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## IFN HALAL FINANCE REPORT 2020

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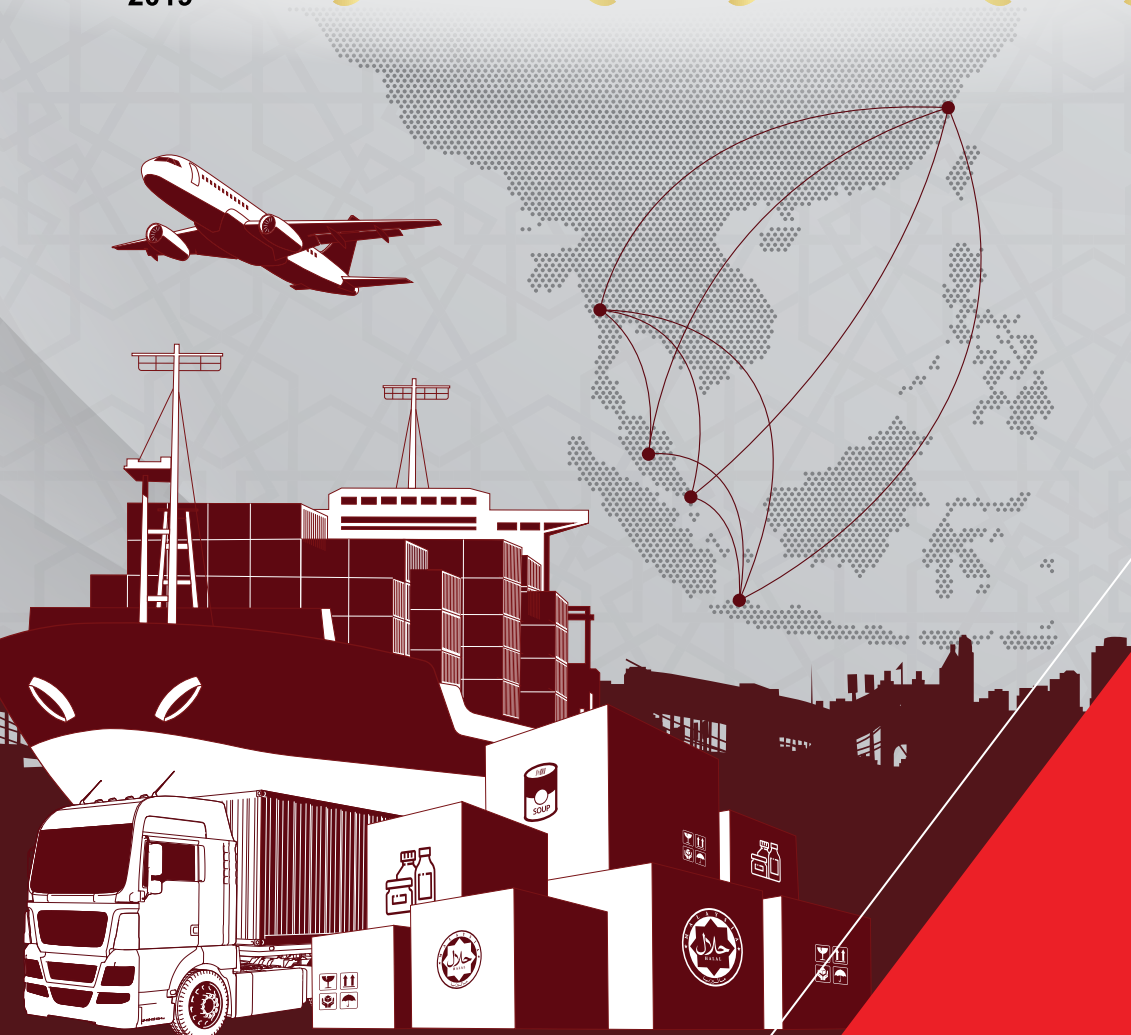
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Analysis

## Halal financing: Gaining a strong foothold amid the pandemic

Page 4

Case Study

## Halal manufacturer leads the way with low-yield Sukuk

Page 8

Report

## Indonesian unicorn lends magic to Islamic digital economy

Page 10

Interview

## Raheel Iqbal, the managing partner of Codebase Technologies

Page 16

Day 1

## IFN Halal Finance: The future of the Islamic economy

Page 19

Forum Overview  
Page 23

Report

## RootAnt unveils blockchain platform

Page 12

Day 2

## Malaysian strength

Page 26

Forum Overview  
Page 29

Feature

## Halal360: Supporting your global Islamic trade ecosystem

Page 14

OTHER

Companies' List  
Page 31



## HALAL FINANCING: GAINING A STRONG FOOTHOLD AMID THE PANDEMIC

**The booming Halal industry comprises a wide range of sectors and services including cosmetics, financial services, pharmaceuticals and healthcare as well as tourism. JEVITHA MUTHUSAMY brings you the latest developments in this sector.**

### Overview

#### *Economy*

With notable developments in the past year, the growing Islamic economy is set to be worth over US\$3 trillion by 2023, according to a report by myForesight.

An estimated US\$2.2 trillion was spent by 1.8 billion Muslims in 2018 across the lifestyle, pharmaceutical and food sector, according to the State of the Global Islamic Economy Report 2019/20. This figure reflects a year-on-year growth of 5.2% and is expected to reach greater heights of up to 6.2% or US\$3.2 trillion by 2024. In comparison, Muslims spent US\$2.1 trillion across these sectors in 2017.

The rapidly growing Islamic finance industry was worth US\$2.5 trillion in 2018 and is expected to hit the US\$3.5 trillion mark by 2024.

The Halal food and beverage sector has seen a total spend of US\$1.4 trillion in 2018 and is expected to grow up to US\$2 trillion in 2024.

In 2018, tourism accounted for US\$189 billion of Muslim wealth, and this figure is expected to grow US\$274 billion by 2024.

Clothing and apparel expenditure attracted US\$283 billion in 2018 and is projected to increase to US\$402 billion by 2024 whereas the media and recreation industry saw Muslims spending US\$220 billion in 2018 and is forecasted to reach US\$309 billion by 2024.





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The pharmaceutical and cosmetic sectors are primed for expansion as Muslims spent US\$92 billion in pharmaceuticals and US\$64 billion in cosmetics in 2018. Both industries are expected to reach US\$134 billion and US\$95 respectively by 2024.

#### Hubs

Malaysia and the UAE continue to lead the Islamic economy, followed by Bahrain and Saudi Arabia.

Malaysia remains in the lead due to its diligence in generating new initiatives to accredit Halal certifiers around the globe, permitting the first Islamic fintech crowdfunding license and granting Muslim-friendly hospitality a new certification scheme.

The UAE has continued to strengthen its position by signing investment and trade agreements with China amounting to US\$3.4 billion. The country largely benefited from investments made in the Islamic finance sector mainly through the merging of Abu Dhabi Commercial Bank with Union National Bank and its acquisition of Al Hilal Bank.

Notable is the phenomenal ascension of Indonesia to join the top five global Islamic economy rankings from 10th in 2018, a testament to its cohesive national Shariah economy strategy.

As the Islamic economy continues to gain prominence globally, countries such as Uzbekistan have chosen to allow an increase in

international access to its economy while Nigeria is seen to have substantial natural resources and agricultural potential.

## Latest developments

#### Malaysia

Maybank Islamic opened its first overseas branch in the Dubai International Financial Centre early this year offering customers banking services and facilities, primarily in corporate financing, treasury, capital market and trade finance.

With another initiative to strengthen the Halal value chain globally, Malaysia signed an MoU with Japan to develop the Halal trade as part of the Halal silk route.

#### Indonesia

Indonesia launched the Islamic Economics Masterplan as one of its initiatives to see the country become a major Halal producer by 2024.

#### Singapore

Elite Partners Capital signed a partnership with the Singapore Malay Chamber of Commerce and Industry to develop a Halal hub valued at US\$80–100 million. The goal is for Singapore to be recognized as the world's most advanced Halal production hub. 🇸🇬

Table 1: The Global Islamic Economy Indicator (GIEI) 2019

Country	GIEI	Islamic finance	Halal food	Travel	Fashion	Media & recreation	Pharma & cosmetics
Malaysia	111	147.9	74.3	95.5	35.6	64	60.6
UAE	79	70.7	91.5	72.7	95.2	86.6	81.3
Bahrain	60	78	42	26	20.7	47	51
Saudi Arabia	50.2	57	50	35	15	33	45
Indonesia	49	54	47	52	37.9	17	42
Oman	48.7	51	54	34	25	36	45
Jordan	47.2	53	43	42	23	34	58
Pakistan	45	47	55	17	24.5	11	45
Kuwait	45	51	45	17	11	41	45
Qatar	44	47	47	28	11.3	54	43
Brunei	40	35	53	30	11	44	49
Sudan	39	31	66	34	8	18	36
Turkey	36	23	52	72	50	31	48
Iran	35	30	52	20	10	26	52
Bangladesh	33	36	31	21	32	9	33

Source: State of the Global Islamic Economy Report 2019/20



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## HALAL MANUFACTURER LEADS THE WAY WITH LOW-YIELD SUKUK

**Malaysia's Top Glove Corporation, through its fully-owned subsidiary TG Excellence, in February made market history with the issuance of a RM1.3 billion (US\$310.4 million) perpetual Sukuk that achieved the lowest yield ever for a corporate transaction in the Malaysian markets, showing that the Islamic capital markets can be a highly effective channel for capital-raising within the Halal space.**

The Kuala Lumpur-based Top Glove Corporation is the world's biggest glove manufacturer, launched in 1991 and now with 18,000 employees across 43 factories in Malaysia, Thailand and China as well as marketing offices in the US, Germany and Brazil. The firm holds a global market share of over 26% with hopes of capturing 30% by the end of 2020 and becoming a Fortune Global 500 company by 2040. With a market capitalization of US\$14.6 billion (US\$3.4 billion), Top Glove looked to raise funds this year to finance its aggressive expansion plans – and with Halal-certified products (with certification from both Jabatan Agama Islam Selangor (JAIS) and Jabatan Kemajuan Islam Malaysia (JAKIM) since 2019), the Islamic market was an obvious answer.

The firm on the 22nd January lodged a RM3 billion (US\$716.5 million) perpetual Sukuk program with the Securities Commission Malaysia to raise proceeds for refinancing and working capital purposes, under the Wakalah Bi-Al Istithmar, guaranteed by Top Glove and assigned an AA-IS(cg) rating by the Malaysian Rating Corp (MARC).

A month later, on the 20th February, Top Glove confirmed the successful pricing of its maiden RM1.3 billion issuance under the

program, the proceeds of which will be used to pare down the company's borrowings and finance capital expenditure.

The Sukuk has no legal maturity date and Top Glove has the option to redeem the perpetual paper five years from the issue date, or at every six-month interval thereafter. The initial yield on the transaction was priced at 3.95% p.a., representing the lowest yield ever achieved for a corporate perpetual transaction in the Malaysian markets.

The deal attracted an order book of more than RM7 billion (US\$1.67 billion) at the final price, with participation coming from a diversified investor base, including asset managers, insurance companies, private banking, corporates and financial institutions.

"We are very pleased with the outcome of our debut perpetual Sukuk transaction. The final pricing... that we achieved, as well as the very strong order book, reflects the confidence that investors have in Top Glove and the current favorable market conditions," said Tan Sri Dr. Lim Wee Chai, executive chairman of Top Glove.

"All utilization of proceeds raised under the Sukuk Wakalah shall be Shariah compliant," confirmed the group. <sup>(3)</sup>





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## INDONESIAN UNICORN LENDS MAGIC TO ISLAMIC DIGITAL ECONOMY

**Indonesians can expect to access more Shariah financial products through e-commerce site Tokopedia as the tech unicorn carves a new partnership with Islamic bank BNI Syariah, a cross-industry collaboration the Indonesian government has been pushing to drive its Islamic digital economy.**

Under the MoU, both entities will explore introducing Shariah compliant financing schemes for consumers as well as Tokopedia Salam (the Halal arm of Tokopedia) merchants, joint branding, distributing BNI Syariah products as well as Islamic financial literacy initiatives. They will also collaborate on promoting Hajj packages and savings products.

"Through Tokopedia Salam, we are collaborating with various strategic partners, including BNI Syariah, to jointly encourage the digital equality of the Islamic economy in Indonesia," explained Garri Juanda, the head of Tokopedia Salam. This is done by making it easy for people to transact using Islamic financial services.

This partnership reflects a wider industry movement involving e-commerce platforms and Islamic financial institutions, a

trend designed by the government under its National Shariah Economy Plan. Unlike its peers, the Republic has approached Islamic fintech-mediated financial inclusion by creating a comprehensive digital marketplace surrounding the country's major e-commerce platforms to serve its 260 million-strong population.

Four out of five major e-commerce sites in Indonesia (including fintech unicorn Bukalapak and Tokopedia) have introduced Islamic marketplaces. This allows consumers to purchase Islamic financial products and make Shariah investments, which has resulted in significant participation in the Islamic capital market space by millennials. ☺



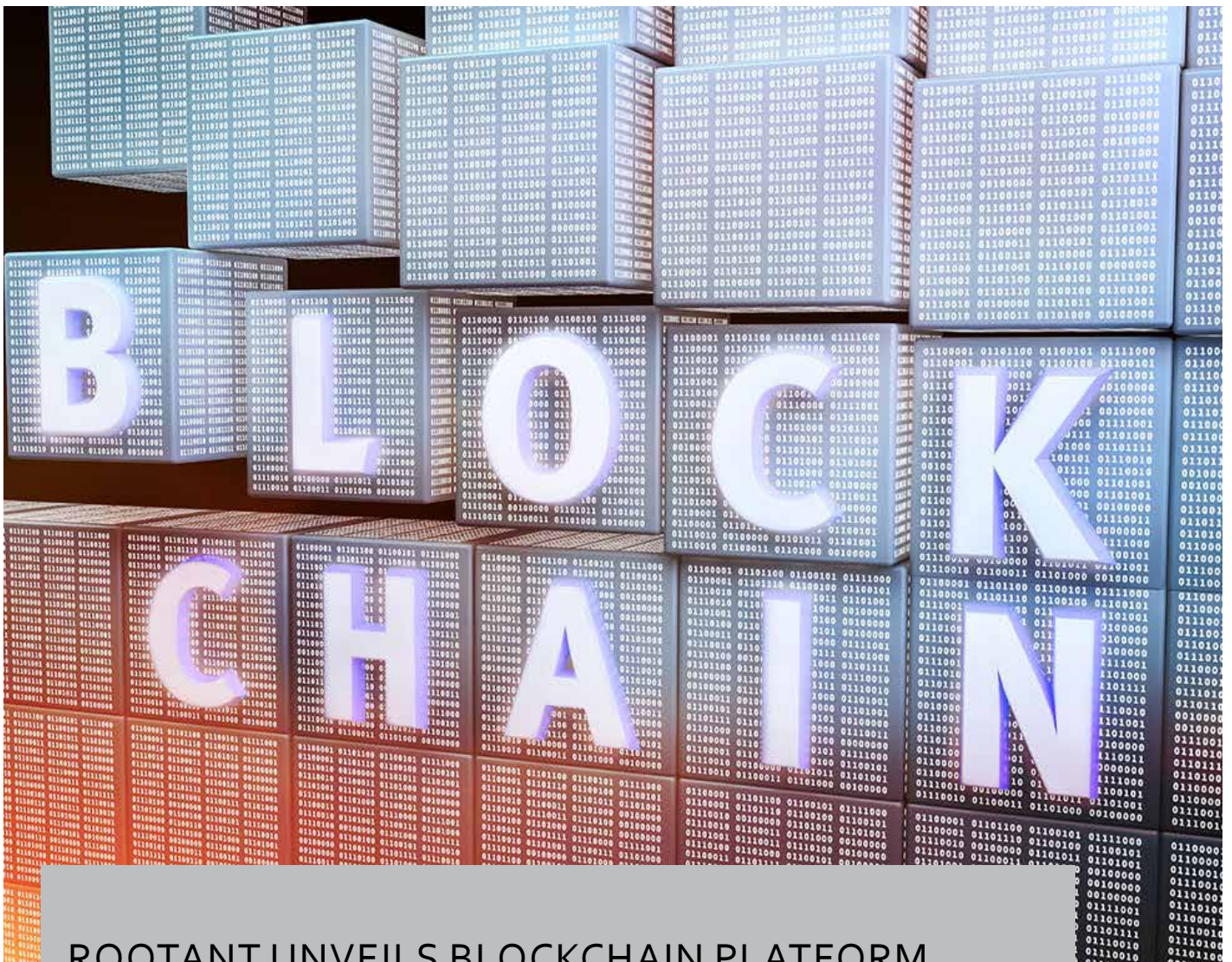
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## ROOTANT UNVEILS BLOCKCHAIN PLATFORM

**Singapore-headquartered RootAnt has launched a multitier finance platform powered by distributed ledger technology as the fintech company makes its move to tap the Halal and ethical financing markets.**

The new platform is based on R3's Corda blockchain, launched at R3 CordaCon2020, the first multitier finance platform on the Corda blockchain.

"With the integration with the R3 Corda platform, it will allow for more secured data exchange among multiple parties, privacy and validation of financing and trade transactions throughout our platform," RootAnt explained in a public statement.

This launch is part of RootAnt's strategy to tap the Halal and ethical finance market. In an [interview](#) with IFN Fintech, RootAnt CEO Lincoln Yin shared that the company is developing Shariah compliant fintech solutions including a multitier finance platform to meet the immense opportunities the Halal finance

market — which is lagging behind its conventional peers in terms of digitalization — presents.

"A review of [the] end-to-end trade finance process by Boston Consulting Group reveals that a single transaction can involve approximately 5,000 data field interactions and multiple parties' involvement," the company explained. "Digitalization of trade finance would streamline 90% of data field interactions, creating a process that is not just faster [but also] less vulnerable to error and fraud."

RootAnt plans to introduce its R3-powered solution in Singapore first before bringing it to the rest of Southeast Asia, Japan and China next year. <sup>(2)</sup>





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## HALAL<sub>360</sub>: SUPPORTING YOUR GLOBAL ISLAMIC TRADE ECOSYSTEM

On the back of rising affluence and the global Muslim population lies a US\$3.1 trillion market opportunity<sup>1</sup> across a range of products and services driven by Islamic faith-inspired needs, collectively known as the Halal economy. Such increasing demand has fueled the rapid development of Halal industries including Islamic finance.

Halal originates from the Arabic phrase that means allowed or permitted by Islamic law. The general perception is that the word 'Halal' is confined to the food and beverage industry. However, Halal is the manner of producing goods and services that are Shariah or Islamic-law compliant. It encompasses a wide range of sectors including financial products, tourism, pharmaceuticals, fashion and cosmetics.

The business ecosystem of the Halal industry is well in place in Malaysia. For over two decades, Malaysia is regarded as one of the leaders in the global Halal marketplace pioneering Halal certification and the effective implementation of regulations on Halal production, commonly known as 'Halal laws'.

<sup>1</sup> According to the State of the Islamic Economy 2018-19 report by Thomson Reuters

## Charting the rise of the Halal industry

Over the years, there is growing awareness of Halal Tayyib which calls for Shariah compliance to be assessed throughout the entire supply chain of a Halal business. This poses an equally growing need for utilizing Islamic financial services to ensure end-to-end Shariah compliance in the operations of Halal businesses.

A fully Shariah compliant supply chain is perceived to increase consumer confidence on Halal products due to its universally recognized values of ethics and sustainability. Consumers worldwide, both Muslims and non-Muslims, are increasingly seeking options and business models that are ethical and responsible in generating a positive and sustainable impact on the community, economy and environment.

“Technology is now the core of banking. Many banks have ramped up their digital capabilities, offering a wide range of digital solutions to support the digital transformation of businesses”

In this regard, Standard Chartered Saadiq's Shariah compliant solution, **Halal360**, is designed to help businesses thrive within the Halal trade economic landscape.

SMEs engaged in Halal exports will be able to enjoy lower rates on business financing as well as preferential pricing on their business accounts. SMEs also enjoy preferential foreign exchange rates to optimize potential returns from export proceeds.

Large corporates could also stand to gain from Halal360. The bank leverages on its extensive network in rapidly developing Asian, African and Middle Eastern markets to help clients seek



out new export markets. Ranging from cross-border supplier finance and liquidity management, Halal360 offers the right solutions at each step of the business cycle.

The integration between the Halal industry and Islamic finance poses a huge potential for the growth of Islamic economics in Malaysia and abroad. It is evident that increasing the synergy between the Halal industry and Islamic finance will spur the creation of new Halal businesses and the expansion of Halal trade into global markets.

### Embracing digital

Technology is now the core of banking. Many banks have ramped up their digital capabilities, offering a wide range of digital solutions to support the digital transformation of businesses. What sets us apart is our vision in being a digital bank with a strong human touch and to be the go-to bank for SMEs and corporates.

Across our network market, the bank is using digital to make banking faster and simpler. Complementing the digital journey and aspiration of the Halal industry is the **bank's award-winning<sup>2</sup>** Straight2Bank suite of electronic channels to enable clients to securely and effectively run their cash management, trade finance, foreign exchange and securities services.

Our role as a connector bank in using technology gives our clients the best possible customer experience in line with our purpose of driving commerce and prosperity through our unique diversity. <sup>(2)</sup>

<sup>2</sup> Retail Banker International Asia Trailblazer 2018 (Best Multi-Channel Offering: Business Banking Straight2Bank NextGen; Excellence in Internet Banking-Cross Border: Business Banking Straight2Bank NextGen; Highly Commended Excellence in Internet Banking-Overall: Business Banking Straight2Bank NextGen)

Standard Chartered  
Saadiq





## INTERVIEW: RAHEEL IQBAL, THE MANAGING PARTNER OF CODEBASE TECHNOLOGIES

**As digital banking continues to become common practice across banks and financial institutions, enablers must chart out new ways to offer a differentiated proposition that keeps customers engaged. A GCC-based Islamic bank has worked with Codebase Technologies to launch a new instant Islamic personal finance product. The solution allows a customer to apply for personal financing within a streamlined digital banking app, and receive approvals instantly, reducing the bank's operating costs by 95%. We talk to Raheel Iqbal, the managing partner of Codebase Technologies, to get some insights on the digital landscape for financing products.**

### **What does it take to digitize the personal finance application process?**

First and foremost, it takes a change in mindset, and that needs to come from the top down. Decision-makers within the bank or financial institution have to be able to objectify the pain points they seek to remedy. That allows us to initiate a more detailed discussion about how to go about creating a solution.

### **Who does this transformation benefit the most?**

There are two sides that win when digitizing existing processes — the institution and, most importantly, the customer. Institutions benefit for a number of reasons: an existing product offering or service becomes faster, more responsive and the cost to operate is vastly reduced. The relationship between that solution deployment and how it informs institutions about their customers, as well as the depth to which it can do so, is the most crucial element. The notion that digitization hurts customer relationships is a misconception. In reality, the reverse is true. Institutions can learn more about their customers, and provide value in a more specific, immediate manner.

### **Is digital personal financing a new concept?**

Globally, no. Regionally, yes — our deployment is the first of its kind in the GCC. When developing solution concepts with the bank, we needed to consider things like Shariah compliant Murabahah trade management, as well as how to implement a completely frictionless process.

This particular client wanted to push the power of choice into the customers' hands, and build on its existing customer relationships by enabling them to make decisions faster. We needed to utilize Digibanc SmartRules to enable connectivity with the national credit bureau, allowing us to deliver instant decision management. We have found that, nowadays, customers will always choose the faster option if it meets their needs.

*Raheel Iqbal  
managing partner,  
Codebase  
Technologies*



### **Do you think the region is ready for digitized Islamic personal financing?**

Absolutely. Islamic banking concepts are not new, and the same can be said about conventional banking methods. What we strive to do as an organization is ensure that our fundamental approach to digitization can apply to any banking environment. We know banking, and we know technology. We adopt a modular, dynamic approach to developing solutions in any financial environment, and Islamic banking is no exception. ☺



**CODEBASE  
TECHNOLOGIES**

**Demystifying Digital  
Financial Services**

## DISCUSSION INTRODUCTION

THE HALAL ECONOMY: TODAY SOUTHEAST ASIA,  
TOMORROW THE WORLD

What represents an effective Halal economy and what are the regional and global opportunities on offer servicing, supplying, financing and managing this sector? How large, potentially, is the Halal economy both domestically and internationally and how do we undertake effective sector value chain analysis? What are the prime sectors engaged in this exciting sector and what sectors are underserved? What environment is conducive for the growth of Halal ecosystems, infrastructure and value and supply chains and what financial incentives should be made available to promote growth? What do Halal sourcing programs and self-contained Halal parks offer companies engaged in the Halal value chain? Are companies in the Halal economy exclusively using Islamic financial services, and if not, why? What role does technology play and how do government and regulators enable, promote and grow the Halal ecosystem? Who are the major international players and how can Malaysia maintain and extend the country's head start in Halal industry services? How can Malaysia increase foreign direct investment into Halal goods manufacturing for both local consumption and export? We ask an expert panel for their guidance.

## YOUR PANEL



**HUSSAM SULTAN**  
*Regional Head, Commercial and  
Transaction Banking (Islamic), CIMB*



**DIANA SABRAIN**  
*CEO/Co-Founder, OneAgrix*



**KHAMILAH MOHDYUSOFF**  
*Director of Food Technology and  
Resource Based Industries Division,  
Malaysian Investment Development  
Authority*



**PROF DR MARCO TIEMAN**  
*CEO, LBB International*



**MOHD SUHAIMI ABDUL HAMID**  
*CEO, Standard Chartered Saadiq*



**TOMÁS GUERRERO**  
*Manager, Halal Trade and Marketing  
Centre*



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# IFN HALAL FINANCE: THE FUTURE OF THE ISLAMIC ECONOMY

IFN has long promoted the importance of a holistic, inclusive Islamic economy, and the Halal sector is the pivot around which all of this must revolve. In the recent inaugural IFN Halal Finance Forum, we brought together the movers, shakers and bankers that are both forging and financing this new commercial reality, for a discussion that was both pragmatic and empowering. LAUREN MCAUGHTRY writes.

A fast-growing business comprising everything from food, cosmetics and personal care to agriculture, pharmaceuticals and health, logistic services, media and tourism, the Halal industry has many faces. And with a growing Muslim population representing almost a quarter (24%) of the global population or 1.8 billion people around the world, the sky is the limit when it comes to both opportunity and audience. But how can we bridge the gap between Halal business and Islamic finance, making sure that these activities are funded through Shariah compliant methods and that the small businesses that make up the backbone of the Halal economy have access to the financing they need in order to grow?

IFN was delighted to welcome Hanisofian Alias, the vice-president of industry development at Malaysia's pioneering Halal Development Corporation, who delivered a keynote address characterized by optimism and commitment. "Halal values are fundamentally religious, and yet they offer a practical approach to interactions with the environment," he emphasized. "The core principles of the Halal economy are universal values that promote inclusion, equity, property rights and ethics. This creates a natural connection between Islamic principles and the UN SDGs." From an economic perspective, Hanisofian stressed the impact of Islam on global trade, with a potential Halal market size of US\$5.03 trillion by 2030. But importantly, he also noted the influence of non-Muslims moving into the sector, and the potential for growth that they bring.

Another key point was the impact of the global COVID-19 lockdown on the need for self-sufficiency, the impact that it had on the supply chain, and the growing focus on improving and sustaining sufficient access to goods and trade. Hanisofian also stressed that the rapid growth of the Halal industry made it imperative to focus on developing the appropriate infrastructure to support it. "Halal certification alone is not enough,"

he urged. "Factors such as quality, pricing, brand positioning and logistics must not be discarded. There is a need for new technology, and innovation plays an important role."

*"We start by having a structure of dependable standards and a strong certification system"*

- Khamilah Mohd Yusoff



## Spreading its wings

In the first session of the event, hosted by Hussam Sultan, CIMB's regional head of commercial and transaction banking (Islamic), a panel of regulators, businesspeople and bankers discussed the factors that make up an effective Halal economy, and explored the regional and global opportunities on offer to service, supply, finance and manage the sector. Titled 'The Halal Economy: Today Southeast Asia, Tomorrow the World', the panel explored how to create a conducive environment for growth, the financial incentives that could help and the benefits of initiatives such as Halal sourcing programs and Halal business parks. The panelists also addressed the knotty problem of why not all Halal business is yet financed Islamically, and how this issue can be addressed, as well as discussing how Malaysia's experience and expertise can be leveraged globally as well as used to attract further inward investment into the country.

"Malaysia is the trend-setter when it comes to Halal standards," stressed Hassam. "It has also launched so many other pioneering initiatives, products and services. How can we start that journey

from Malaysia to learn the successful components of an Islamic economy, make Malaysia the benchmark and build on that success?"

Khamilah Mohd Yusoff, the director of the Food Technology and Resource-Based Industries Division at the Malaysian Investment Development Authority, discussed Malaysia's competitive position as a global leader. "We start by having a structure of dependable standards and a strong certification system," she explained. "Malaysia keeps pushing forward by offering robust industry support services. We have world-standard infrastructure and policies aimed at creating a holistic Halal economy model that can be replicated in other emerging economies. This also opens up collaboration opportunities, interconnected Halal sourcing, global market penetration and many other benefits."

*"Malaysia is the first country in the world to create Halal supply chain standards for transportation, storage and retailing"*

- Prof Dr Marco Tieman



Prof Dr Marco Tieman, a world-renowned scholar of the Halal supply chain and CEO of supply chain strategy consultancy and research firm LBB International, gave his insights into what the ideal Halal supply chain actually looks like, and how far away we are from achieving that goal. "Malaysia is the first country in the world to create Halal supply chain standards for transportation, storage and retailing. There have not been many takers for



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retailing yet, but for transportation and storage, yes. So how far away are we? The standards have not yet been enforced by the government so not many companies in the Halal supply chain have put Halal systems in place yet. We might have only achieved perhaps 10% yet. Look at the whole supply chain including Islamic banking and finance, we are at an even lower level. But Malaysia has been leading this, at both a domestic and international level, and is doing a great job."

***"There is a lack of consolidation of Halal food products, and a lack of distribution. How do we bridge that gap? We need to look at the traditional model of how the food sector is run, and how procurement officers trade. During COVID-19, when they cannot trade as usual, now is the time for digital transformation"***

- Diana Sabrain



Diana Sabrain, CEO/co-founder of Halal e-marketplace OneAgrix, warned of the challenges of COVID-19 on Halal supply chains. "The supply chain is disrupted and the movement of Halal products globally is really broken. If a quarter of the global population by 2030 are Halal consumers, that's a very long-term perspective, but we need to look at the short-term as well. There is a lack of consolidation of Halal food products, and a lack of distribution. How do we bridge that gap? We need to look at the traditional model of how the food sector is run, and how procurement officers trade. During COVID-19, when they cannot trade as usual, now is the time for digital transformation."

Mohd Suhaimi Abdul Hamid, CEO of Standard Chartered Saadiq, called for Islamic banks to play a greater role across the Halal ecosystem. "Over the years, there is a growing awareness of the Halal economy, which calls for Shariah



compliance to be accepted throughout the entire supply chain of Halal business. But only 54% of Halal businesses are currently bank-financed, according to data from Bank Negara [Malaysia], and of these, less than a quarter use Islamic finance. We as Islamic banks must support Halal players."

Tomas Guerrero, the manager of the Halal Trade and Marketing Centre, added the difficulty facing the industry with regards to a lack of global standardization. "In the case of the Halal certification bodies, it's good to have many different bodies worldwide, a competitive market is healthy," he said. "But the main issue for the Halal industry is from a regulatory view. We have different standards for rating the same thing, and there are varying standards across the Muslim world. There are different approaches, the GCC standards are different to Southeast Asian countries, for example. This is a

***"We as Islamic banks must support Halal players"***

- Mohd Suhaimi Abdul Hamid



***"But the main issue for the Halal industry is from a regulatory view. We have different standards for rating the same thing, and there are varying standards across the Muslim world"***

- Tomás Guerrero



problem for companies, which are trying to sell to multiple countries. Sometimes these issues reduce the potential for Halal trade. I have seen some companies avoid going into Halal, because the rules of the game are not clear. But luckily, today we are finally seeing some global initiatives to address these problems — such as the Global Halal Accreditation Forum in the UAE. We hope these will push companies and organizations to overcome the current situation."

## KEY TAKEAWAYS

It was a very insightful session delving into what constitutes a successful Halal economy ecosystem based on the successful experience of Malaysia in leading the global Islamic economy development. As we are at a crossroads with a new post COVID-19 economy emerging, it was important to discuss the shape of the new economy and how much impact that will have on the Halal supply chain, the role of technology and Islamic banks in enabling access to financing, certification and traceability technology. The session also discussed the convergence between Halal and sustainability trends and the relevance of those two concepts to the future of consumerism, particularly as new economies are entering the competitive scene of the global Halal economy.



*Hussam Sultan is the regional head of commercial and transaction banking (Islamic) at CIMB.*

- 1) The **Halal economy encompasses a broader area of coverage** and it goes beyond the boundary of food, ie non-food and other services including the supply chain to the Halal industry ecosystem.
- 2) The **Halal economy is universal** and it benefits the people globally.
- 3) **An integrated Halal ecosystem** is crucial in ensuring the **success of the Halal economy in all phases** (upstream, midstream, downstream and support service).
- 4) The **role of technology** in the Halal business world has **created an impactful business-to-business arrangement or transaction**, especially in e-commerce by incorporating the technological advancements, ie Industry4WRD, etc.
- 5) **More financial services support or models for SMEs** (specific to Halal entrepreneurs) are needed to further support and ensure the sustainability of such businesses.

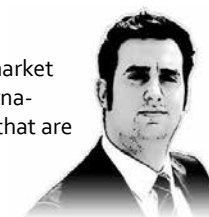


*Khamilah Mohd Yusoff is the director of the Food Technology and Resource-Based Industries Division at Malaysian Investment Development Authority.*

The Halal market continues to grow and offer business opportunities, but it also presents some challenges. The main issue for the Halal industry is the lack of a global Halal standard. We currently have different rules for regulating the same market across the 57 OIC countries.

They present some variations between them, making access to the Halal market somewhat complex sometimes for companies, especially for those in the non-Muslim-majority countries, where the largest producers of consumer goods are based.

This issue is weighing on the potential growth of Halal trade since companies sometimes avoid going into the Halal market because the rules of the market are not clear. Fortunately, there are some global initiatives, such as those by the International Halal Accreditation Forum in the UAE or the Standards and Metrology Institute for Islamic Countries in Turkey, that are looking to harmonize the accreditation and standardization practices and facilitate Halal trade across the world.

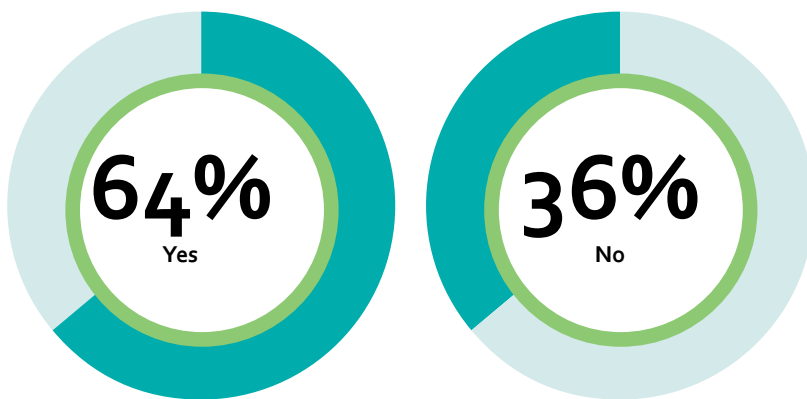


*Tomas Guerrero is a manager at the Halal Trade and Marketing Center.*

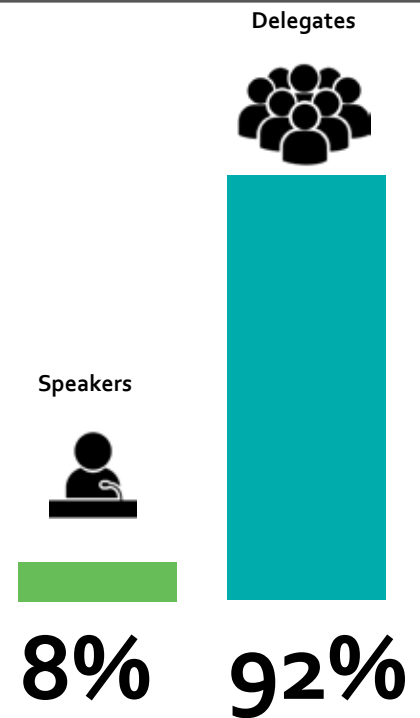




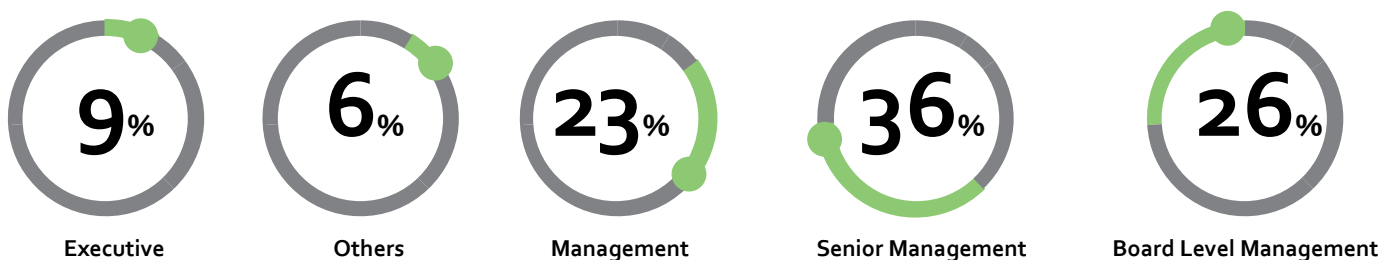
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DELEGATE BREAKDOWN



DELEGATE JOB TITLE BREAKDOWN



## DELEGATE BREAKDOWN (INTERNATIONAL &amp; LOCAL)



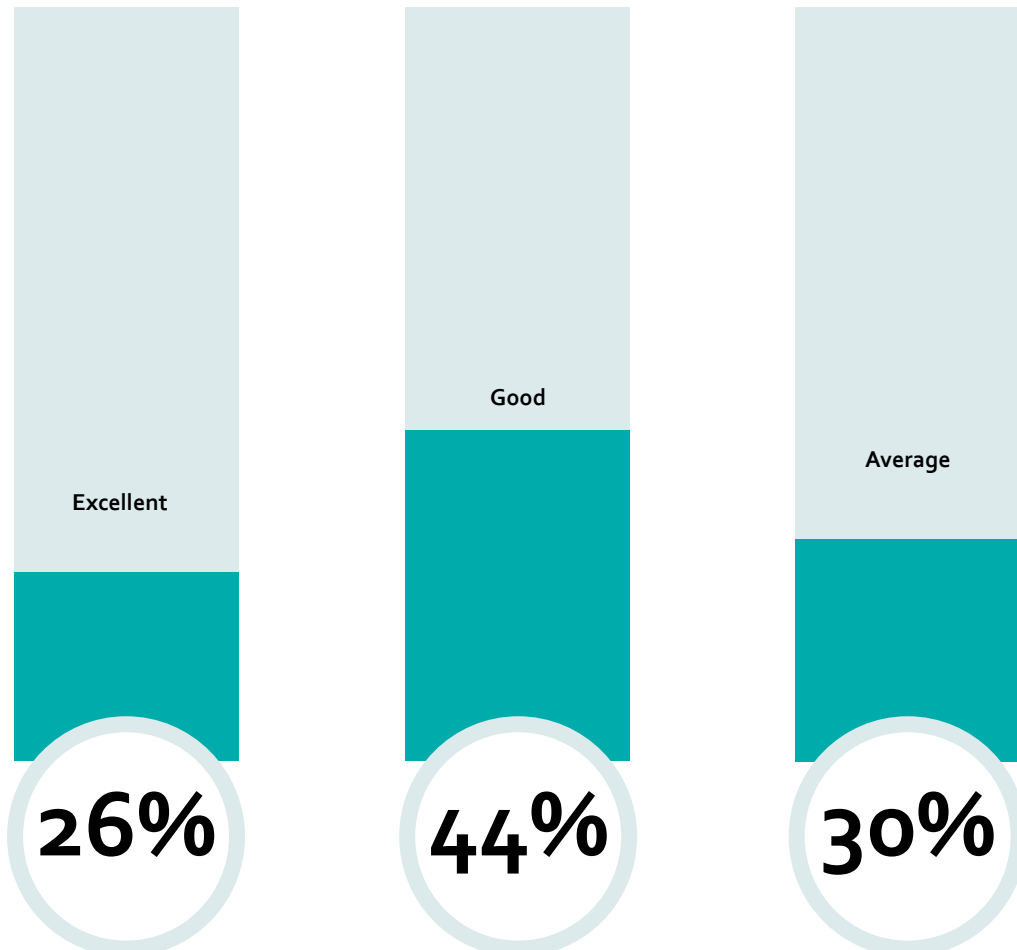
**55%**  
Local



**45%**  
International

## SESSION EVALUATION

## THE HALAL ECONOMY: TODAY SOUTHEAST ASIA, TOMORROW THE WORLD





## EXPANDING THE HALAL ECONOMY THROUGH FINANCING THE CORPORATE AND SME SECTOR

Where do corporate, trade finance, forex and treasury products for corporates play a role in the financing and development of the Halal economy? How can Islamic finance build appeal and maintain competitiveness in this segment? How can trade and export opportunities be effectively financed and leveraged on, while effectively allowing companies of all sizes to manage risk in the cross-border value chain? What Takaful and investment management solutions are demanded by and are available to corporates? What is the perception of Islamic finance among SMEs and what is the readiness of this vital sector in terms of accepting and adopting Islamic financial services? What can be done to increase this readiness in terms of education, awareness and, if necessary, incentivisation? When and how will the Shariah compliance of finance and funding sources be included as a vital consideration in Halal certification appraisals? How does technology - in particular, crowdfunding - offer a viable alternative for funding the SME sector? How are Islamic financial institutions positioning themselves to serve the corporate and SME sector, and what programs and initiatives are in place? What advice, leadership and guidance should financial institutions be offering their clients? We seek the opinions of an expert panel.

### YOUR PANEL



**SHABNAM MOKHTAR**  
Group Executive Vice President,  
SHAPE™ Knowledge Services



**AHMAD SHAHRIMAN MOHD SHARIFF**  
CEO, CIMB Islamic



**BILAL PARVAIZ**  
Director, Islamic Business and Head  
Product Management, Standard  
Chartered Saadiq



**JOANN ENRIQUEZ**  
CEO, Investment Account Platform



**MARK ALLEN**  
CEO, Thera Capital Management



**NISA ISMAIL**  
CEO, Sedania As Salam



**DR SUTAN EMIR HIDAYAT**  
Director of Islamic Economy  
Supporting Ecosystem, National  
Committee of Islamic Finance



**WOLFGANG HOLZEM**  
CEO, eHalal Group



## MALAYSIAN STRENGTH

**The second day of the event was opened by a keynote address from Rizal Il-Ehzan Fadil Azim, CEO of Alliance Islamic Bank, who detailed the leading role Malaysia could and should play in developing the global Halal economy.**

“We have a diverse range of Islamic financial institutions, both domestic and foreign, and Malaysia can expect half of its banking assets to be Islamic by 2030, as the industry’s growth outpaces the conventional,” Rizal stressed. “The Halal industry continues to offer enormous potential for growth, and in Malaysia we have the infrastructure needed to capitalize on the opportunity that this provides. The JAKIM Halal certification is one that is internationally recognized in 42 countries, including non-Muslim-majority markets. As the global Halal industry grows, Malaysia will continue to work on maintaining and providing global leadership for the Halal industry, at least in terms of a model of how to develop and maintain an Islamic economy ecosystem. To this end, there

will need to be deliberate development of linkages between the robust Halal standards that we have, with Halal-eligible enterprise communities, with Halal infrastructure providers, with a Halal-focused Islamic finance industry and with an investor ecosystem.”

Following on from Rizal was a detailed dive into the nuts and bolts of how to expand the Halal economy through financing the corporate and SME sectors. Hosted by Shabnam Mokhtar, the group executive vice-president of SHAPE Knowledge Services, the panel explored the role that corporate, trade finance, forex and treasury products for corporates can play in the financing and development of the Halal economy, and how Islamic finance can both build

appeal and maintain competitiveness in this segment.

Distinguished panelists debated the perception of Islamic finance among SMEs and the readiness of this vital sector in terms of accepting and adopting Islamic financial services, and attempted to create a roadmap to move forward in terms of education, awareness and, if necessary, incentivization.

Of particular concern, of course, was how Islamic financial institutions are positioning themselves to serve the corporate and SME sector, what programs and initiatives are in place, and what advice, leadership and guidance should financial institutions be offering their clients: and the conversation was both frank and lively.



***"We want to support this journey from the lowest to the highest level — and the role of non-banking institutions such as Takaful and Waqf is very important in this"***

- Dr Sutan Emir Hidayat



Dr Sutan Emir Hidayat, the director of the Islamic Economy Supporting Ecosystem at Indonesia's National Committee for Islamic Economy and Finance, outlined his own country's goals when it comes to creating a Halal ecosystem. "It is inspired by people from below the poverty line," he explained. "We want to empower them and enhance their lives, through Islamic social finance. Blended finance in Indonesia, supported by Islamic microfinance, will empower them to become bankable.

When they become bankable, as a small company, then there will be Islamic banks and fintechs that will take care of them and play a role in supporting and financing their activities. So we want to support this journey from the lowest to the highest level — and the role of non-banking institutions such as Takaful and Waqf is very important in this."

***"Islamic trade is only a small percentage compared to the conventional, and we have to try and catch up with the bigger players as well as supporting the smaller ones"***

- Ahmad Shahrman Mohd Shariff



Indonesia is creating new infrastructure such as Halal business parks to develop both domestic Halal activity and inward Halal investment, as well as human resources development, certification programs and scientific research and development.

Ahmad Shahrman Mohd Shariff, CEO of CIMB Islamic, stressed the importance of associating Islamic banks with sustainable activities, and broadening the audience for Halal products and services. "The Islamic banks are playing catch-up though," he pointed out. "Islamic trade is only a small percentage compared to the conventional, and we have to try and catch up with the bigger players as well as supporting the smaller ones."

***"It is a social obligation for Islamic banks to come up with initiatives not only to help smaller companies as clients, but also to focus on social inclusion"***

- Bilal Parvaiz



Bilal Parvaiz, the director of Islamic business and head of product management at Standard Chartered Saadiq agreed, and also pointed out that SMEs still struggle to easily access financing for their needs. "It is a social obligation for Islamic banks to come up with initiatives not only to help smaller companies as clients, but also to focus on social inclusion."

Joann Enriquez, CEO of Malaysia's groundbreaking Investment Account Platform (IAP), explained two big projects they are working on, to support the Halal economy, which should launch within the year. "First, we are structuring a product which will invest into working capital through a gold liquidity business that gives small and unbankable businesses access to funding by collateralizing their gold.

***"Essentially, we are leveraging on the expertise of institutions and crowdfunding their investment through the IAP platform"***

- Joann Enriquez



This is an effective mechanism to reach the grassroots level. The other project is to finance the working capital of a Bumiputera initiative [which] turned over US\$70 million in 2019 alone. Essentially, we are leveraging on the expertise of institutions and crowdfunding their investment through the IAP platform."

Mark Allen, CEO of agriculture-focused Thera Capital Management, explained that his unique approach was to get as close to the producer as possible, rather than competing with the banks. "We want to apply our expertise at the producer level," he explained, detailing innovative initiatives that give Halal producers a new avenue of funding.

***"COVID-19 is driving a greater demand for credit services from smaller businesses"***

- Nisa Ismail



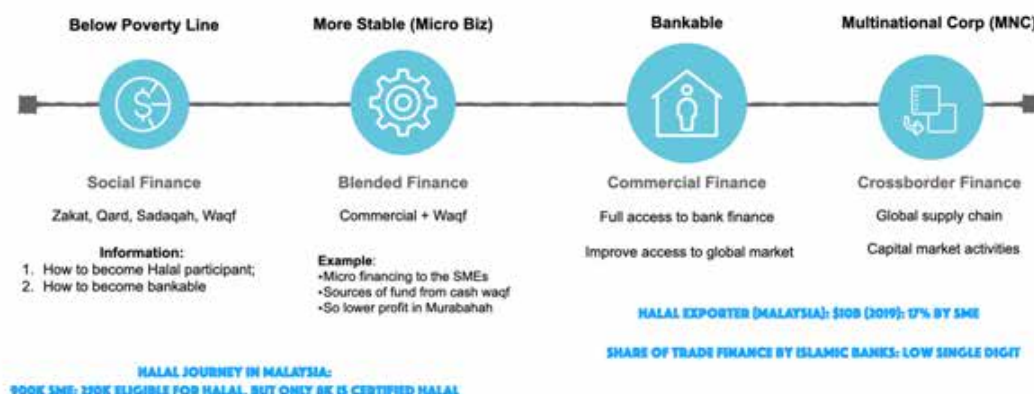
Finally Nisa Ismail, CEO of Islamic trading platform Sedania As Salam which facilitates digital commodities trading, agreed that new avenues of funding were needed. "COVID-19 is driving a greater demand for credit services from smaller businesses," she explained.

To hear the full details of these detailed and immensely valuable sessions, listen online or download for free at [www.redmoneyevents.com](http://www.redmoneyevents.com).

## KEY TAKEAWAYS

The Halal industry's potential market size is estimated at US\$38 trillion. Finance, as a lubricant, could help large corporations and SMEs expand their Halal sector activities.

Figure 1: End-to-end finance journey for Halal players



Source: Author's own

The main takeaway from the Day 2 session is '**It's not a uniform market**'. There are different tiers of Halal players and their financing needs are different. Figure 1 summarizes the end-to-end finance journey of these players:

1. At the lowest end, we are dealing with micro SMEs. Some of them are even below the poverty line. The best form of finance here is **social finance** utilizing Zakat, interest-free loans, etc. They also need information on **how to become a formal Halal participant and how to become bankable**. As Ahmad Shahriman, CEO of CIMB Islamic, highlighted, of the 250,000 Halal eligible players in Malaysia, only 8,000 are Halal-certified.
2. Once these businesses become more stable, we could offer them **blended finance**, tapping into Waqf funds. Dr Sutan Emir Hidayat, the director of the Islamic Economy Supporting Ecosystem at the National Committee for Islamic Finance of Indonesia, shared the Indonesian example where micro Waqf banks offer Murabahah financing at lower rates because of their lower profit requirements.
3. Once these companies climb up the ladder and become **bankable**, there are wider financing options available. The aim here is to help these companies access the global market. Bilal Parvaiz, the director of Islamic business and head of product management at Standard Chartered Saadiq, highlighted that of the US\$10 billion-worth of Halal exports from Malaysia last year, only 17% were from SMEs. Finance and linkages to different markets will play an important role to help these companies become global players. Crowdfunding and non-bank platforms also provide alternative fundraising options for companies in the second and third tiers.
4. At the top tier, the multinational corporations (MNCs) have been operating in the Halal market ahead of Islamic banks. Although awareness about Islamic finance is already there, the conversion to Islamic finance requires a demonstration of value to these companies. These MNCs operate in multiple markets and usually bank with international banks. Since the share of trade finance by Islamic banks is still low, **Islamic banks are playing catch-up with these players**. Supply chain finance and trade finance are areas of opportunity.

In short, information, funding and access to markets are the three key ingredients to help Halal players expand their businesses.

Shabnam Mokhtar is the group executive vice-president of SHAPE Knowledge Services



Islamic financial services should support all types of Halal industry players which include MSMEs as well as big corporations in order to strengthen the Halal value chain within the ecosystem of the Islamic economy and finance. Different schemes offered by different layers of Islamic financial institutions ranging from Islamic social funds (Zakat, Infaq, Sadaqah and Waqf) and blended finance to Islamic commercial finance should be made available to serve Halal industry players in each layer. If those are available, the impacts of Halal finance on people's welfare will be significant.

Dr Sutan Emir Hidayat is the director of the Islamic Economy Supporting Ecosystem at the National Committee for Islamic Finance.





## KEY TAKEAWAYS

As the economy is coaxed toward post-pandemic recovery, there is a need to proliferate and recognize digitalization as an essential building block of fintech solutions. The ability to accelerate digital investment (initially planned for three to five years but shortened to less than a year) is a huge leap for the fintech ecosystem. With the increasing demand for digital services, liberation for access to microfinancing needs to be ramped up. Digitalization enables financial institutions and credit communities to enhance their global competitiveness by providing seamless services that bring convenience to their digital-savvy users.

Non-banks often serve as collaborative technology partners for the financial services industry (FSI) and credit communities in closing the gap, overcoming obstacles to a symbiotic relationship. Sedania As Salam Capital is committed to address the FSI and SME sectors toward a composite banking and financial services platform which can be modularized based on the immediate requirements and timing of the deliverables so that it will be budget-friendly and manage the return on investment of the FSI sectors.

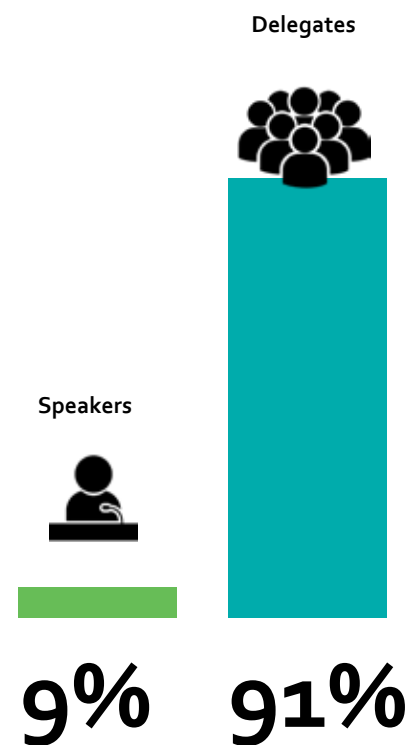
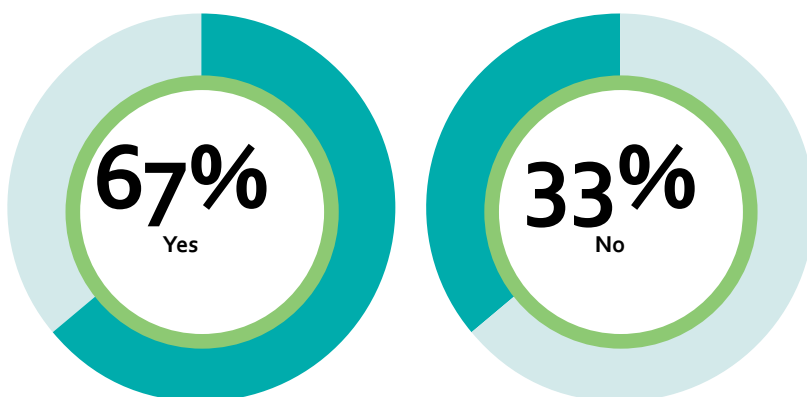


*Nisa Ismail is CEO of Sedania As Salam Capital.*

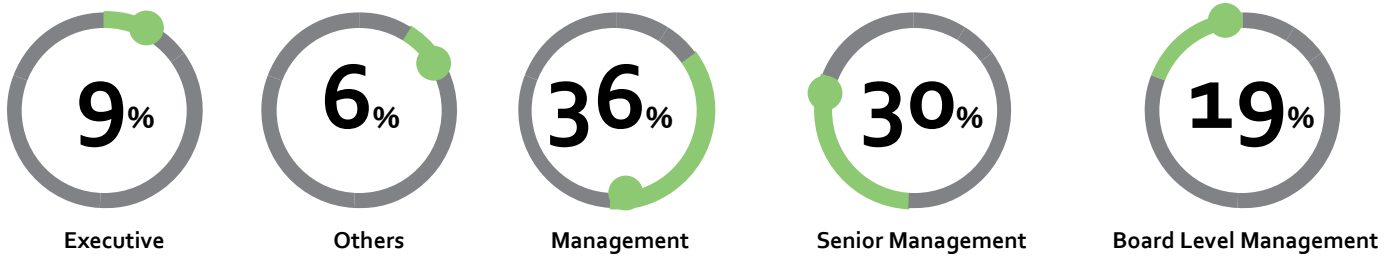


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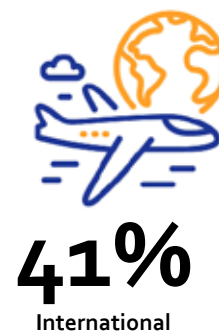
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## DELEGATE JOB TITLE BREAKDOWN

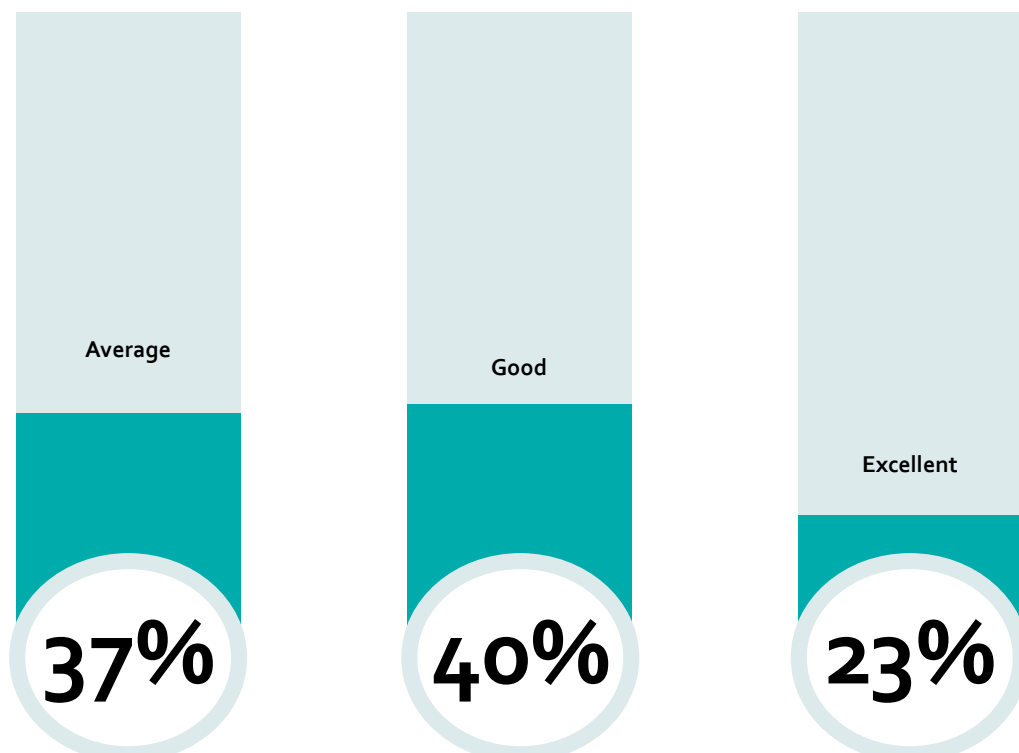


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## SESSION EVALUATION

## EXPANDING THE HALAL ECONOMY THROUGH FINANCING THE CORPORATE AND SME SECTOR







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eHalal Group	Malaysian Technology Development	The CIB
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Global Sadaqah	MSU	Universiti Sains Islam Malaysia
Halal	MTDC	University Malaya
Halal Balancing	National Bank of Pakistan	University of Warwick
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