accounting industry, for example: the work that AAOIFI does, you need people with those skills to do that, and then people who understand what they are doing to interpret it in the right context. Our view at CIMA is that in anything that you do, you need both technical skills and contextual knowledge. And the two are deeply embedded together. But often what you have is someone with the technical skills, but with very little knowledge about the context is. In the case of Islamic Finance one of the primary context is the Shariah regulatory environment. And then on the other hand, you have people with Shariah knowledge, who lack an understanding of the technical aspects. And what people need is an integration of the two. And in terms of university curriculae – what we do is primarily, we look at the latest research and incorporate that into our courses. We do not have an industry focus, necessarily. But currently, in any curriculum development work that I lead, I have four steps that I take. The first is: what does the industry need? Once you know what they need, then you can ask yourself: what is the performance that is required, to meet this need? And once you know that, then you can identify the competencies that will give you that performance. And then the final step is to design a course that provides those competencies. And unless the industry and educators begin talking together, you will find that there is a continuation of mismatched expectations, and the gap will continue.

**IFN: So it's a question of communication?**

**Dr Eddy:** Yes, exactly. Our research, observations and discussions with the industry tell us that this is the problem. There is a serious mismatch between what the industry requires and what the universities produce. We have been listening to both parties. On one hand, universities come to us and say: it's not our responsibility to develop 'job-ready' graduates. So if we say that an academic qualification is not to produce job-ready graduates, then are we suggesting that professional qualifications should be in place to replace academic qualifications? Then on the other hand, the industry has been telling us that they are ready and willing to help universities shape the curriculum. But practitioners bespoke programs that would prepare graduates for employment in banking or in Takaful companies. But then we are told by the universities that the curriculum cannot incorporate specific

practices. It has to be generic. So universities must ensure that students get fundamental knowledge first. But once that is understood, you must also take into consideration the latest trends and developments. Generic areas such as tax, regulatory frameworks, structure are necessary – but we also need to look at how the industry can participate and do some form of quality check or coaching.

This has been a big challenge as many industry participants do not have very high academic qualifications. However they have incredibly huge industry experience. And many quality assurance agencies require lecturers to have a qualification one level above than what they are teaching. This may be more flexible in the professional environment. But in many other countries, you need an MA to teach a BA, for example. In certain sectors of the industry, this is less of a problem. But in areas like Takaful, some Takaful agents are immensely experienced and have been in the industry for more than 20 years, but have only an A-levels qualification. However they can be more knowledgeable than someone with higher qualifications. How can we get them to teach in a university? That is the challenge.

**IFN: Is this where perhaps there is a gap between university education and where accreditation and certification comes in - which is what we are looking at today? Perhaps in terms of ongoing professional education, rather than initial academic qualifications before you enter the job market – what can be done to supply that to the industry? Yasir, what would you like to see on this front: is there a need for that?**

**Yasir:** Yes, absolutely. A couple of points – the first is about what are the right qualifications for Islamic bankers? This is a simple question and it has a simple answer. There are two parts to it: We need bankers and we need people who understand Shariah principles. In Arabic, we have Masrifi which means banker, and we have Faqiha which means scholar. Today, there is no debate about the importance of both qualities; however, as per the recent researches more and more Islamic bankers lack one of the two qualities. The main reason is that there is not enough supply of people in the market who possess both qualities to meet the increasing demand on a continuous basis. So what seem to be a good solution is to take people with conventional banking experience and teach them Islamic banking principles (Because it is too risky to have a banker advising on the Shariah-aspects of technical risk management, the treasury products or corporate products, who have never done this job before). Unfortunately, this approach has aggravated the problem and resulted in a lot of confusion and reputational risks for some organization. I should also mentioned that recently, we are starting to see a few young scholars who also have core banking skills come in to the main Islamic banking stream, but there are not enough. That is the dilemma, and that is what international Islamic bodies need to focus on - encouraging educational institutions to come up with new degrees/ learning options to meet that huge gap in qualification.

The second point is about the mismatch between the university graduates and the expectations of the employers.



Eddy

This is again a big problem. I read a recent study to measure the readiness of graduates to join the workforce. The education providers were 80% confident that their students were equipped to join the workforce; 55% of students were confident that they were ready. And then they asked the employers, and only 25% thought students were ready! I think that all these stakeholders are operating in a parallel universe. They need to sit down and at least understand what employers are expecting from the young graduates applying for a job. When graduates come to the workplace, we need someone who understands the theory; so that we can show him the relevancy to the respective industry/ profession; second we need them to know the basic work skills, so that we can build and expand on these skills to ensure they are able to perform; and finally we expect basic understanding of the work environment (gained from internships, for example), so that we can place them next to an experienced staff member to observe and learn without any difficulties.

The real-life scenario is that most of the employers are complaining that today graduates lack all the above three prerequisites, so they are demanding that they forget about the experience side, but at least ensure that they are getting the basic knowledge required for their future work and this can only be achieved by more collaboration between universities and industry and forming partnership models, as is happening in other countries.

**Dr Ali:** This is a very complex problem. And I think personally, that the employers are to blame, the government is to blame, and the universities are to blame. It is not the students. The students are the victims! [Laughter]. They need advice, they need assistance. When you go to university, you study but you don't necessarily know where you want to go or what you want to do. This is a problem that we have identified, and we need to find a solution. I think in Canada, they have achieved a partial solution. They have what they call 'Future Jobs' whereby they forecast for the next five, 10, 15 years the kinds of jobs that the economy will need, and they announce it to the universities and to the population, so that people know what they should be focusing on and where they should concentrate in order to maximize their chances of employment. This is about sustainability. The government is trying to decrease employment uncertainty.

**Dr Noel:** And Singapore does something pretty close to that as well, I think. The notion that a university education does not or should not prepare people for work is what I would

call a 15-18th century notion of education. I ask people: would you go to a doctor, who knows the theory and cannot practice it? Would you sit in a plane with a pilot who only knows the theory of how to fly? That is the English system of education. If you go to Germany, on the other hand, the education system has a very close relationship with the workplace. What England chose to do was to separate two types of skills – cognitive skills and motor skills. So those who are good at motor skills go towards a vocational system – you are taught to do, and not to think. And then for those who they believe have high cognitive skills are taught to think and to go down that path. But I don't think these two skillsets should be separated. You've got to learn what to do, how to do it, and also why you are doing it. If you split that, you end up with a person who is not well-rounded. I do not think there is any human being who is not able to think, or who does not understand an explanation of why they are doing something or why they are being taught something. So in terms of research, when we do our research at CIMA now we ask three questions: what is our research and why, how are we doing it, and what are our findings. But we have added on two further questions: what are the practical implications of the research, and then we ask: now what? So if we define the practical implications for risk management, then we say – now what? Give me a tool that I can use to do that with. And that is how we can move things forward. So I am not so sure that universities can't do that. We are encouraging universities to move towards that.

But I do agree with you, Dr Ali, that we need to bring the classroom into the workplace – and we need to bring the workplace into the classroom so that there is a symbiotic relationship where they feed off each other. Practice will stay idle without universities. What the universities bring to the table is to make practitioners reflective of what they are doing. You can do things without thinking about why. And I see that you have very experienced people who cannot teach at university because they do not have the appropriate academic qualifications. But at Oxford for example, you don't need a PhD to teach a PhD – you just have to have a body of knowledge. You don't need a degree to be able to impart knowledge. You just have to have the knowledge, and have the ability to impart it! One of the things that we started doing about 10 years ago: is we get experienced people who have been working for a while, to come back and to reflect on their experiences with us. And what they do is teach the rest of us – this is what I've done, this is how that works. And we try to connect with that.

Governments have a huge role to play in facilitating this and in shaping the future labor force and brokering the relationship between academia and industry. Because they have two different roles to play – they have different sets of logic, different goals, different language. The government needs to build the links between them.

**Yasir:** And in response to that, on the employer side, several of the big companies have started creating their own educational institutions, their own universities. That is a natural reaction when they are unable to get the candidates they need. So you have people starting their own internal training centers in order to achieve the quality that they need. So they get the trainers, but they also get their line

managers, their practitioners, to come in and teach. And they find that is much more effective. The other material issue is the fact that now the employers are not going to take Islamic finance graduates into their workstream. They will take skilled graduates from other fields, other disciplines – or even school-leavers - and put them into their own training programs. They will be a better employee than graduates coming in from four years of relatively useless training.

**“ Areas we can expect to see grow in the near future are liquidity, Sukuk, Takaful and the capital market. Hence we need people to drive this growth ”**

**Dr Eddy:** FAA echoes the current challenges regarding academia vs professional qualifications. I am inclined to believe that in a global context, it is not just something specific to state institutions. In Malaysia, for example, we have accredited both government-owned and private university programs. On one hand, there is a tendency to regard private institutions as more dynamic, compared to government institutions due to obvious reasons, i.e. private institutions need to strive harder to survive in a more competitive environment. Also curriculum-wise private institutions offer programs that are better matched to the needs of the industry.

So what we do? It all begins with accreditation. FAA has panel members who come from the industry and FAA usually appoints three up to five panel members. The panel members come from different backgrounds and will assess different areas; one will look at Shariah, while another will look at capital market, and Takaful and so on, to provide an overall picture of the program. Once the accreditation process has completed, the panel members will give their feedback. More often than not, the comments are related to how current the curriculum is. Another issue is the teaching staff – how many of them have professional qualifications or come from a professional background? How many have extensive or ample working experience in the industry? How do they relate that experience to their students? After we have completed the first round of accreditation process, we will measure the impact. We find that although the institution or curriculum is enhanced, the issue is usually not resolved. The students are still unclear as to what they should be doing. Students are the victims. They sign up for the program based on the rosy picture painted by the university: “95% of our graduates get jobs within six months”. This is a popular tactic to get students into the program. Students and parents are naturally convinced. But FAA prefers to make sure the program has industry involvement. Co-teaching is important and we admire what the UK has done, as Dr Noel mentioned – that you do not need someone with an advanced degree in order to teach another person.

We must also ensure that the electives come from the industry. If you are offering electives in Islamic finance, then someone from INCEIF or IBFIM for example should come and do the teaching. If it is capital market, someone with experience and practical knowledge from the Securities Industry Development Corporation should be doing it. Next, there is internship. This is a big issue, and institutions often despair that students end up being experts in photocopying and making coffee.

With the recently mooted establishment of the Association of Chartered Islamic Finance Professionals, FAA is to accredit the financial institutions enrolling graduates into the 18-month industry internship before they are admitted as full members. And in those months graduates must be routed to at least three different departments. To this end, FAA has been tasked to accredit the academic programs as well as the financial institutions offering the internship program.

**Dr Noel:** In terms of funding though, who bears the expense? In Malaysia for example, you have TalentCorp, which is the agency which is brokering that and making sure they carry the cost, in particular when it is for small-scale industries. I will give you an example. The Big Four accounting firms, they incorporate the cost of their three-year training programs into their business model, and they do not expect to recoup the cost of that on a student-by-student basis except over the long-term. And these students become alumni of these programs, and they become people that the industry wants, because they have had a recognized and valued training program. That is where governments can come into play for smaller industries where firms maybe do not have the capacity or ability to fund that.

The other thing regarding internships is that there needs to be a clear setting of expectations. And universities can help in doing that. If you bring me an intern, say to drive a car, and they have never driven a car they have just been taught the theory. They have taken the theory test but not the practical. Then you are wasting my time. If on the other hand, he can already drive a car, then immediately he becomes useful. And there are a variety of methods that you can use to ensure that. And because of technology, almost all of this can be done through risk-free simulations. So the role of technology within education becomes of huge importance. You don't actually have to be an expert in the real world to do something. Pilots are given hundreds of hours of simulation experience before they fly a real plane: to ensure they know what they are doing before they are given responsibility for people's lives, for expensive equipment, and for the reputation of the airline. So simulation will give people competencies – you become someone who can add value immediately.

And organizations should also use internships as a talent pipeline. If they absorb the cost of an internship or a training program, they should be given the right of first refusal for those people, in order for them to recoup some of those costs.

**Dr Ali:** Just to say something about internships in a different context, I would ask one question. I am an economist, and I was the director of Economic Policy Institute at the Arab Monetary Fund. We did training for government officials,



for industry participants - and we have similar sessions and courses - we realized that there was a problem: not in our institutions, but in theirs. What was that problem? You take somebody, for example, and you teach him/her microeconomics, monetary policy, etc. But when they go back to their institutions, they might know all this but the person at the top, that is their boss doesnot know the these topics or the issues . And there is a risk of not using the training, not using the knowledge they have required. Have you seen anything like this in Islamic banking, or in banking in general? That you train someone, but because the person at the top does not understand this training or there is not good enough communication between the levels of the organization, the training is not actually put to good use.

**Dr Eddy:** You are absolutely right, and we do face the same issue - whereby we have graduates who are better or more knowledgeable than their line managers. I believe this is actually very common in Malaysia. More often than not, we attribute the reason to managers not undergoing the training in Islamic finance themselves. These managers from a conventional background, with very little knowledge of Islamic finance, assume this position, and now have a group of people who know more than they do.

**Dr Ali:** We found a solution for this. We said well, we have these officials for either one week or two weeks, depending on the training course. So why don't we get their managers in for one day, not even to teach them, but just to engage with them and show them what their employee is learning and demonstrate how that could be used.

**IFN:** We have talked about academic programs, we have talked about bringing the industry into the classroom – perhaps this is a point at which we can start talking about bringing the classroom into the industry, which is something that you are starting to move onto anyway. You have talked about internships, about industry training programs – but external industry training programs are also there. REDmoney itself offers those types of training courses. So why aren't banks taking advantage of that, and giving their staff that training and those qualifications?

**Yasir:** To answer that question, one must understand the difference between the current Learning and Training

models - what are the objectives and the outcomes of each one. Learning is about knowledge discovery process and transferring of knowledge; whereas the Training model is built around application concept and equipping of staff to perform better. There are huge pressures today in the corporate world on Learning & Development units to focus on the impact of the training programs and measuring the results in terms of positive business performance. Unfortunately, to date a large percentage of the training programs offered by external training providers are predominantly providing the knowledge with less emphasis on the application part. For many providers, fetching an expert from the industry is good enough to make the program 100% relevant and practical in nature, and while it is true that this is a key aspect, it is not everything. The problem becomes worse in the case of soft skills; we need to question one more aspect about how to make sure that the skills-based programs are going to help employee to change the targeted behavior. Employer expectations from training providers are to design learning solutions that have high impact and help to improve business performance. They have to understand business specific performance gaps, what issues they are trying to resolve instead of offering standard programs. I think we are seeing a gradual movement and customization of the offerings. Not from all providers, but those who are delivering the best products for the industry are doing this now.

**IFN: So you would like to see more communication between the training providers and the employers?**

**Yasir:** Yes, that is very important. Not only more communication, but a partnership model. They should be able to deliver performance-related, measurable learning solutions.

**Dr Noel:** And there also needs to be greater communication between the learning and development departments and the rest of the company, to actually own the process – and sometimes that is not well managed. And they need to be able to use language and examples that business leaders can understand. Again, it is trying to get people to talk together.

But let me say, that it is actually very difficult to measure the impact of training because you are dealing with something that is not tangible. You are dealing with something where the gestation period for impact might be considerably longer. And you are dealing with something quite elusive. So when people say to me: what are your impact assessment measures, I have a huge problem in replying. Because not only is it time-dependent, it is dependent on a lot of other things. If I put it into econometric terms, you are looking at the impact of training as an independent variable. But you have so many other variables interacting with each other – how do you isolate the training effect? I think the whole issue for me can be resolved by conversations, and people being honest with each other.

But what I would say about training, is that if you give someone a way of thinking about things so they know not only what they are doing but why they are doing it, that makes the process much more effective in terms of transferrable skills. And also, you must give a person some confidence in what they are doing. If you have a competent person who is not

confident, they will miss opportunities. They will stay where they are, where you have put them. But if you have a person you have trained who is confident – even if they do not have the mandate, they will seek to obtain that mandate, and force you to pay attention to them.

There are various ranges to which you can customize this – and the more customization you do, the more immediately useful that training will be and the more portable those skills will be. And I am afraid that there are not any immediate or easy solutions beyond that.

**“ It is one thing knowing what the risks are – and another thing knowing what mitigations can be put in place and how those mitigations will roll out. That is why people have to understand their own risk capacities, risk appetite and risk tolerance ”**

**Dr Eddy:** What we have done is to consult the industry – we asked them what they wanted from the graduates. We did some benchmarking, and arrived at seven universal domains. Knowledge, application, business and entrepreneurial skills, teamwork and leadership, problem-solving and decision-making, lifelong learning, and ethics and professionalism. We then developed learning standards based on competencies and the seven domains beginning from clerical all the way to the senior management level. At each level Shariah knowledge and governance is emphasized. These have to be translated into shared competencies which need to be assessed. Some competencies cannot be assessed through tests. Teamwork for example, would be assessed through assignments or group projects. Training providers need to come up with learning outcomes and methods of assessment to gauge to what extent have the participants achieved the learning outcomes.

We have started to extend this to individual practitioners as well. Recently FAA embarked on individual accreditation. Meezan Bank and Maybank have approached FAA to discuss about accrediting their managers. Hence, instead of seeking learning program accreditation, these banks are looking at accreditation of individual professionals. FAA accredits individuals by looking at the staff's competencies. For example, if you have a Level 4 Competency, you must show evidence of that level of knowledge, skills and application of those knowledge and skills. The individual must demonstrate that he/she has achieved the outcome, e.g. that he/she has

led 200 people in a project to prove his/her leadership skills and application. Certainly there are issues. However, this process has been widely used in academic institutions to admit students without the requisite qualification to pursue an academic program. FAA can certify someone at a level if the person has achieved all the competencies and seven domains at a particular level. But what if the person is not the same level for all domains? That has always been a pernicious issue.

Next, the person should be able to progress. So if they are at Level 4 and they want to be promoted, or pursue different career opportunities, they have to achieve Level 5, and subsequently Level 6. Then they will start looking at programs that will help them achieve those goals.

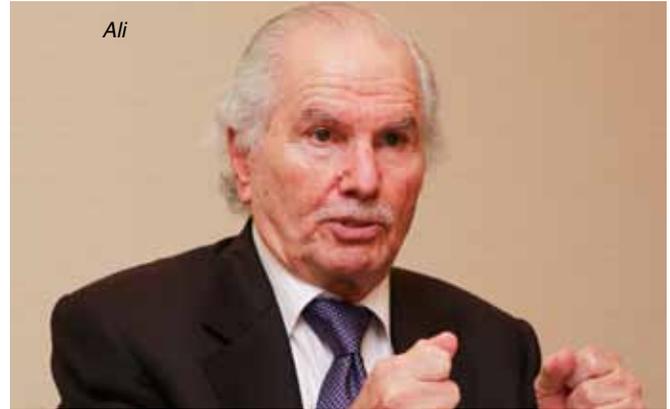
**Dr Ali:** What is the amount of time spent on these programs? How long does it take to achieve these levels?

**Dr Eddy:** Do you mean professional programs? It depends what they cover. They could be short two to three days or academic programs which could last three to four years.

**IFN:** So these are for individual accreditations. Does the industry want that? In a discussion we had yesterday afternoon, exactly that point was raised – that there are layers of requirements for accreditation and knowledge, and there are layers of skills gaps within institutions – would these 'levels' be of assistance in meeting those concerns?

**Yasir:** Definitely. The more analysis and research we conduct at the pre-training stage, the more success is the program going to be, we are doing that in the group. Many organizations have opted for the certification route (internally or externally). There are two levels of certification process; a certificate on imparting the knowledge and a second level on applying the knowledge. The primary concern for any employer is the ability of the staff to perform the assigned tasks. They know that training is an important factor that makes that magic happened, and if they find one program that produced the desired results, and then they will continue repeating that program. The recommended approach is to use a multi-level certification process: e.g., Level 1, certify the knowledge and Level 2, certify the application part. We also added one more level focusing on annual licensing/certificate per job role responsibilities to ensure that staff are not only up-to-date, but also licensed and equipped with the right knowledge and skills for their role. Then you have the regulatory requirements for specialized jobs e.g., investment and advising customers, and also you have internationally accepted certificates e.g., CIMA and other accounting bodies. The key point here is not to make this process lengthy or too academic as it could ultimately divert staff from their main job in the organization.

**Dr Noel:** I think you are right on that, but where I have a point of departure is that at the lower levels, it is very easy to implement that. At the lower levels there is not, in my view, much of a skills shortage. The kind of work they are doing can easily be routinized and it becomes a process – once they have mastered the process, that's all they need. That means



there is not much room for innovation within that. In a banking system, you tend not to encourage innovation at the most basic levels of process. Where the problems come are in the middle and top levels, where other soft skills come into play. I have talked already about cognitive skills and motor skills. In terms of cognitive skills, there are fixed levels of that. The first is: what is it? Knowledge. Two: Can I explain it? Three: Can I apply it within this context? Four: this is analysis – can I break it down and reassemble it to allow me to apply it in a different context? Five: synthesis. When I have different ideas being thrown at me, do I conclude that they are contradictions; or do they sit together and work together? Can I synthesize ideas and put them to work in a framework of knowledge? The sixth is evaluation and judgment – where you have to actually do something with this knowledge. And as you get higher up the chain, you realize that the cognitive level that is required at high levels of proficiency, is very hard to measure. So there are different levels of effectiveness. Standard training programs might be able to solve the problem at the lower levels. But essentially you need to carefully calibrate that for senior management – and you have to have the commitment at the top levels to do that.

**IFN:** Speaking about industry certifications, practitioner qualifications – in the conventional industry we have the CFA. This is universally accepted and valued, a very hard qualification, standardized across the world and recognized by the entire industry. Can we do something like that for Islamic finance?

**Dr Ali:** Before I came here I in fact said – in the industry we do have the CFA, the CPR, and other certificates. And they are generally accepted by the conventional banking sector. So why don't we study what we have and see if we can't transform it, borrow it from there, and fit it into an Islamic context? Honestly I do think this can be done.

**IFN:** But who would pay for it? Who is going to be the driving force and whose responsibility is it?

**Dr Ali:** It is the Islamic banking industry. They have lots of money! [Laughter].

**IFN:** But does there need to be a government or central authority incentive, from someone perhaps like Malaysia or Dubai? Who could take the lead, and how would that happen?

**Dr Eddy:** I shared something at the IFN Global Forum yesterday on the Staff Training Funds in Malaysia. Where does the money come from? It comes from banks that pinch employees from other banks. So if a bank hires someone from another bank, they must contribute six months of the salary to the Staff Training Fund. And as of last week, the fund is in excess of US\$100 million.

**Dr Ali:** US\$100 million? That's a lot! [*General laughter and comment*].

**IFN:** And what does Malaysia plan to do with this fund?

**Dr Eddy:** We are hoping that the central bank will channel some of that money to FAA! [*Laughter*]. But putting that aside, Malaysia has a number of specialized Islamic finance training providers. In Malaysia we have IBFIM with their structured qualification in Islamic finance for all levels, i.e. fundamental, intermediate and advanced. These programs are tailored for working professionals and do not lead to any academic degree. INCEIF also moving towards breaking down the MIFP (Masters in Islamic Finance) into core components to enable participants to take the program in modules. Participants can work for a few years, and then return to INCEIF and continue with their modules.

**“ If you have clarity in the regulatory system, where people know the rules of the game, they know how to play and they know the boundaries – then they learn very quickly how to develop innovative products as the global economy changes ”**

To date, we have seen that academic and professional qualifications are totally isolated from each other. Practitioners would have their degrees, and then do a professional qualification many years later when it is required by some professions. What FAA is attempting to do now is bring the two together. Hence, when a person does an academic program, the modules that he/she has access to are influenced by the industry.

**IFN:** But a key element of the CFA, for example, is that you do three levels in three years (assuming you pass each on first time!) but you have to have four years of actual financial industry experience in an approved working environment before you achieve the qualification. That is designed, I believe, to unite those two elements. So the question, I suppose, is how can we

**do that for the Islamic finance industry?**

**Dr Noel:** I think that part of the problem with professional qualifications is that if you take a university for example, they have various criteria and standards that their degrees have to meet, which make them acceptable across jurisdictions. If you come to a professional qualification, you cannot just stand up and say you are going to do it – you have to work with regulators, you have to make sure all the central banks are with you, the financial services authorities are there with you: there are multiple stakeholders within just one market, let alone across markets, that you have to get on board to ensure the accreditation is accepted. Because the appeal of a professional accreditation, among other things, is that it is accepted across organizations. What is becoming increasingly clear is the importance in this market of international mobility – and so you need some form of accreditation that can accompany employees across borders. And degrees cannot really achieve that – unless they are coming from highly reputable institutions that already have international cachet. So it comes back to some form of regulatory alignment. I would think that there would be many different views of how to move forward. But surely there could be some minimum standards that could be set, upon which a global professional qualification could be based? Let me give you an example. In the US, the CPA qualification is certified by each individual state accountancy board. So they have a national association of state boards of accountants, who agree minimum standards to allow ease of movement. So all you need to do is show that you are a CPA from New York, and if you move to Chicago you can just seek permission from the Michigan state board and they certify you as a Michigan CPA. But this is founded on an assumption of regulatory consistency across states.

**IFN:** So something similar to a Bar association for barristers?

**Dr Noel:** Exactly.

**IFN:** So we need collaboration between countries in order to achieve this.

**Dr Ali:** Definitely, because you don't want to end up with different criteria for a basket of different qualifications. You need at least a common denominator.

**Dr Noel:** And the industry must put its weight behind that, because they are the ones who are creating the demand. And then the qualification supplies that demand.

**Yasir:** I agree. What we need is a central accreditation body, rather than a central training organization. So the accreditation authority can accredit individual training programs – based not only on Shariah, but on the demand, the content, and the delivery mechanism, these are some of criteria can be used. I strongly believe that this process will be welcomed by the industry as it will not only bring uniformity and standardization to training profession, but also clarity and transparency in terms of output and expected results from any training programs and ease the ever-complex questions of evaluation.

The central accreditation body will help industry to identify the right program for the right audience and most importantly, to judge training providers not based on like and dis-like background. If they are all accredited by a central body then I know they will all meet the same standards, and meet my training criteria, so I can feel comfortable doing that.

IFN: And of course, it also improves the training standards by allowing competition between providers. But let me just point out that we do have a Financial Accreditation Agency – its Acting CEO is sitting at this table! So Dr Eddy – could the FAA play this role? What would you need in order to be able to do that?

**Dr Eddy:** Precisely. We realize the need for a common learning standards. Since 2013, we have developed a set of minimum standards across the industry: Islamic banking, Takaful and capital market. We have six levels of competency and the program must cover the minimum standards for each level. We launched the standards for Islamic finance on the 2<sup>nd</sup> September 2014. There are 80 standards altogether.

**Yasir:** And is this accepted by all the providers in the industry?

**Dr Eddy:** Yes, it is accepted – for many different reasons. One, we want training providers to be informed. And training providers can come from many different areas – either academic or professional. They can be in-house training providers as well. We call them minimum standards because we take into consideration the tricks of the trade – there may be specific content, methods or approaches that providers do not wish to share, because that is what adds value for them. So, they are free to add to the content of the program, as long as they meet the minimum requirements.

We will also be looking at new areas in 2015. This may include microfinance. And we have received feedback from the industry that we should separate AML and CFT from compliance – so anti-money laundering will be a separate section. We will also be launching corporate governance standards as well.

Another reason why the standards were developed is because we want to guide our panel members when they assess programs. Ideally there must be one standard that guides them – our panel comes from the industry and hence they need to know how they can assess consistently and accurately.

Another challenge is that people are not practicing across jurisdictions. Banks such as Maybank and CIMB have approached FAA, as well as banks from Thailand and Singapore. More often than not they are frustrated because employees have to do another certification before they can practice in a new market. That affects the productivity of employees and means additional costs. So they want us to create cross-border acceptance of standards. The issue now is how do we globalize these standards? How do we ensure that they are accepted, so that a program run in Dubai or London is accepted in Bahrain – or in Timbuktu? This is an important consideration as FAA develops the Finance Qualifications Structure.

**Dr Noel:** In my study of Islamic finance practices, I tend to use Malaysia as an example, simply because a lot of these things have been looked at. FAA can do the work they are doing because there is regulatory clarity – and parity – in Malaysia. I don't lose a lot of sleep over whether this will happen though, because it is clear that we are moving in the right direction. When you look at accounting, for example – AAOIFI is there, and often their standards can be more rigorous or move faster than conventional accounting standards. But then, there is going to come a problem if they are not integrated with IASB, for example, which could restrict its influence in certain countries. So there are various cross-national bodies that are emerging – and they need to be talking to each other.

That is where I think Dubai can emerge to play a role. In the studies that we have done, we believe that there are certain key influences in terms of cities or jurisdictions in the world of finance. London is one, New York is one. Singapore, Hong Kong. But Dubai is one. Now if Dubai could combine this with the kind of standing that Malaysia has in the Islamic finance industry, this could be very important. Almost everything is in place. But you need a champion in each area to promote this – the financial regulatory authorities, the political side, the training side.

**“ Unless the industry and educators begin talking together, you will find that there is a continuation of mismatched expectations, and the gap will continue ”**

**Dr Ali:** Well you need to talk to the head of the Islamic Center here. You need to go and talk to him, and I think there is a great possibility for cooperation and working together to create a set of minimum criteria for the global Islamic economy.

**IFN: What about international Islamic agencies? We have supranational bodies – we have the IDB, we have AAOIFI – what role can they play? They have all these countries signed up to them already – is this an area where they could play a part?**

**Dr Eddy:** FAA uses them as a benchmark. So we look at AAOIFI standards and IFSB, and we take all the different standards and regulations under consideration. And that's how we come up with our minimum learning standards. On the other hand, we are also looking at them as our agents to promote harmonization of standards across borders. Although we may not agree on everything, we need to focus on similarities that can help us achieve harmony. It can be a



win-win situation for both parties. At the same time FAA is also approaching governments. We will have our joint technical committee, which is influenced by different players from all parts of the world.

Ultimately, it is an uphill task and we need all the support we can get to drive this forward. We need people to recognize and understand why FAA is necessary.

**IFN: We are coming to the end of the session so I want to do two things. First, are there any areas that you would like to discuss that we have not yet touched on?**

**Yasir:** It is worth mentioning that Dubai has played a key role in this area – not only on the Islamic teaching front but in terms of improving the quality of education. There are a lot of efforts being made by the government here to address the issues, and improve a lot of the educational parameters and processes. They are looking at the graduation criteria, and how that translates into the workplace and to employer requirements. For examples, some graduates are now definitely ahead of others when it comes to recruitment, and that is helpful to us, as an employer. This was also validated by recent research in the Middle East that shows that many students - and even jobseekers – are looking towards Dubai as a preferred space for education and work compared to their own location.

**IFN: And is there anything we can say on regional differences? We have someone from the UK, someone from the GCC, someone based in the UK – the issue that seems to be coming out here is the need for international collaboration between countries, so what platform could we use to achieve that?**

**Dr Noel:** I think multinational institutions are a huge factor. First, multinational banks that operate in different regions – CIMB, Maybank have been mentioned. Once you are in different regions you have to do things in different ways, and they have a big voice that they need to bring to the table to demand alignment. Yes, there will be differences, you will not be able to harmonize everything. But they can demand that we work towards aligning standards.

And secondly, international service providers – the Big Four. All of these have Islamic finance units, and that again raises issues – they want and need a common platform on

which to operate. They come to places like Dubai – Dubai is an international center, and here you get a mixture of ideas coming together. So I am very hopeful that places like London, Hong Kong, are bidding for Islamic business, that this will drive things forward. If you have an international center, that popularizes the issue. Then you need the political will to respond to that. So they should not be competing, but collaborating.

**IFN: Great, so we are coming to the end of the session and in the last five minutes, I would as a conclusion just like to go around the table and get your final thoughts on what you think the biggest challenge in terms of talent that we will see over the next few years – and what in your view is the most important thing we need to do to address that. Dr Ali, would you like to start?**

**Dr Ali:** I think that the Islamic finance industry is basically seeing a shortage of expertise and we need to look at this seriously as we do not have the current strategies in place to meet this problem. In the conventional sector there is a lot of history, a lot of literature and a lot of expertise. We need to start building the same on the Islamic side.

**Yasir:** I think there is a significant mismatch in terms of the expectations between the different forces in the education process. This is still one of the biggest challenges. Definitely, we need more collaboration and new working models on the education side – but also on the employer side, and all parties should accept more of the responsibility. We need to foster this relationship.

**Dr Eddy:** I am looking at it from a few perspectives. First of all, we are seeing regulatory frameworks developed in many parts of the world – so the availability and understanding of regulatory issues is a promising area. Number two is innovation. I think over the past few years we have not stopped talking about innovating the industry. This is where entrepreneurship will become important and crowdfunding is becoming more popular. And then the third area is applied Shariah – the issue is how to blend the two so that people are competent in Shariah and in applying Shariah to banking practices.

**Dr Noel:** My perspective is that we have a predominance of banking in Islamic finance – because that is probably the area where there is the least difference with conventional finance; or at least the differences can be hidden most easily. We have a huge shortage of skills, in my opinion, in the capital markets – both on the equity side and particularly the Sukuk side, and how to structure and develop these innovatively. I think because of the demographic timebomb that is awaiting emerging countries, it is also really important to get the Takaful industry on track as well. But we don't have people who are structuring products. We need this, we need experts in risk management, we need innovators to create products and services that can diversify the industry and move it forward.

**IFN: Thank you all – I think that was a great session, and we covered a lot of ground. I hope this has been as rewarding for you as it has been for us. ☺**

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FAA is an independent quality assurance and accreditation body endorsed by Bank Negara Malaysia (Central Bank of Malaysia) and Securities Commission of Malaysia and executed by a committee of technical experts, industry professionals and leading academics from the international financial services industry.

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