



# IFN INNOVATE ONAIR REPORT

5<sup>th</sup> - 6<sup>th</sup> OCTOBER 2020

2020

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## DISCUSSION INTRODUCTION

## BANKING FOR THE FUTURE: INNOVATORS AND DISRUPTORS

What are the major challenges and opportunities facing banks in their digitization programs and strategies for the adoption of financial technology? How is digitization within regional banks driving effective segmentation and the development of ever more efficient product delivery channels? What does deep tech such as artificial intelligence and machine learning offer, who are the major players and how are they changing financial services in the region? Where and how can fintech play a meaningful role in key Islamic social financial activities such as Takaful, Zakat and Waqf?

## YOUR PANEL



**LAWRENCE OLIVER**  
*Director and Deputy CEO, DDCAP*



**ABE KARAR**  
*Advisor for Digital Transformation,  
Fintech Galaxy*



**CHRISTOFFER ERICHSEN**  
*Founding Partner, Human Inc*



**PETER TAVENER**  
*Group CFO and COO, Beehive*



**SALAM SLIM**  
*Director, Global Solution Lead, Oracle*





## IFN INNOVATE: A CALL TO ACTION

On the 5–6<sup>th</sup> October 2020, IFN brought together some of the most influential forces in digital innovation across key Islamic finance markets to discuss the challenges, opportunities and obstacles along the essential journey to digitization. With the aim of inspiring new ideas and promoting a culture of innovation within both incumbent institutions and disruptive entrepreneurs, the platform explored the latest digital trends and how the Islamic finance industry can keep up, catch up and create its own agenda for digital change.

The one-day interactive event dived deeply into specific fintech verticals across the different segments of the Islamic finance industry: including banking, Takaful and capital markets. Exploring the issues that come with integration, as well as the crucial opportunities offered by the fintech sector, the panel discussions provided frank assessment and practical advice for institutions seeking to embed innovation into their culture.

### Banking for the Future: Innovators and Disruptors

On the first day, the focus was on innovation and disruption, exploring the

relationship and connection between banks and fintech start-ups, and their potential integration opportunities. The discussion, moderated by Lawrence Oliver, the director and deputy CEO at DDCAP, also delved into the challenges facing banks in their own digitization programs and how these can drive most-effective customer services and improve product development.

“We have witnessed first-hand throughout this global pandemic the ever-increasing importance of technology-based solutions that banks and financial institutions are looking to employ in order to provide efficiencies to their client base,” pointed

out Oliver. “So what are the major challenges facing banks in their digital transformations?”

Christoffer Erichsen, a founding partner at KL-based advisory firm Human Inc, thinks that we need more innovative thinking from the top down, and more disruptive players included in executive boards. “What is the mandate from the board and CEO for innovation? What role should it play? There is increasing pressure from regulators, and a shift toward more and more people making governance and controlling their careers and sitting on boards — with fewer entrepreneurs and disruptors. We need more innovation in the boards, and



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***"We need more innovation in the boards, and more disruption. Who in the C-suite should drive this"***

***— Christoffer Erichsen***



more disruption. Who in the C-suite should drive this? Many banks have put in chief innovation officers, but how much power do they actually have?"

An obvious issue is the need to balance investment with return. The return on investment of innovative initiatives is often asked about, and banks want a quick turnaround on a new solution. But are they measuring results in the right way? "We need a shift in how we evaluate innovation," urged Erichsen. "Are we actually getting more customers to enjoy the product, as opposed to just making more money? It needs to be a change in culture and mindset."

Salam Slim, the director and global solution lead at global tech giant Oracle, agrees. "To understand the challenges banks are facing, we need to go back to look at what customers really want. If you are a bank and looking at the competition these days, it has changed a lot from 10 years ago. You are competing with fintechs, not banks. To understand where this digital transformation can take you, we have to understand the complete macro landscape in terms of the customer preference."

So what are the first steps for organizations wanting to be more digital-innovative?

"Customer, competition, data, innovation and value," suggested Abe Karar, the advisor for digital transformation at Fintech Galaxy. "It's truly about a shift in mindset — similar to the shift about 10 years ago between the pre- and post-internet world. You need to really start studying your customers and view them differently. It's not one size fits all anymore. It's all about hyper-personalization."

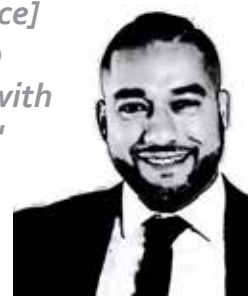
To do that, banks need to be investing in technology that gives them the tools they need to do so. Abe stressed: "Analyze your data. Data is the new

oil. Do you have the right data? Is it enriched? Can I use it to feed AI [artificial intelligence] models to come up with insights? Data infrastructure and quality is key. Always think of how to organize your data so you can benefit from new technologies."

Peter Taverner, group CFO and COO at Beehive, also highlighted the growing partnership between banks and fintech firms — and the challenges that this entailed. "Ten years ago when fintechs first started, the idea was that they would displace and kill banks. Now, most people are aware that banks aren't

***"Analyze your data. Data is the new oil. Do you have the right data? Is it enriched? Can I use it to feed AI [artificial intelligence] models to come up with insights?"***

***— Abe Karar***





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going to die. There's a much bigger idea now of collaboration between fintechs and banks. The banks have a lot of customers and a lot of data, and a lot of breadth and access — things that most fintechs don't have."

So can a fintech and a bank work together? A fintech will operate in a very different way. They need to be aware of what banks want, and understand their internal mechanics. Nimble, small fintechs can make quick decisions. Banks do not have that capability, they are set up in a different way, and it is all about risk mitigation.

"Banks like the idea of collaboration and partnerships, so do fintechs. But although the initial meetings are usually great, there is a huge amount of work needed to understand what the banks' requirements

***"There is a huge amount that can be done in a non-digital manner just to improve back-end processes for corporate customers"***

– Peter Taverner



are and whether the fintech can help or not. Both sides need to go into these relationships with their eyes wide open."

And digital investment is expensive. What should a smaller bank or organization prioritize when resources are limited?

"Digital innovation is a term that is bandied around far too often," said Taverner. "Whenever we talk about it, it's about an individual — how quickly can a person open a bank account, and so on. But actually, a lot of this needs to be corporate innovation. There is a huge amount that can be done in a non-digital manner just to improve back-end processes for corporate customers. If banks forget the digital innovation part and just tried to sort their back end out first, there's a huge amount that could be done. Once the back end is sorted, you can build the front end very quickly — put an app in front of it, or a digital page. But back-end solutions don't have to cost a lot of money and can provide enormous efficiencies."

There is no doubt however that innovation, when well-managed, makes money and creates progress. "We need to build a culture of innovation and entrepreneurial leadership," urged Erichsen. "The speed and scale at which we need innovation is unprecedented."

The challenge is often getting that senior management buy-in. "You need to have leadership at the top that believes that change is the only constant," said Abe.

***"It's about the concept of pattern recognition. Once you understand how a technology use case follows a certain pattern, you can leverage that against these Islamic finance concepts to start creating solutions"***

– Salam Slim



Salam pointed out that technology can also play an important role in facilitating social services such as Zakat, Takaful and Waqf. "It's about the concept of pattern recognition. Once you understand how a technology use case follows a certain pattern, you can leverage that against these Islamic finance concepts to start creating solutions. For example, in Waqf, there is a central concept of transparency — you have to be able to see where the money is coming from and where it is going to. So what type of fintech solutions exist out there that can cater to this? Blockchain is the obvious answer, and there are fintechs out there who have recognized this need and built solutions for exactly that." 📌

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## KEY TAKEAWAYS

A digital transformation strategy needs to be developed around the five domains of customers, competitors, data, innovation and value, along with a critical view of organizational capabilities, business processes, people and culture.

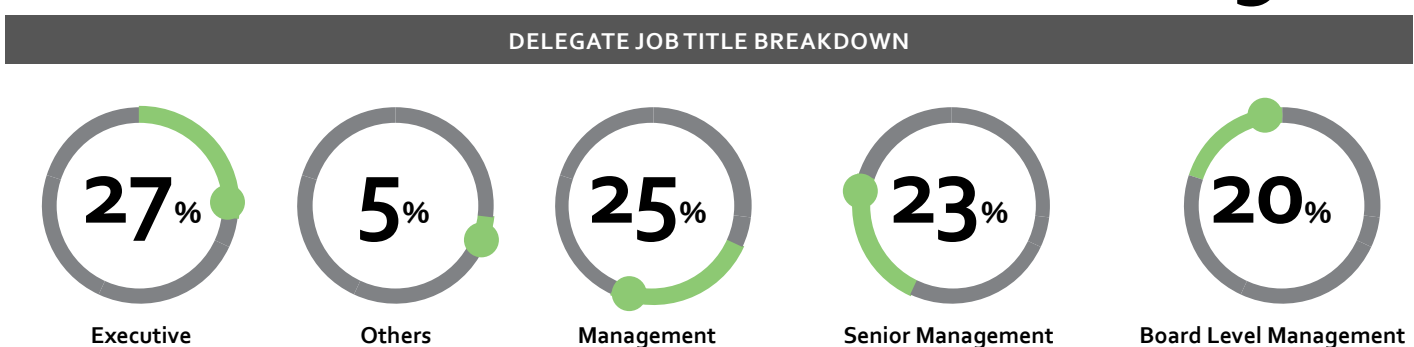
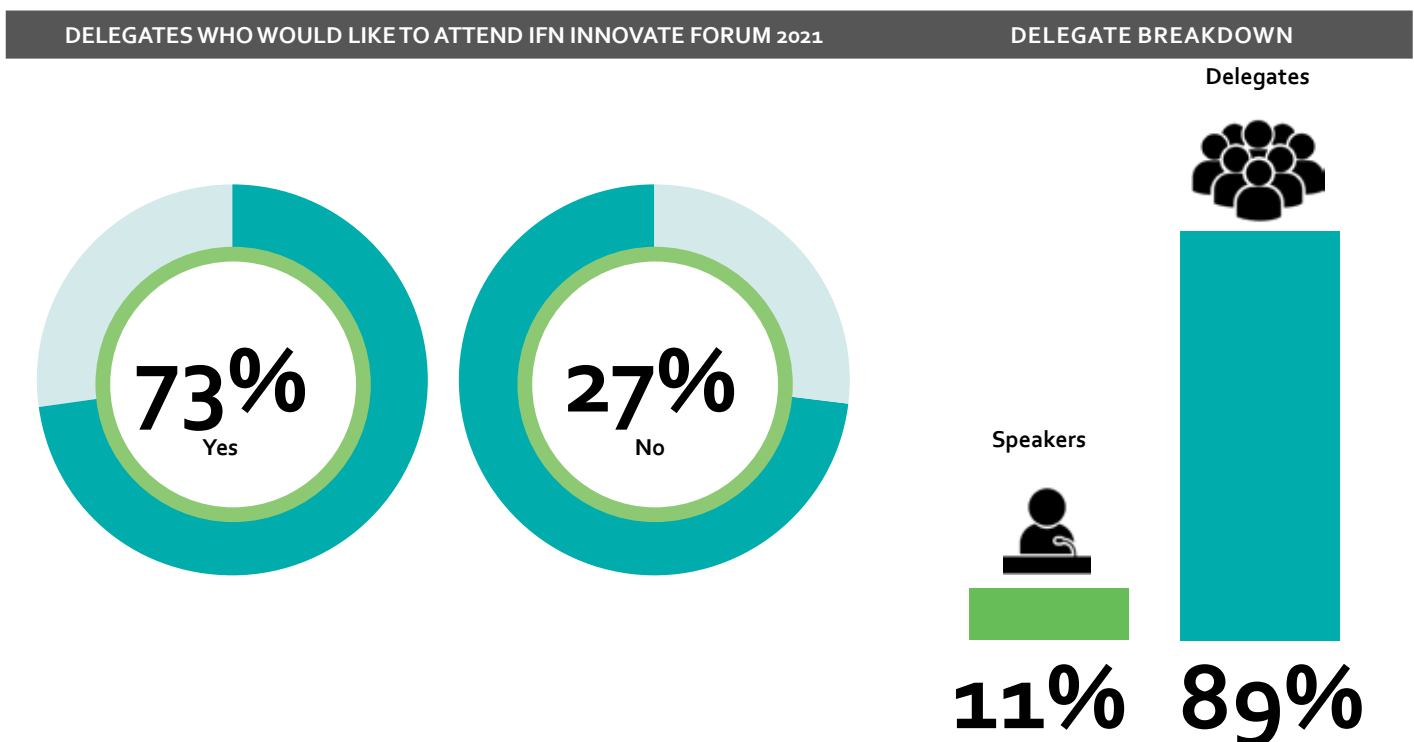
Digital transformation is NOT about heavy technology investment; financial institutions can start their digital transformation journey by reengineering their back-office processes and reducing manual hand-offs and friction points.

Platforms, ecosystems and fintech collaborations are critical success factors for delivering on the digital transformation ambition.

Digital banking, open banking and beyond banking can play great accelerator roles in digital transformation.

Recognizing patterns of how fintech solutions work can create a multitude of opportunities in facilitating some key Islamic social financial activities, such as Takaful, Waqf, Zakat and Sadaqah.

Abe Karar is the advisor for digital transformation at Fintech Galaxy. He can be contacted at [abe@fintech-galaxy.com](mailto:abe@fintech-galaxy.com).







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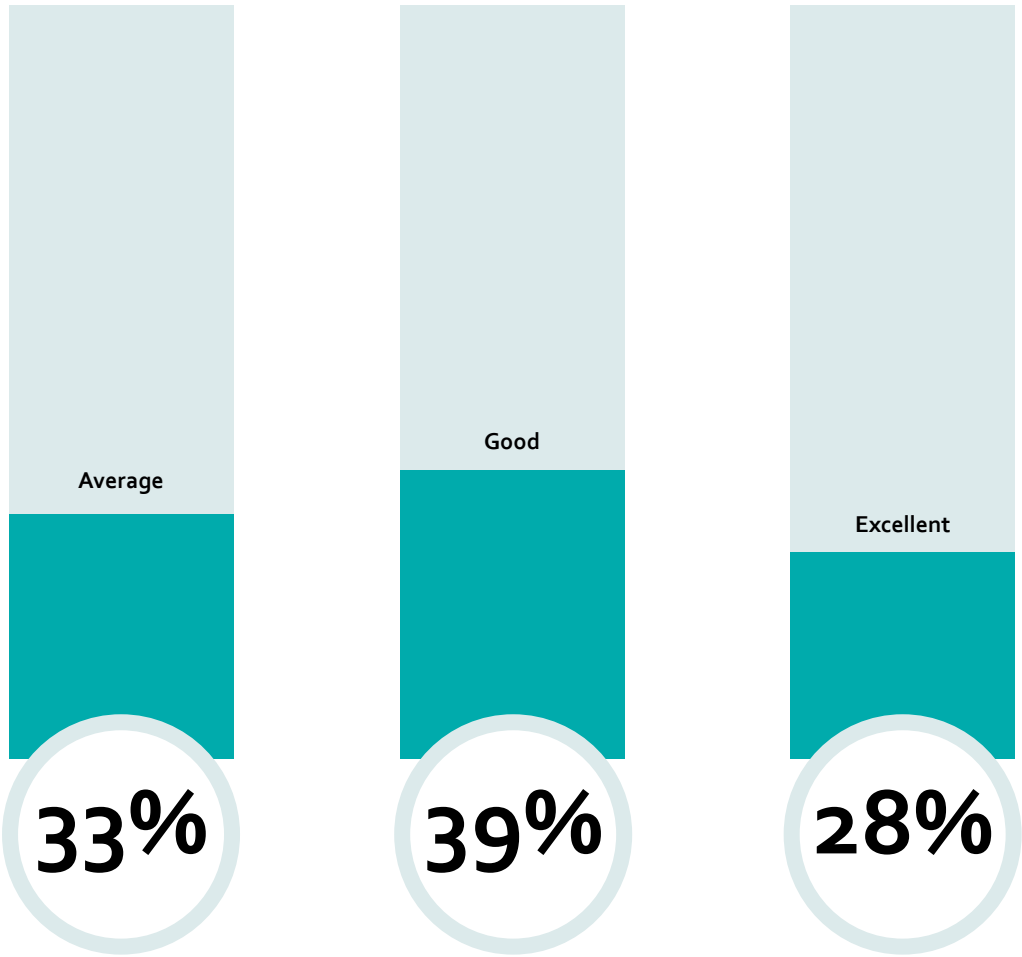
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## DEEP DIVE INTO DEEP TECH: DRIVING ISLAMIC INVESTMENT MANAGEMENT THROUGH TECHNOLOGY

We examine the rise of wealthtech, insurtech, regtech and robo-advisory and ask where and how technology is redefining Islamic asset/wealth management and insurance. What do tools and platforms such as blockchain, artificial intelligence and machine learning offer this thriving sector, and how should these be deployed? What challenges do financial technology companies still face in terms of funding, regulation and market penetration? What more can be done by investors, accelerators, governments and regulators to assist and enable today's financial and investment technology companies?

### YOUR PANEL



**VINEETA TAN**  
*Managing Editor, Islamic Finance News*



**GARETH LEWIS**  
*Associate Director of Product, Eiger Trading*



**MEHDI BENSLIMANE**  
*Head of Operations and Global Expansion Strategist, Wahed Invest*



**NICLAS NILSSON**  
*Founder and CEO, Capnovum*



**RAHEEL IQBAL**  
*Managing Partner, Codebase Technologies*



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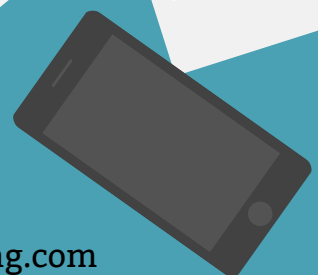
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## DEEP DIVE INTO DEEP TECH: DRIVING ISLAMIC INVESTMENT MANAGEMENT THROUGH TECHNOLOGY

The second day explored the ideas around how to drive Islamic investment management through technology. A panel of cutting edge entrepreneurs explored the rise of wealthtech, insurtech, regtech and robo-advisory to ask where and how technology is redefining Islamic wealth management — and what tools such as blockchain, AI and machine learning are able to offer this thriving sector. Moderated by Vineeta Tan, the managing editor at Islamic Finance news, the conversation ranged across a broad landscape of topics, cutting deep into the detail.

So how is technology redefining Islamic wealth and asset management?

"Since the start of lockdown, there has been a notable shift in priorities among all our clients and partners for digital transformation," said Gareth Lewis, the associate director of product at Eiger Trading. "A change in mindset, behavior and output. I think all players in this space have all had a sobering experience of realizing that perhaps we are a bit behind the curve when it comes to digital initiatives, and it's about time that we take heed and start to move things forward a bit more rapidly."

Key topics addressed included automation, with clients increasingly looking to reduce the cost base and increase efficiencies.

"We are definitely seeing incumbents start to move things forward, coming under pressure from new players," said Lewis.

"It's still a pretty nascent segment of the industry," warned Mehdi Benslimane, the head of operations and global expansion strategist at Islamic robo-advisory pioneer Wahed Invest. "Looking at the banking players, some of the traditional Islamic banks are gradually digitizing their offering, and we also have new neo banks

***"We are definitely seeing incumbents start to move things forward, coming under pressure from new players"***

– Gareth Lewis







offering Shariah compliant services. On top of this, we are seeing growth in Islamic wealth management itself. The first fintechs were focused on crowdfunding but we're now seeing a much broader range — lending platforms, investment platforms, real estate initiatives. There are new companies launching specifically to get exposure to the Islamic sector."

**"There is a lot of room for new players to enter the industry"**

— Mehdi Benslimane



In terms of robo advisory — Wahed Invest was the first to enter the market, and now offers diversified portfolios to international markets. But according to Mehdi: "There is a lot of room for new players to enter the industry."

Raheel Iqbal, the managing partner at Codebase Technologies, pointed out a new trend for securities trading on the brokerage side, while Niclas Nilsson, the founder and CEO at Capnovum, added that: "About a third of banks are using AI in their compliance processes. 100% are using it in their trading activities. There's a big gap there. Regtech is another

**"About a third of banks are using AI in their compliance processes. 100% are using it in their trading activities."**

**There's a big gap there"**

— Niclas Nilsson



fast-growing area where technology can assist." But regulators need to assist themselves. For example, regulators in some jurisdictions do not permit the use of data centers outside that location, and the panel agreed that this needed to urgently change in order to allow Islamic institutions to access the same data pools and product solutions as everyone else. "Regulators and governments have to focus on creating an environment that is competitive and allows these new players to offer their products and services across the globe. As soon as you make the Islamic finance market global and remove those barriers, all of a sudden everyone has massively increased agility and you can really start pushing forward digital initiatives," said Mehdi.

The panel highlighted the vital importance of moving to cloud technology, and urged Islamic institutions that had not yet

done so to urgently create a methodical, multiyear plan to migrate as soon as possible. But in general, there were concerns that the industry was perhaps not quite at the point it should be. "Other industries have utilized technology at a much higher level," said Raheel. "For example, we've been working with a GCC bank to implement an AI platform recently and we're the only ones doing it. There may be a lack of understanding and awareness in the market."

**"Other industries have utilized technology at a much higher level"**

— Raheel Iqbal

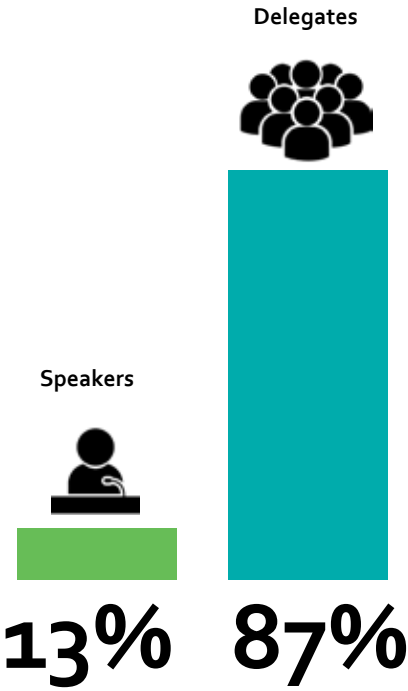
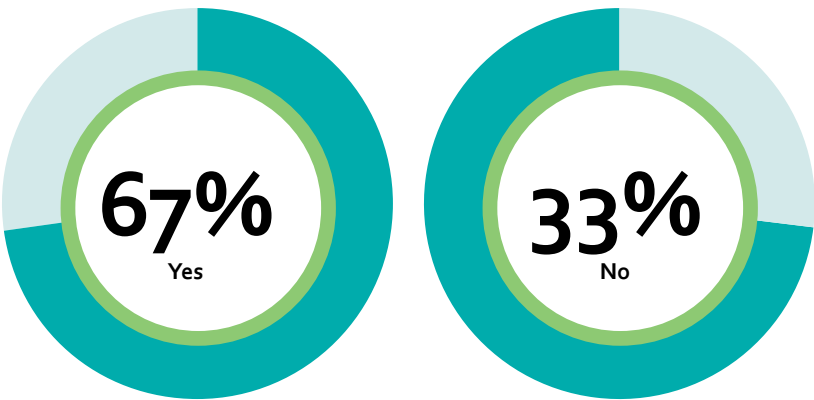


But it is not just about how fast you adopt new technology — it is also about how you use it and what your priorities are. "It's about how well you know your consumers," stressed Lewis. "The tech should come as a result of that understanding. Islamic or conventional, you are providing a service. People don't want a fixed rate personal loan, they want a holiday or a new car. The technology should just be an enabler of that. It should be invisible." 🧐

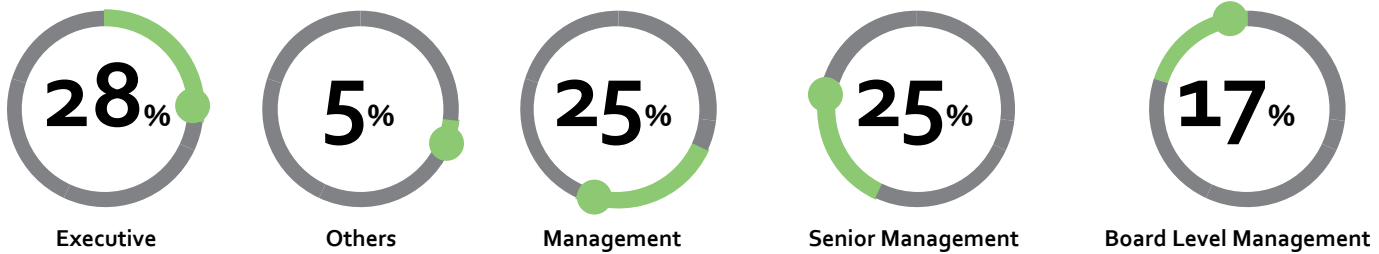


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DELEGATE JOB TITLE BREAKDOWN



DELEGATE BREAKDOWN (INTERNATIONAL & LOCAL)



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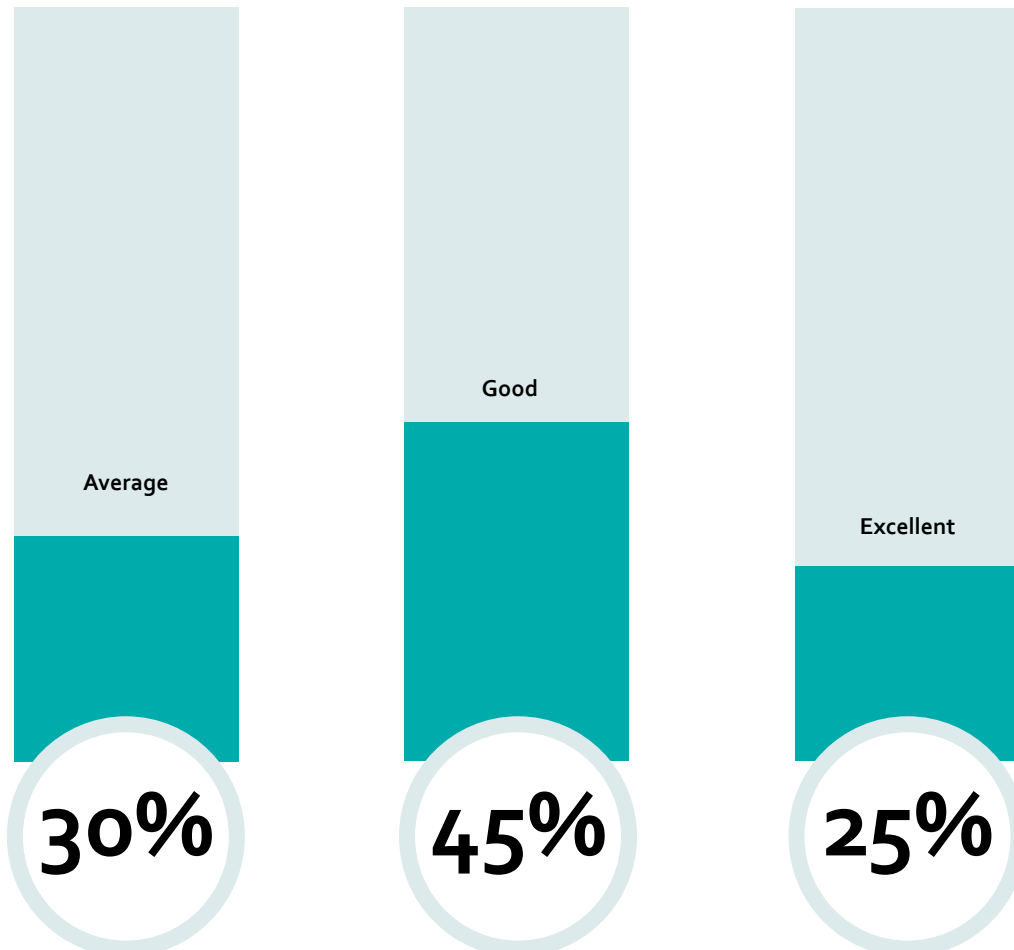


**32%**

International

SESSION EVALUATION

DEEP DIVE INTO DEEP TECH: DRIVING ISLAMIC  
INVESTMENT MANAGEMENT THROUGH TECHNOLOGY





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