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THE UK AND IRELAND: STILL GOING STRONG

While Ireland is still relatively new in the Islamic finance scene, the UK has been a leading center for Islamic finance in the western world for several decades. But with the long-drawn-out Brexit discussions and the predictions of dire economic consequences, how are the two faring? NESSREEN TAMANO explores.

Regulatory landscape

Islamic finance first arrived in the UK in 1982 with the establishment of the first Islamic bank, the now-defunct Al Baraka International Bank. Since then, Islamic finance assets have grown to more than US$5 billion to date.

In Ireland, Islamic finance was officially introduced when the government in 2015 declared it "a sector of opportunities" for the country's financial services sector and included Shariah finance in its International Financial Services Strategy (IFS 2020).

In 2018, the Irish government added a new chapter into its guidance on Islamic finance transactions, covering issues such as Sukuk issuances, Takaful and re-Takaful, Mudarabah and Wakalah transactions, Islamic investment funds, Ijarah, Murabahah and diminishing Musharakah.

Banking and finance

About a dozen banks and four fully-fledged Islamic banks offer Islamic products in the UK. Although Ireland does not have any Islamic finance operators, global investors are beginning to recognize the opportunities inherent in the country's more than 63,000-strong Muslim population.

Most of the deals in both the UK and Ireland center around real estate. For instance, in 2019, Shariah compliant Warba Bank and a group of investors acquired two retail park properties in Ireland in an Islamic real estate deal worth GBP105 million (US$136.46 million).

While Ireland has not shown much growth in Islamic finance in the past, Brexit may give it a chance as it will become the only native English-speaking country in the remaining EU27 with a long track record of Islamic finance facilities.

Capital markets

The Irish Stock Exchange has also become an international destination for the listing of Sukuk, including programs and offerings from powerhouses Oman, Bahrain and Saudi Arabia, as well as many other corporate entity listings. In 2018, Ireland issued its first Sukuk facility worth more than US$150 million.

With a longer track record than its neighbor, the London Stock Exchange is also a highly favored international Sukuk-listing destination, with more than US$50 billion raised through over 66 issues. It has also recorded several global firsts.

In 2014, the UK was the first western country to issue a sovereign Sukuk facility with its GBP200 million (US$259.92 million) Sukuk Ijarah. This was followed up a year later when Emirates Airline floated the world's first export credit agency-guaranteed Sukuk.

The UK's oldest and largest Islamic finance bank, Al Rayan Bank, launched the GBP250 million (US$324.9 million) Shariah compliant Tolkien Sukuk facility — the largest-ever sterling-denominated Sukuk issued by a UK organization in 2018. The UK government is even planning to reissue its sovereign Sukuk this year.

Fintech

Many Islamic banks and technology companies are collaborating to advance the sector. Most recently, in January 2020, fintech start-up Niyah launched its Islamic banking app and marketplace for Shariah compliant financial products, to serve the UK's Muslim community.

In 2018, Oman's Alizz Islamic Bank partnered with Ireland-based fintech company Ubanquity to provide the bank's customers with a modern and enhanced banking experience.

In the UK, Wahed Invest, a US-based Shariah compliant investing service, launched the world's first automated globally accessible investment platform, especially targeted at young Muslim professionals.

London-based ethical and digital UK fintech company MoneeMint, formerly known as Ummah Finance, plans to roll out an ethical digital bank.

Takaful

Despite having put strong foundations in place, the development of Takaful insurance in both the Irish and UK markets remain sluggish.

In 2018, the Islamic Insurance Association of London created guiding principles for Takaful operations. In November of the same year, the Irish tax authority also provided new guidelines regarding Islamic finance that included the provision of Takaful and re-Takaful services.

In the UK, the principles set out a framework for the market's underwriters to create Islamic windows through which they can deliver Shariah compliant insurance and reinsurance capacity. However, to date, Cobalt Underwriting (a coverholder of Lloyd's) remains the UK's sole Takaful and re-Takaful operator.

WHY ISLAMIC FINANCE HAS AN IMPORTANT ROLE TO PLAY IN SUPPORTING THE RECOVERY FROM COVID – AND HOW THE BANK OF ENGLAND'S NEW ALTERNATIVE LIQUIDITY FACILITY CAN HELP

By Andrew Hauser, the executive director of markets

It's a privilege to be with you today to talk about the Bank of England's work on Islamic finance – and to announce the launch date for our new Shariah compliant non-interest based deposit facility, the first such account from a western central bank.

The facility, in which deposits from Islamic banks will be backed by a return-generating fund of high-quality Shariah compliant assets, will further strengthen the UK's role as the leading international financial center for Islamic finance outside the Muslim world.

But it also goes deeper – because the core principles of Islamic finance are strikingly well suited to responding to some of the biggest challenges we will all face in rebuilding our economy once COVID has passed. Prioritizing equity-like risk-sharing over debt. Factoring ethical and environmental considerations into investment decisions. And embracing innovative financial solutions beyond traditional banking.

And that lies four square within the Bank of England's mission to promote the good of the people of the UK, Muslim and non-Muslim alike.

Global growth in Islamic finance

Islamic finance is a global success story, with assets of US$2.4 trillion in 2019 (Table 1). That's 11% higher than a year earlier, and fully a third bigger than in 2015.

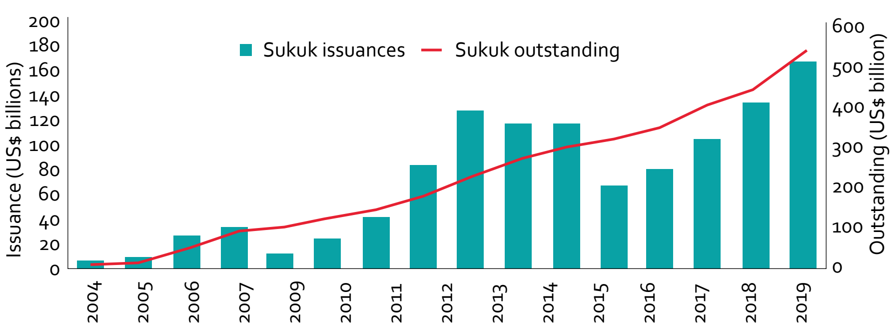
Andrew Hauser

Table 1: Size and composition of the Islamic financial services Industry (in US$ billion, 2019)

Region	Banking assets	Sukuk outstanding fund	Islamic assets	Takaful contribution	Total	Share
GCC	851	201.5	36.1	11.7	1,106.6	45.4%
South East Asia	210.5	303.3	26.7	3.02	573.5	23.5%
Middle East and South Asia	581.3	19.1	16.5	11.36	631.3	25.9%
Africa	33.9	1.8	1.6	0.55	37.9	1.6%
Others	53.1	11.7	21.1	0.11	89.3	3.7%
Total	1,765.8	543.4	102.3	27.07	2,438.6	100%
Sjhare	72.4%	22.3%	4.2%	1.1%	100%	

**GCC (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the UAE). Source: Islamic Financial Services Industry Stability Report 20202*

Chart 1: Global Sukuk issuance and stock outstanding



Source: Islamic Financial Services Industry Stability Report 2020

Three quarters of those Islamic finance assets are held by banks – and are large enough to play a systemic role in 13 countries. There's also a nascent Islamic insurance industry (Takaful) – and a much larger capital market, anchored around the growing stock of Sukuk issued by companies and governments (Chart 1), and over 1,500 Shariah compliant investment funds.

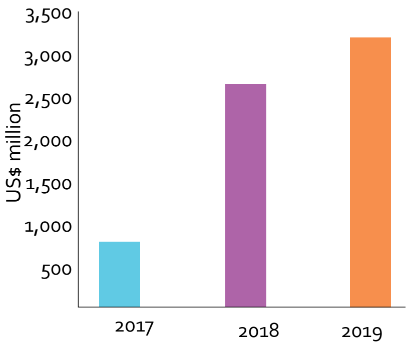
The role of the UK and the Bank of England in supporting Islamic finance

So far, so impressive. But what, you might ask, does all this have to do with the UK or the bank of England, when the center of gravity for Islamic finance lies in the Middle East, North Africa, South and Southeast Asia?

Well, the fact is that, outside those regions, the UK is the pre-eminent center for Islamic finance. And that reflects its significant, well-established domestic Muslim population; its strong relationships with the wider Muslim world; and its deep expertise in financial market origination and distribution, embedded in a mature legal and regulatory framework.

Indeed, Islamic finance in the UK goes back many decades (Table 2): from commodity-based short-term liquidity management and trade finance in the 1970s, to the first UK Islamic bank,

Chart 2: Green Sukuk issuance



Source: Islamic Financial Services Industry Stability Report 20202

investment funds and Takaful in the early 1980s.

I am proud to say that the Bank of England has been involved throughout those developments.

A key moment, which some of you will recall first-hand, came in 2003 when our then governor, the late Sir Edward George, delivered a speech in which he talked about being touched by the plight of Muslim neighbors who had had to use a conventional interest-bearing mortgage to purchase their home, reluctantly and against their principles. He reflected on how sad and unnecessary this seemed, given the UK financial system's capacity for innovation in meeting the needs of different parts of society.

To put that right, the Bank asked a senior working group drawn from the public and the private sectors to identify the changes needed to legal, tax and regulatory arrangements. Those changes formed the foundations of the system we have today. They were subsequently reinforced by a 2007 FSA [Financial Services Authority] paper articulating how Islamic finance could be fairly and consistently supervised within a secular regulatory framework. Thirteen years later, one of the co-authors of that paper – Arshadur (Ash) Rahman, known to many attending Islamic Finance Week – is the driving force behind our new facility.

The regulatory approach set out by Ash and his co-authors still applies today. A preference for principles over excessively rigid rules, able to respond to diverse and evolving markets, and reduce the scope for regulatory arbitrage. Avoiding unnecessary regulatory obstacles to Islamic finance, while giving no special favors. And recognizing we are secular, not religious, regulators, who cannot opine on Shariah compliance, and equally cannot disapply regulations either. To deepen our international engagement

Table 2: Islamic finance in the UK – selected timeline

1970s	London market brokers offer wholesale liquidity management using commodities
1982	Switzerland-based Dar al Mal al Islami opens London office offering investment management services
1983	Establishment of first Islamic bank, Albaraka Bank (ceased 1993)
	Establishment of first UK Islamic insurance (Takaful) company, Takaful UK
1996	Islamic mortgages offered in the UK by United Bank of Kuwait (now Ahli United Bank)
2003	HSBC Amanah launches Islamic mortgages and bank accounts in the UK
2004	Authorization of Al Rayan Bank (formerly Islamic Bank of Britain)
	Court case of Beximco vs Shamil Bank of Bahrain establishes principle that secular authorities cannot opine on Shariah compliance
	Bank ABC offers Islamic mortgages under Al Buraq brand
2005	Children's Mutual launches Shariah compliant Child Trust Fund
	Lloyds TSB offers Shariah compliant current account
2006	Authorization of European Islamic Investment Bank (ceased in 2018)
	First Sukuk listed on the London Stock Exchange (Tabreed, US$200 million)
2007	Authorization of Bank of London and the Middle East
	Authorization of investment firm Amiri Capital (ceased 2018)
	Financial Services Authority outlines regulatory approach to Islamic finance in "Islamic finance in the UK: regulation and challenges"
2008	Authorization of QIB (UK) (formerly European Finance House)
	Authorization of Gatehouse Bank
	Authorization of British Islamic Insurance Holdings/Principle Insurance (ceased 2013)
	Consultation paper CP08/22 establishes liquid asset buffer requirement for all UK banks
2012	Authorization of ADIB (UK) Ltd (ceased 2020)
	HSBC Amanah exits UK market
2013	Authorization of Cobalt Underwriting
	London hosts the World Islamic Economic Forum, the first time outside the Muslim world
2014	UK government issues its first sovereign Sukuk
	Authorization of Investment firm Arabesque Asset Management
	TAM Asset Management launches Shariah compliant investment funds
2015	Islamic Insurance Association of London established
	Bank of England commences Shariah compliant facilities project
2017	Authorization of Shariah compliant crowdfunding firm Yielders
	Columbia Threadneedle Investments launches Shariah compliant global equity fund
	Authorization of Shariah compliant home finance firm Strideup Homes
2018	Al Rayan Bank issues first sterling-denominated residential mortgage-backed Sukuk
2019	Registration of PrimaDollar Factoring, Shariah compliant trade finance firm
2020	Authorization of Investment firm Wahed Invest
	Registration of several Shariah compliant e-money and payment services firms and agents, including: Niyah, Moneemint, Rizq
2021	Planned launch of the Bank of England's Alternative Liquidity Facility (ALF)

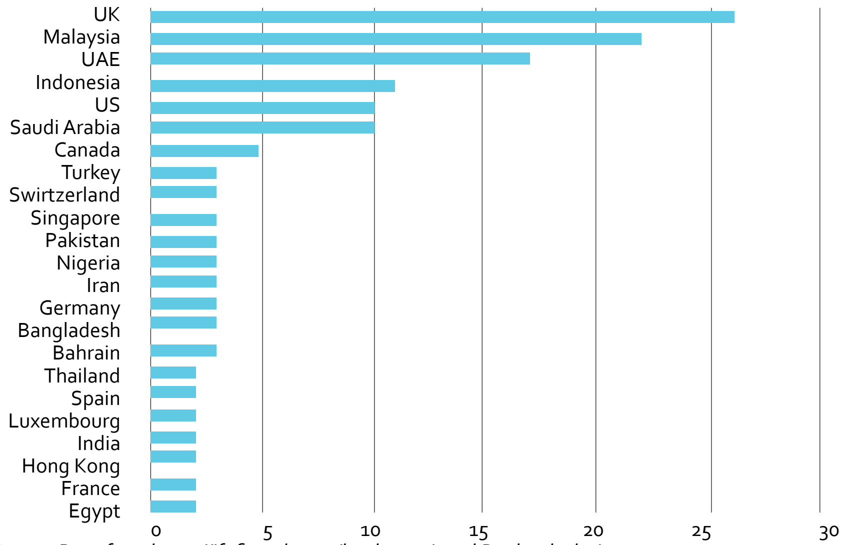
Sources: Bank internal analysis and FCA Register further, the Bank of England joined the Islamic Finance Stability Board as an associate member in 2015.

That approach has paid off. Today, the UK is home to four exclusively Islamic banks with assets of over GBP5 billion, more than a dozen conventional banks offering Shariah compliant services, a host of investment firms, and a thriving advisory sector.

Islamic finance and COVID

Of course, there have been many challenges over the years – but none perhaps quite as serious as the COVID pandemic. The human cost has been enormous – as has the economic impact,

Chart 3: Number of Islamic finance fintech firms by country



Source: Data from https://ifnfintech.com/landscape/, and Bank calculations.

particularly in parts of the Muslim world. I know that some worry that COVID might slow the pace of growth in Islamic finance, as economic activity declines, and market participants revert to more conventional tools to meet the daunting financing needs of the crisis.

But that needn't be so – because key aspects of Islamic finance make it particularly well suited to financing the post-COVID recovery:

- First, the philosophical focus on equity-like sharing of risk and reward will become increasingly relevant as market participants get to grips with the scale of debt accumulated in response to COVID. The attractions of debt are obvious when interest rates are so low – particularly for those able to lock in long-term fixed rates in local currencies. But those borrowing at floating rates, at short maturities, or in foreign currencies, face sharp negative income shocks when rates rise, debt rolls over, or local currencies depreciate. Risk-sharing contracts, including those promoted by Islamic finance, pose materially lower medium-term risks to stability. The Bank of England has long advocated the risk-sharing merits of GDP-linked instruments, which could be packaged in Sukuk form. And, together with the Treasury and the FCA, we have recently announced a high-level working group to consider ways to foster a longer-term financial markets culture to support productive investment.

- Second, Islamic finance seeks to avoid investing in socially detrimental activities. In fact, it was pro-ESG [environmental, social and governance] before the term was ever invented! Issuance of so-called 'green Sukuk' has risen sharply in the past three years (Chart 2) – and the IsDB issued an innovative US$1.5 billion sustainability Sukuk in June. But these are still quite modest numbers relative to the vast sums of money now looking to invest in credible ESG assets. So there's plenty of scope for further growth.

- Third, the prohibition on many forms of traditional banking in Islamic finance should naturally spur exploration of more innovative forms of intermediation. There's great interest in exploring the scope for Islamic fintech like Shariah compliant e-money platforms and peer-to-peer lenders, to tackle a range of issues, including financial inclusion. The UK is a world leader in this sector (Chart 3).

The challenges of managing liquidity in Islamic finance banks

As well as supporting the safe development of new types of Islamic finance, we also recognize some of the challenges facing more established parts of the sector.

Islamic banks, for instance, have long faced profound challenges in efficiently managing their liquidity, and it's here that the Bank of England's new non-interest based central bank deposit facility is designed to help level the playing field.

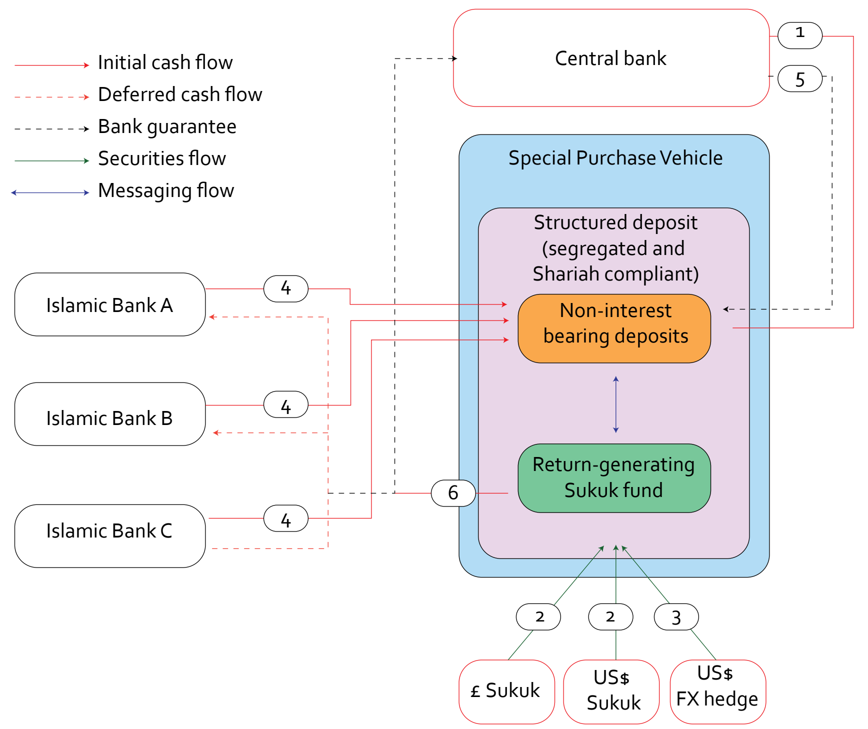
All banks need to manage expected and unexpected outflows, eg as depositors make payments and withdrawals. Conventional banks hold a range of high-quality liquid assets to meet those obligations, including cash and central bank reserves; government and corporate debt; and asset-backed securities and commercial paper. They can also borrow in secured and unsecured money markets and, as a backstop, from central banks.

But Islamic banks' prohibition on the payment or receipt of interest means they can't access many of these tools. To avoid being caught short, they have historically had to structure their business in inherently narrow or inefficient ways, for example by holding large stocks of non-interest bearing cash, or limiting their offerings of short-term deposits.

Ironically this left them relatively well placed to weather the Global Financial Crisis of 2008-09: in aggregate UK Islamic banks remained liquid, in a market where liquidity was otherwise very scarce. But they found it harder to adjust to the post-crisis Basel 3 liquidity rules, which gave center stage to the very instruments they were prohibited from holding, including government bonds, such as UK gilts and US Treasuries, and remunerated central bank reserves accounts.

To meet this challenge, the Basel liquidity rules give national supervisors discretion to treat Sukuk as high-quality liquid assets (HQLA), subject to haircuts or other conditions. The consequent increase in demand for Sukuk from banks was one factor boosting issuance in recent years. But the proportion of Sukuk classed as eligible for regulatory buffers remains relatively modest compared to demand. As a result, while Sukuk can provide a reliable medium-term store of value, the relative scarcity of HQLA-

Chart 4: How the ALF will work



In the first instance, (1) the bank prefunds the ALF with an interest-free loan, which is used (2) to purchase eligible Sukuk and (3) any hedges required to insulate the fund from forex risk. Islamic banks then (4) place deposits in the ALF, the principal value of which is (5) guaranteed by the bank to ensure the facility is HQLA-compliant. In the event the aggregate value of participating bank deposits do not reach the aggregate value of the fund, the bank will step in as co-depositor for the residual amount. The rate of return on the deposit (6) is based on the rate of return on the portfolio backing it, net of hedging and other operational costs; and on maturity the return from the fund is paid over to participating banks, and the principal amount is returned or rolled over.

eligible stock can give rise to uncertain price movements, especially in stressed markets, reducing the value that is readily realizable, and making it harder for banks to increase their holdings quickly when required.

All of this means that Islamic banks can face a somewhat uneven playing field relative to conventional banks when it comes to liquidity management. Unable to use liquid gilts or interest- bearing reserves accounts at the Bank of England to meet short-term outgoings, they have tended to hold inefficiently high stocks of cash at zero return, or higher-yielding but somewhat less liquid Sukuk.

The design and launch of the Bank of England's Alternative Liquidity Facility

That's where our new Alternative Liquidity Facility (ALF) should make a real difference.

Initially we had hoped Islamic banks might be able to use our normal reserves accounts, by agreeing to forgo any interest paid – as many observant Muslim customers do on their retail bank deposits. But on further investigation this proved unworkable: reserves accounts were too intimately bound up with the concept of interest, given their core role in implementing monetary policy. And the disparity in return offered to Islamic and non-Islamic banks at higher levels of bank rate would have left a decidedly uneven playing field.

Work therefore commenced in 2015 to assess the feasibility of establishing a standalone non- interest based facility. Recognizing the limits of the bank's knowledge of Islamic finance, we drew on the expertise of fellow central bankers across the Middle East and Asia, including those from Bahrain, Malaysia and the UAE.

In light of that research, we triaged a number of potential models to gauge which might fit best with the specificities of the UK market, legal and regulatory environment. We consulted publicly on those options in 2016, and again in 2017 to fine tune our intended approach.

Today, after a long and comprehensive process, I'm pleased to announce that the Alternative Liquidity Facility will be open for business from the first quarter of 2021. The new facility will provide UK Islamic banks (and indeed any other UK banks with formal restrictions on engaging in interest-based activity) with greater flexibility in meeting HQLA requirements, enabling them to hold a reserves-like asset in a non-interest based environment.

The ALF will be structured as a Wakalah or fund-based facility: a commonly used model in Islamic finance (Chart 4). In simple terms, that means that participant deposits will be backed by a fund of assets, the return from which, net of hedging and operational costs, will be passed back to depositors in lieu of interest.

The strengths of this model include its relative simplicity – conceptually and practically – and its flexibility to accommodate future changes in what is a still fast-developing market. The ALF will grow as the UK Islamic bank sector grows. And it will be well placed to exploit the growing diversification of available HQLA-eligible Sukuk assets.

Over the coming months, we will finalize legal documentation, complete our operational testing and begin the onboarding process for eligible applicants. Firms should expect to commence this work from January 2021.

Once operational, the ALF should help put the UK Islamic finance sector on a more level footing with the rest of the market, giving firms here greater flexibility in meeting their liquidity requirements, and helping them to compete with conventional peers while staying true to their founding principles.

We've come a long way since Eddie George's speech almost 20 years ago. But one thing that remains more important to us than ever is working with you. The liquidity facility I've described here today is in no small part a product of close and committed co-operation between the bank, industry bodies and the private sector. It's a real step forward, but it's only one step. Through continued engagement and focused effort, together we can build a more innovative, diverse and inclusive marketplace: one which really can meet the needs of every part of our society.

Thank you.

Charles Haresnape

GATEHOUSE BANK: WHAT ROLE CAN THE ISLAMIC FINANCE INDUSTRY PLAY IN ENGAGING WITH THE UN SUSTAINABLE DEVELOPMENT GOALS?

On the 22nd September 2019, more than 130 banks signed the first-ever global sustainability framework for the banking industry: the UN Principles for Responsible Banking (the UN Principles). Gatehouse Bank CEO Charles Haresnape, in the presence of the UN secretary-general and alongside banking delegates from around the world, signed the UN Principles, which provide the framework for a sustainable banking system and help the financial sector demonstrate how it makes a positive contribution to society.

Today, more than 180 banks around the world have joined up to change the way banks do business and help deliver a fairer and more sustainable global economy. These signatories serve more than 1.6 billion customers worldwide and represent around 40% of global banking assets.

Gatehouse Bank is an award-winning UK Shariah compliant bank offering savings products and finance for businesses and individuals. As a founding signatory to the UN Principles, Gatehouse Bank is committed to further aligning its business strategy with society's goals. These goals are expressed in the United Nations Sustainable Development Goals (SDGs), the Paris Climate Agreement and other relevant frameworks that identify the most pressing societal, environmental and economic needs of our time.

Gatehouse Bank is proud to be part of this initiative and is taking action to better understand the environmental and social impact of its business and innovate ways to improve this impact. As society's expectations change, banks must be transparent and clear about how their products and services create value for their investors, customers and society. The Bank has committed to monitoring its performance and remaining accountable for the ways its business impacts society and the environment.

"Gatehouse Bank is a growing force in UK banking and is committed to having a positive impact on the communities we serve. The Principles for Responsible Banking fit with the Bank's ethical approach to finance and more importantly, will enable us to continuously review and develop our approach as a responsible provider," Haresnape said.

Mohaimin Chowdhury

The principles of Shariah compliant banking underpin Gatehouse Bank's operations and form the basis of its product offerings. With 20 years of experience in the Islamic finance sector, Mohaimin Chowdhury, the general counsel of Gatehouse Bank, sees a natural alignment with the principles of Islamic finance and the SDGs. This is because the Islamic economic model excludes funding for socially harmful activities and highly speculative financial products.

Gatehouse Bank has developed policies, procedures and products that ensure its activities fulfill Shariah criteria, including never financing the arms industry, alcohol, tobacco, adult entertainment or gambling. This exclusion list represents a range of industries that can be detrimental to society.

Additionally, Islamic finance principles require that all of Gatehouse Bank's investments involve real assets. This helps buffer society and the economy from some of the well-documented negative effects and consequences of highly speculative investment and derivative products.

Gatehouse Bank recognizes that there is opportunity for Islamic finance institutions like itself to expand their social impact assessment beyond Shariah compliance to achieve an enhanced level of alignment with society's goals and the needs of their regions of operation.

Action on the climate is growing but it is still far short of what is needed to meet global targets to combat climate change. Ecology is under threat and pollution is damaging lives and the planet. Private sector ambition and investment are needed to tackle these global challenges.

There is tremendous business opportunity in such investment. It is estimated that addressing the SDGs could unlock US$12 trillion in business savings and revenue annually and create 380 million more jobs by 2030.

Islamic finance is one of the fastest-growing sectors in the global financial industry and is well placed to drive the achievement of the SDGs. At the same time, the SDGs present Islamic finance with the opportunity to widen the evaluation of social impact beyond Shariah compliance to achieve a broader relevance to the global sustainable development context.

Gatehouse Bank has partnered with the Islamic Finance Council UK (UKIFC) and the Global Ethical Finance Initiative (GEFI) — both not-for-profit organizations are committed to driving finance for positive change.

The UKIFC is the first advisory body dedicated to Islamic finance to endorse the UN Principles.

The Bank is working with the UKIFC as part of a global taskforce intended to encourage Islamic financial institutions to embrace the SDGs and show the world that commitment to the planet and the people lies at the heart of Islamic finance.

Through its partnership with GEFI, the Bank has been able to reinforce its position as a progressive ethical bank by presenting at events involving some of the world's leading financial institutions, as well as demonstrating its commitment to climate action by supporting the Path to COP26 campaign.

With assets currently at US$2.5 trillion and expected to reach US$3.8 trillion in 2022, Islamic finance has an important role to play in building momentum for the achievement of the SDGs. At the same time, Islamic finance can capture the exciting business opportunities available to organizations that are part of the drive toward positive, sustainable growth and an economic system that works for everyone.

To find out more about how Gatehouse Bank is part of this momentum and working to create products and services that create value for our investors, clients and society at large, visit www.gatehousebank.com/insights/unprb-first-anniversary.

gatehousebank

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THE BEST OF BOTH WORLDS: INVESTMENTS THAT ARE BOTH SHARIAH COMPLIANT AND SUSTAINABLE

Shariah compliant finance was taking an ethical view of investing long before the rise of sustainable investment strategies in western financial markets. Now, as both Shariah compliant and sustainable investments expand, investors and issuers are finding increasing complementarity between Shariah compliant investments and those that also comply with international standards on sustainable investing. TREVOR NORMAN explains how these two investment markets are converging.

The sustainable finance spectrum ranges from negative screening (where the primary focus is to achieve a financial return, while also making a positive impact) to impact investing (where the primary focus is to achieve a positive impact, while also making a financial return).

The underlying function of Islamic finance is to serve the needs and requirements of Muslim clients and as such it operates within certain core principles derived from Shariah law. This requires that any Islamic financial institution operates within appropriate moral and ethical principles, and that it promotes transactions that are for the public good, which has a natural link to sustainable investing.

Features of Shariah compliant structures

Several features of Shariah compliant investment structures may be questioned by conventional investors and advisors, but the majority of these arise either from a lack of knowledge or simple misunderstanding. Such features include Shariah screening, terminology and the role of a Shariah supervisory board but all of these, and other potential barriers, can be resolved through education and sharing of information.

- **Myth: "Shariah law only allows Muslims to invest in companies undertaking certain activities**." Quite the opposite. Muslims are allowed to invest in any company or transaction, unless the underlying activities are considered to be Haram (disallowed or harmful activities under Shariah), or where it is financed in a Haram manner, for example when there is too much interest-bearing debt.
- **Interest vs. profit**: Whereas the earning or payment of interest is forbidden (as 'usury', in cases where the return is guaranteed irrespective of the performance of the underlying investment), the sharing of profits (and losses) from economic activity is fundamental to the concept of partnership in Islamic finance. This is best summarized by a phrase, commonly used in Islamic financial contracts: "The profits that Allah bestows on our joint venture."
- **Terminology**: Recently, an advisor queried the differences between the three forms of contracts starting with 'M' — he was referring to Mudarabah, Murabahah and Musharakah. Even after 20 years involvement in this sector, there are still times I have to think which of these may apply in a particular contractual relationship between two parties in a commercial investment structure or transaction. Each of these Islamic contracts has an economic parallel in conventional finance — an example being Ijarah which is very similar to conventional leasing — although the subtle differences must be noted and adhered to.
- **Cost vs. benefit of a Shariah supervisory board**: Several misconceptions exist about the role of scholars; their role is a passive advisor to be consulted over issues requiring clarification, not, as frequently misconceived, active investment selection or involvement in the management of the structure. Fortunately, the days of 'Fatwa shopping' are long behind us and many investment structures are now subject to more general approval overall; the use of precedents and the standardization of documentation in the Islamic finance sector have matured.

In summary, the real problem is a lack of knowledge regarding the differences between a Shariah compliant investment structure and a conventional structure, or as I would prefer to put it, a lack of knowledge regarding the similarities.

Principles guiding investors worldwide

There are many variations of the definition and basis of sustainable investing, but the generally agreed summary is that it is a type of investing that takes into account investors' personal values and beliefs. As such, it will mean different things to different people. An individual's values are derived from subsets of social, moral, religious, political and environmental principles, many of which overlap with others, and some may even conflict.

Social: Societal factors dictate what is acceptable to a particular society and what is not. As previously mentioned, in a Muslim society these are generally summarized within the concept of Maslahah which requires that a Muslim considers what could be beneficial to society as a whole, prior to making investments.

Moral: Investors will not invest in any industry or company that does not align with their moral values. For example, an investor with strong feelings that certain industries, such as tobacco manufacturing, are against their morals would not want to invest in this sector. Typically, this form of investing is viewed as negative screening, and has certain similarities to Haram screening which is one example of the overlap between these categories.

Religious: Every religion has its own practices, beliefs and culture; while certain sectors of the media seem to concentrate on the differences, I prefer to highlight the similarities. Under Shariah law, it is prohibited to invest in alcohol production — a belief shared in the preaching of John Wesley, the founder of the Methodist Church, along with his injunction to refrain from investing in industries that harm others.

Political: The political climate can affect the way investors perceive the state of the economy and thus influence their investments. This is particularly important in times of crisis, where investors' confidence in governments and their policies influences the choice over whether to invest or divest.

Environmental: Environmental or 'green' investing is rapidly growing in importance. What started in the 1990s as a move away from fossil fuel investing toward renewable energy investment has developed into an increased focus on mankind's effect on the environment and this in turn has led to the establishment of several 'green' investment funds.

Ethical investing is a very personal matter determined by the importance and influence of individuals' values, so generic policies and standards for ethical investing are not always possible. However, within the green sector, standards for green bonds are evolving, such that with a greater sharing of information by organizations such as the Climate Bonds Initiative and the International Capital Market Association's Green Bond Principles, it is anticipated that international standards and guidelines will be agreed.

Convergence of Shariah compliant and sustainable financial products

Shariah compliant fund managers are embracing sustainability standards in order to broaden their investor base and some conventional managers are adopting procedures and screening to attract Muslim clients.

Malaysia has led the way in this sector. In 2014, Securities Commission Malaysia revised its Sukuk guidelines to state that the proceeds of sustainable and responsible investment Sukuk can be used to preserve the environment and natural resources, conserve the use of energy, promote the use of renewable energy and reduce greenhouse gas emission. These are still early days in the development of green Sukuk, but it does already seem clear that Sukuk structures lend themselves easily to sustainable finance. By their very nature, Sukuk are restricted to a pool of approved assets and environmentally friendly projects which enable a sustainability-focused client to invest in renewable or clean energy initiatives.

One advantage of Sukuk is their similarity to a securitized debt instrument that is more widely understood by conventional markets. In mid-2000, we established a Sukuk structure for a client; following discussions regarding the differences and similarities of Sukuk and conventional debt securities, the investment arm of a UK high street bank purchased the whole ticket for one tier of the overall issuance based upon the quality of the underlying issuer and the return that was supported by the underlying assets. Conversely, in another structure, we were working toward issuing conventional debt secured against the leases of a pool of assets, but following interest from an Islamic financial institution the structure was reworked to become Sukuk Ijarah.

It is as simple as knowing what matters to you

In 1996, VG launched Jersey's first Shariah compliant real estate fund for a Geneva-based Islamic finance institution which led to us establishing a number of similar structures for other clients. As a result, we have developed a deep cultural understanding of the Muslim world, knowledge of sustainable investment structures and useful expertise in an expanding and very exciting part of global financial markets.

VG's long-standing track record of establishing Shariah compliant and sustainably focused structures, coupled with the flexibility of Jersey's commercial laws and Jersey's credentials as a jurisdiction for sustainable and Shariah finance, provides a natural fit for clients looking for a provider to administer Shariah compliant and sustainable funds.

Disclaimer
For details of the legal and regulatory status of VG, please visit www.vg.je.

Trevor Norman, a chartered accountant and member of STEP, is the director of the Islamic Finance and Funds Group at VG. He is an acknowledged industry specialist in Islamic finance assisting GCC families and institutions in structuring the ownership of assets through the use of structures established in Jersey and elsewhere. Since 1995, he has worked on a wide variety of Shariah compliant transactions, including several real estate funds, various specialist Shariah-screened equity funds and Sukuk structures.

VG
Independent fiduciary and administration solutions

UK ISLAMIC FINTECH COMPANIES COLLABORATE TO DRIVE GROWTH IN COMMODITY MURABAHAH SECTOR

Islamic interbroker Eiger Trading Advisors has adopted a new digital solution by Connectif Technologies to optimize efficiency as part of its growth strategy. VINEETA TAN reports.

Eiger, regulated by the UK's Financial Conduct Authority, will be utilizing Connectif's iWAVE platform which unifies processes across the entire transaction life cycle, improving efficiencies in areas such as agreement negotiation, Know-Your-Customer (KYC) management, trade execution and post-trade processing. All Islamic deposits and financing products will be transacted in real-time without compromising Shariah integrity.

It is understood that Eiger, which specializes in brokerage and trade facilitation services for the Islamic financial market, will begin by using the Master Agreements and KYC Management module of iWAVE.

"We believe our iWAVE solution enables banks to benefit from the efficiencies it brings across both the whole transaction life cycle and across multiple financial products including Wakalah and Murabahah both locally within an organization and across the market as a whole.

These benefits range from price transparency on transactions, STP [straight-through-processing] across the transaction life cycle, through to secure communication and exchange of documentation which all lead to more simplified and timely processes whilst ensuring Shariah compliance, reduced costs and enhanced profitability," explains David Potter, the managing director of Connectif.

The UK is home to at least 27 fintech companies offering Shariah compliant solutions, more than any other country in the world, according to the IFN Islamic Fintech Landscape as at the end of October 2020. Its thriving start-up environment and progress made in the Islamic fintech segment are seen as key to the UK's next chapter of Islamic finance growth.

"Given that the UK has a large existing fintech sector already, it was inevitable that we would start to see growth in the UK Islamic fintech sector as we are now, and therefore it was natural for Connectif to work with a local firm that we already know well," Potter shares.

"However, I think any cooperation between firms regardless of where they are based should be seen as a positive, as it can only help to help drive the fintech agenda across the Islamic finance industry as a whole. I hope and believe other firms will begin to collaborate and I am sure they already are in many areas."

The adoption of iWAVE is the start of a relationship between Eiger and Connectif which will likely culminate in other initiatives. Both the Islamic fintech companies have confirmed that they are examining other areas of collaboration, particularly initiatives designed to add value to the commodity Murabahah market.

UK'S LARGEST ISLAMIC BANK TO BOOST DIGITAL OFFERINGS

The UK's first Islamic bank will be enhancing its digital offerings, encouraged by the strong uptake in digital channels by its customers.

With over 20,000 of its customers now using its online banking services to manage their day-to-day banking, Al Rayan Bank has plans to continuously upgrade its mobile banking app, introduced in September 2019, as well as roll out a new corporate website in 2021. Among new features to be integrated into its app is the ability for customers to validate online purchases.

"The way customers are choosing to bank is changing, with an increasing number of people choosing to bank online or through their mobile device," explained Dr Samir Alamad, the Islamic bank's Shariah compliance expert. "Al Rayan Bank is committed to meet this demand by providing world-class online and mobile products and services, which not only provide full security but also provide quick and efficient ways for customers to manage their money."

The UK is home to the largest concentration of Islamic banks in the European region, yet its Islamic finance prowess is not nearly as significant as those of its Middle Eastern and Southeast Asian counterparts. The government and industry stakeholders have nonetheless noted that Islamic fintech could be the lynchpin to the country's next chapter of Islamic finance growth.

"The financial landscape is evidently evolving, and Islamic finance institutions have a significant growth opportunity in their hands by making the digital shift, catering to Muslim communities and mainstream audiences alike. Their role is vital in reinforcing the UK's position as a fintech hub and in growing awareness of Islamic finance overall," agreed Dr Samir. "The relative agility and youth of the Islamic finance market, in addition to the tools contained within its dynamic structure, makes it adaptable to the new era of digital Islamic banking."

As one of the most sophisticated fintech hubs in the world, the UK boasts over 1,600 fintech firms, according to government statistics, a figure expected to more than double in the next decade. The conducive start-up ecosystem and gaps in the local Islamic finance market have led to Muslims taking the technopreneur route to solve the issue with fintech start-ups. The UK leads the global space for aspiring Islamic digital banking start-ups at five, according to the IFN Islamic Fintech Landscape as at the end of September 2020.

UK FINTECH EYES Q1 2021 LAUNCH DATE FOR ISLAMIC PLATFORM

Fintech company Supply@ME Capital (SYME) is working on rolling out a Shariah compliant version of its Inventory Monetisation service with a view of completing its first Islamic transaction in the first quarter of 2021 (Q1 2021).

SYME, which provides working capital to businesses through the monetization of their inventory, has partnered with iMass Investments and Shari'a Funding Specialist to launch the upcoming platform. The three entities are in the process of completing the Shariah authorization process for the platform.

Through the partnership, SYME will capitalize on Shari'a Funding Specialist's network as well as that of Khaled Abdulla Almass, the owner of iMass, to build and manage its initial portfolio of clients. Once ready, Shari'a Funding Specialist, whose clients comprise professional and qualified investors from the Gulf, will raise capital through the distribution of Islamic certificates through the platform which is scheduled to receive the necessary Shariah approvals before the end of the year.

Identities of the participants and platform mechanics remain undisclosed.

AL WASEELAH'S SUKUK: AN INNOVATIVE ISSUANCE

The latest Sukuk launched by Al Waseelah, an Islamic issuance platform that provides a way to fund global trade, is an inflation-linked facility — the first of its kind — worth GBP150 million (US$197.21 million). Lead manager of the deal Bedford Row Capital (BRC) speaks to IFN about the unique issuance; NESSREEN TAMANO writes.

The Shariah compliant insured money market certificates are uniquely structured to protect investors from exposure to inflation, hedging against rising price levels — particularly useful in the current global climate.

The first-ever inflation-linked Sukuk paper works as an active liquidity management tool, and the profit rate is calculated by taking the average monthly annualized returns of the three months preceeding each quarter.

"The Sukuk is structured as a Murabahah liquidity product based on self-liquidating, physical assets on an instant transaction that allows for an advanced liquidity management in the money market space," BRC explained.

The Islamic notes were well-received by institutional investors at issuance, in a market where there is a huge supply shortage. The inflation-linked Sukuk provides them with benchmark-beating returns in an unpredictable market.

Proceeds from the Sukuk will be used to fund eligible counterparties' shipment of grain, cocoa and other agricultural projects, to be provided by Al Waseelah.

When it comes to challenges, BRC noted that one of the biggest problems faced in the wider market is the lack of knowledge around the process and how to manage it.

"There is a fundamental knowledge gap in the market. The problem is not so much the issuance process, but that the market doesn't know who to go to for support and advice. BRC was established to resolve this."

Al Waseelah's Sukuk

GBP150 million

Bedford Row Capital

14th October 2020

Issuer	Al Waseelah
Structure	Murabahah
Type	Senior secured
Mode of issue	Public
Tenor	18 months
Profit rate	Inflation index + 75bps
Payment terms	Quarterly distribution
Lead manager	Bedford Row Capital
Legal advisor	Greenwoods GRM
Currency	GBP; EUR; US$; CHF
Governing law	English law
Shariah advisor	Khalij Law Business Consultancy
Minimum investment	GBP100,000 (US$131,474)
Listing	Frankfurt Stock Exchange
Rating	Not rated
Tradability	Yes


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IFN UK OnAir
FORUM & REPORT 2020

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As the UK prepares to leave the EU for good, the political atmosphere in the country might be uncertain – but one thing is for sure: its commitment to building Islamic financial alternatives remains strong. Featuring the successful IFN UK OnAir Forum 2020, the IFN UK Report 2020 explores the most exciting domestic opportunities and inward investment avenues within a market that continues to grow from strength to strength.

IFN UK FORUM 2020 REPORT/SESSION ONE

DISCUSSION INTRODUCTION

HERE AND NOW: THE OPPORTUNITY ON OFFER FOR UK ISLAMIC FINANCIAL SERVICES

The world has changed. How the UK Islamic financial services industry chooses to respond to these changes may be a generation-defining moment. How can we use this opportunity to leverage our ethical lead and strengthen our position and service proposition in the wider UK market? How can Islamic finance mobilize to address the imminent challenges of the real economy and provide not just liquidity support, but solvency support to the vital SME and corporate sector? How can the wider community be enticed to take advantage of the Islamic financial services proposition based on our core values of responsibility, ethicality and inclusivity? Does technology and innovation play a key role in such a proposition? What opportunities do the UN Principles for Responsible Banking offer UK Islamic financial institutions, and what obligations and responsibilities to their stakeholders are placed on those institutions? Lastly, how can the core values of Islamic finance be further applied to socially responsible finance and investment strategies?

YOUR PANEL

WAYNE EVANS
Senior Advisor International Strategy, TheCityUK

AHSAN ALI
Head of Islamic Origination, Standard Chartered Bank

AMIR FIRDAUS
Chief Financial Officer, Al Rayan Bank

LAURIE MAYERS
Associate Managing Director, Financial Institutions Group, Moody's Investors Service

STELLA COX CBE
Managing Director, DDCAP Group

DR USMAN CHAUDRY
Chief Risk Officer, Gatehouse Bank

International
Islamic Trade
Finance Corporation

member of IsDB
البنك الإسلامي للتنمية
Islamic Development Bank

Vision

ITFC is the leading provider of trade solutions for OIC Member Countries' needs

Mission

ITFC is a catalyst for trade development among OIC Member Countries and beyond

The International Islamic Trade Finance Corporation (ITFC) is a member of the Islamic Development Bank (IsDB) Group. Commenced operations in January 2008, ITFC has provided more than US$51 billion of trade financing to OIC Member Countries, making the Corporation the leading provider of trade solutions for OIC Member Countries' needs. With a mission of being a catalyst for trade development among OIC Member Countries and beyond, the Corporation helps entities in Member Countries gain better access to trade finance to support their critical sectors; and provides integrate programs: capacity building and trade development, which would enable them to successfully compete in the global market.

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IFN UK: FAITH IN THE FUTURE

As the UK prepares to leave the EU for good, the political atmosphere in the country might be uncertain – but one thing is for sure: its commitment to building Islamic financial alternatives remains strong. Returning to the UK for yet another exceptional event supported by regulators at the highest level, the IFN UK OnAir Forum 2020 explored the most exciting domestic opportunities and inward investment avenues within a market that continues to grow from strength to strength. LAUREN MCAUGHTRY details the discussions that took place.

With four licensed Islamic banks and over 20 international banks offering Shariah compliant financial products, the UK's Islamic finance industry is a favorite destination for foreign investors, particularly within its flourishing real estate sector. Alongside its thriving banking industry, the London Stock Exchange (LSE) is also one of the most active Sukuk listing destinations in the world, with 67 listed Sukuk and three Islamic exchange-traded funds to date. On top of this, Brexit has focused attention on the country's international trade and financial relationships with existing non-EU trade partners, especially with key Islamic finance markets from the regions of the Middle East and Southeast Asia.

IFN was delighted this year to welcome three distinguished keynote speakers across the vibrant and content-heavy event week, each of whom brought a different perspective and diverse expertise to the table.

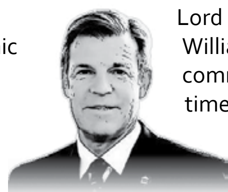
Opening the event was John Glen MP, the economic secretary to the treasury and city minister and an old friend of IFN, who joined us for the third time to express the UK's support for the Islamic finance sector.

"We in government are entirely committed to not just ensuring that the UK remains a world leader in Islamic finance, but to building on this position," he stressed. "The world is in a very different place to when we last met. The coronavirus pandemic has transformed all our lives and posed enormous public health and financial challenges to the global community."

Glen

He highlighted the important role that Islamic finance would play in driving the economic recovery from the pandemic, as well as identifying the fast-approaching conclusion of Brexit talks. "This is a significant moment for the UK, and we believe it opens a new chapter for financial services… as a forward- and outward-looking economy," he noted. "And I know that the UK's Islamic finance sector will have a big part to play in shaping that vision and seizing the opportunities that stem from this pivotal time."

Continuing on the second day, the Lord Mayor of the City of London William Russell, emphasized this commitment. "We live in complicated times," he said. "But there is nothing complicated about the UK's resolve and focus on Islamic finance. We have



Russell

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a longstanding tradition of financial innovation, open to new ideas and ways of working: which is why the UK offers more Islamic finance services than any other western country. These mechanisms have helped finance some of the most iconic London projects: including The Shard, the Olympic Village, and Battersea Power Station. Just to look over the London skyline is to appreciate Islamic finance. And it is a market that continues to develop… Put simply, we are home to much of the development and innovation in Islamic finance."

Evans

"The core principles of Islamic finance are strikingly well-suited to responding to some of the biggest challenges we will all face in rebuilding our economy once COVID has passed"
– Andrew Hauser

He highlighted two particular opportunities that he believed could help Islamic finance become even more substantial. "The first is fintech. There are 150 active, certified Islamic fintechs globally. The UK boasts the largest number at 26 (second is Malaysia with 18, and the UAE with 15). We have already proved we have the expertise, products, and regulation in place to cater for Islamic fintech innovation." The second major trend is green finance, a field in which the UK is already a world leader. "Finance and sustainability are huge priorities for our government. Let me make it clear. The City, London, and the whole of the UK wants to work with you to make Islamic finance green by default."

The event concluded on the third day with a detailed address from Andrew Hauser, the executive director for markets at the Bank of England, who gave a detailed rundown of the Bank of England's work on Islamic finance, and announced the official launch date for its Shariah compliant non-interest based deposit facility, the first such account ever from a western central bank, set for the first quarter of 2021. **Click here to read more about the Alternative Liquidity Facility**

"The core principles of Islamic finance are strikingly well-suited to responding to some of the biggest challenges we will all face in rebuilding our economy once COVID has passed, he said. "Prioritizing equity-like risk-sharing over debt; factoring ethical and environmental considerations into investment decisions; and embracing innovative financial solutions beyond traditional banking. And that lies four-square within the Bank of England's mission to promote the good of the people in the UK, Muslim and non-Muslim alike."

Here and now

The first panel session of the event focused on exploring the broader opportunities on offer for UK Islamic financial services, especially as the world adapts and evolves in response to the current crises of COVID-19 and climate change. Hosted by Wayne Evans, the senior advisor for international strategy at TheCityUK, a panel of highly experienced and expert speakers debated the various ways in which the UK could mobilize Islamic finance to address both opportunities and obstacles within its current financial landscape.

"The UK has a prominent role in the global Islamic financial system, and London has been one of its leading hubs," noted Stella Cox, the managing director of DDCAP Group, who pointed out the numerous areas in which the UK excelled: including asset management, investment, real estate, domestic banking and financial inclusion, service providers, and more. "The co-existence of so much Islamic financial sector capacity and capability within the UK has created additional and significant benefits for us here. It's made the UK an attractive destination for Shariah compliant investment, and a lot of flows have been inbound from the GCC and Southeast Asia. The investment flows have traditionally been deployed to real estate and certain assets within infrastructure development, but they are now also serving to support our own Halal economy and its development. That encompasses Shariah compliant firms in areas such as fashion, food and pharmaceuticals, and many of those are injecting still greater momentum into our diverse and exciting new technology businesses."

Dr Usman

Dr Usman Chaudry, the chief risk officer at Gatehouse Bank, emphasized the growing demand that he was seeing among customers both for Shariah and ethical-based finance. "Much of our focus from customers is on ESG [environmental, social and governance], which is near the top of their reasons for choosing a finance provider. ESG has risen in prevalence only recently, but it has high levels of correlation with the principles that underpin Shariah compliant finance, and that's been in place for a lot longer. What we see is that the focus is very much on education and communication, and the need to engage with our customers and explain to the wider community the ethical approach that Islamic finance stands for. Clearly as an industry, we need to work harder together so that our voices are louder than just one single firm."

"Investment flows have traditionally been deployed to real estate and certain assets within infrastructure development, but they are now also serving to support our own Halal economy and its development"
– Stella Cox

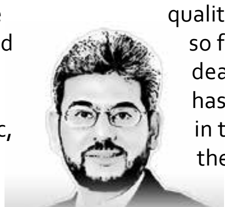
Laurie Mayers, the associate managing director of the financial institutions group at Moody's Investors Service, gave an honest and unvarnished view of the operating environment from a regulatory and ratings perspective.

"Islamic banks operating in the UK are subject to the same regulatory environment as other financial institutions, and must carry on their business and compete in the same operating environment as non-Islamic finance providers," she noted. "For this reason, it's important

to remind ourselves what that operating environment was, leading up to 2019, as well as how the current crisis has impacted the banking sector."

"Despite the pandemic, UK banks have continued to invest to address regulatory change"
– Laurie Mayers

She pointed out a number of trends that have pressured the UK's banking sector in recent years, including pressure on net interest margins due to lower rates and stiff competition in the mortgage and home finance market; as well as concerns about deteriorating asset quality due to a weakening of the operating environment ahead of Brexit. "Our outlook for the UK banking system as a whole was negative," she said. "We revisited that in March when the pandemic onset, and confirmed that outlook due to increasing pressure on UK banks' asset quality and profitability. Fast forward to 2020 and if anything, the current crisis has accelerated these trends and challenges." She pointed out that Islamic banks face higher funding costs and greater pressure on margins. "Despite the pandemic, UK banks have continued to invest to address regulatory change, and in addition they must continue to invest to meet increasing competition from banks and fintechs… for this reason, there is pressure to achieve greater cost efficiencies to create profits."



Ahsan

"In terms of recovery, we've seen a huge pent-up demand for Islamic finance, coming not only from Muslims in the UK but from other investors, including the non-Muslim sector"
– Amir Firdaus

It's not all bad though, and Amir Firdaus, the chief financial officer at Al Rayan Bank, presented a more optimistic viewpoint. "We've been very successful in growing our retail book together with our commercial financing book and also our premium offerings," he commented. "The bank continues to develop very well in the market, and COVID has brought a very unique view on how we see the quality of the assets. What we've seen so far is that the asset class we are dealing with, based on real estate, has shown itself to be very resilient in the coronavirus situation. Yes, there are some issues on the retail side where retail shops etc are facing some issues, but in general, the Islamic finance book has been very resilient across the industry – losses are very low, defaults have been very low, and I think that is unique to Islamic finance. In the UK there is a lot more family values placed on Islamic finance, and that strengthens the book. We've not seen the level of losses we saw in 2007-08, for example, and we expect this to continue. In terms of recovery, we've seen a huge pent-up demand for Islamic finance, coming not only from Muslims in the UK but from other investors, including the non-Muslim sector. A lot of the high street banks have exited the market, while Islamic banks have been a lot more nimble. The Islamic finance industry in the UK is still very profitable, and very investor-friendly."

Ahsan Ali, the head of Islamic origination at Standard Chartered Bank, discussed developments in the global Islamic finance market, and especially the potential of Sukuk and sustainable finance to support further growth. He also stressed the acceleration of digitization across Islamic financial services, and the importance of this trend.

"In terms of the Sukuk market, things froze up a little between March and May due to COVID-19, but we've seen a fully-fledged jump in line with the conventional debt capital markets, due to the liquidity surge coming in, the government support, and the low interest rates," he noted. "This has led to a debt frenzy in the conventional markets, and that's translated to the Islamic markets as well. There is market momentum out there, driven by liquidity and demand. I think the Sukuk market is back and we have already seen record issuance levels this year."

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KEY TAKEAWAYS

The UK enjoys a prominent role in global Islamic finance, with London among its leading hubs. One reason that the UK has achieved it prominence is due to supportive government policy. Our founding domestic market premise was financial inclusion and our UK business outreach has historically been focused on other leading industry hubs in the Middle East and Asia, with whom we sometimes compete but have also collaborated to best effect.

The existence of evolved Islamic financial sector capability within the UK has created significant benefits for us. Britain is an attractive destination for Shariah compliant investment. Traditionally deployed to real estate, it now supports our Halal economy encompassing fashion, food and pharmaceuticals plus our unique fintech capability, within which another market ecosystem is evolving.

Post Brexit, UK will maintain our global reputation for Islamic professional advisory services and development of market standards that ensure best financial practice. This may be particularly apparent with regard to sustainable and responsible financial approaches, where our Islamic financial firms are already included among global stakeholders.

Stella Cox, Managing Director, DDCAP Group

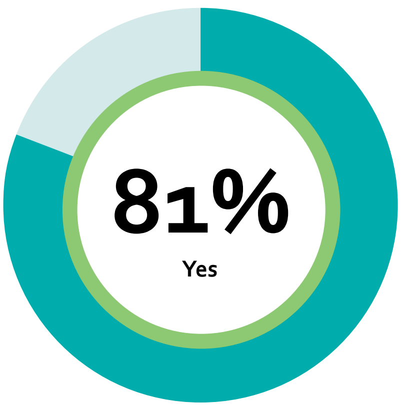
On behalf of TheCityUK, I was honoured to host the opening panel of the IFN UK OnAir Forum 2020. Following the keynote speech of John Glen MP, the Economic Secretary to HM Treasury and City Minister, the panel of highly experienced and expert speakers set the tone for the whole event.

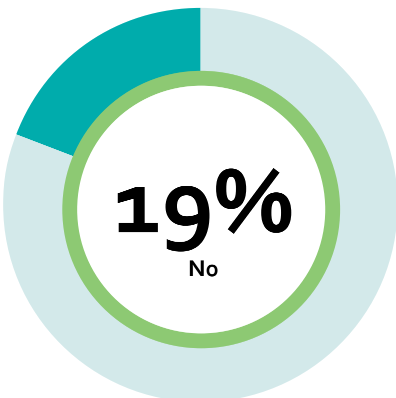
UK Islamic finance has been accused of resting on its laurels. But speaker after speaker confirmed the depth, strength and expertise of the sector and the commitment from Government and industry to maintain the UK's place as the leading western hub for Islamic finance. There are global challenges for Islamic finance and while events such as the IFN OnAir Forum series should raise these issues they also offer opportunities for them to be addressed and overcome. The IFN UK OnAir Forum 2020 successfully proved that.

Wayne Evans, Senior Advisor International Strategy, TheCityUK

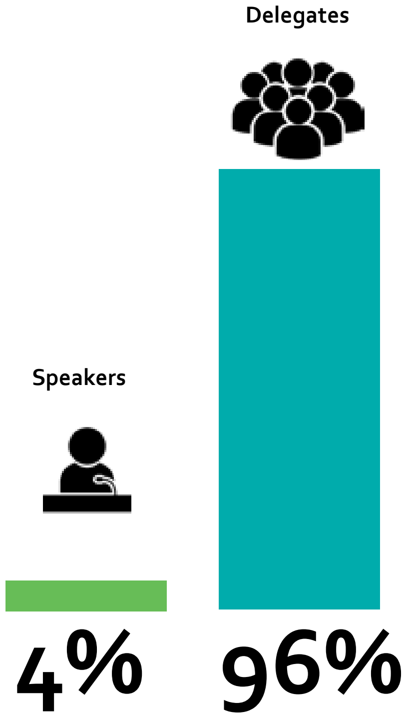
PRE-EVENT CONTACT	OVERALL EVALUATION OF THE EVENT	OVERALL EVALUATION OF THE SPEAKERS
29% Excellent	**20%** Excellent	**31%** Excellent
46% Good | **25%** Average	**45%** Good | **35%** Average	**52%** Good | **17%** Average

DELEGATES WHO WOULD LIKE TO ATTEND IFN UK FORUM 2021





DELEGATE BREAKDOWN



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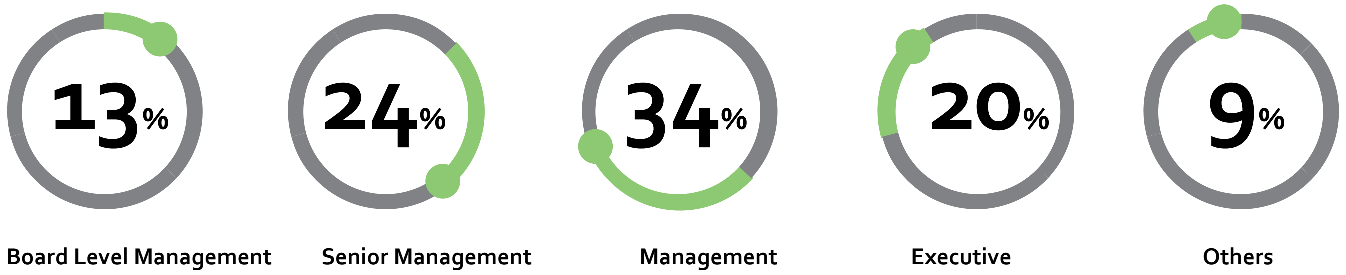
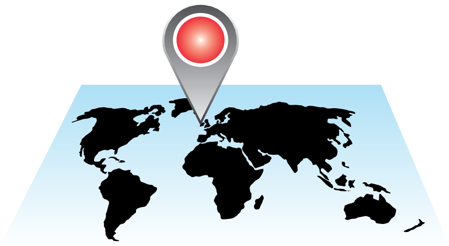


DELEGATE BREAKDOWN (INTERNATIONAL & LOCAL)

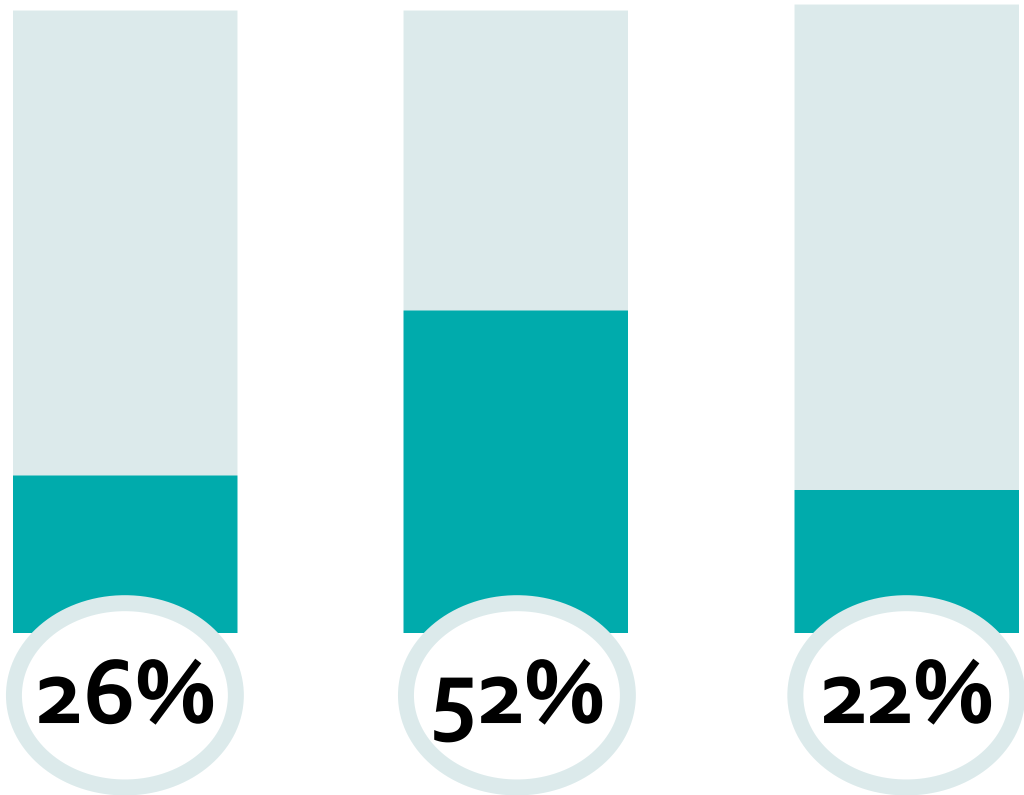


46%
Local

54%
International

SESSION EVALUATION

HERE AND NOW: THE OPPORTUNITY ON OFFER FOR UK ISLAMIC FINANCIAL SERVICES



DISCUSSION INTRODUCTION

PUTTING ISLAMIC FINANCE TO WORK: ISLAMIC CAPITAL MARKETS, SUSTAINABLE & GREEN FINANCE

In times of stress do Sukuk offer some semblance of stability? What is the likely timetable and structure of the second UK Sovereign Sukuk and what will this mean for UK Islamic wholesale markets? What funding options do UK Islamic financial institutions have for satisfying regulatory capital and liquidity requirements, particularly in a stressed environment? What is the status of the Bank of England facility and what will it do? Where and how are technology and innovation disrupting traditional capital-raising channels? What do social, pandemic and disaster recovery bonds offer and how can Islamic finance solutions feature? Beyond credit, what vehicles and structures will feature in the financing of responsible, social and humanitarian projects and where does commodity Murabahah play a role? How can SDG3 – promoting health and wellbeing – be prioritized and what do SDG bonds and Sukuk offer? How significant are developments in ESG ratings, screening technologies and disclosure requirements and how has sustainable finance responded? Finally, where will we see examples of overlap and cooperation between Islamic finance and green and sustainable finance initiatives? We seek the views of an expert panel.

YOUR PANEL

FARMIDA BI
Chair, Europe, Middle East and Asia, Norton Rose Fulbright

ARSHADUR RAHMAN
Manager, Bank of England

DR MOHAMMED R. KROESSIN
Head of Islamic Microfinance, Islamic Relief Worldwide

RAZVAN DUMITRESCU
Principal, Local Currency and Capital Markets Development, European Bank for Reconstruction and Development

SAMINA AKRAM
Managing Partner, Samak Ethical Finance

SCOTT LEVY
CEO, Bedford Row Capital

SIMON MELDRUM
Investment Specialist, British Red Cross

PUTTING ISLAMIC FINANCE TO WORK

Farmida

The second day focused on the twin avenues of capital markets and sustainable finance, particularly in the light of the LSE's strength in the fields of both Islamic and green debt.

The speakers explored the likelihood of a new sovereign Sukuk from the UK, and what it could mean for Islamic wholesale markets, as well as discussing the funding options available to UK Islamic financial institutions for satisfying regulatory capital and liquidity requirements, particularly in a stressed environment, and the status of the Bank of England liquidity facility. The panel also discussed how technology and innovation are disrupting traditional capital-raising channels, the role that Islamic solutions could play in developing social, pandemic and disaster recovery bonds, and the vehicles and structures that could feature in the financing of responsible, social and humanitarian projects.

Arshadur

Dr Mohammed

Moderated by Farmida Bi, the chair of Europe, Middle East and Asia at Norton Rose Fulbright, speakers included Arshadur Rahman, a manager at the Bank of England; Dr Mohammed R Kroessin, the head of Islamic microfinance at Islamic Relief Worldwide; Razvan Dumitrescu, the principal of local currency and capital markets development at the European Bank for Reconstruction and Development; Samina Akram, the managing partner of Samak Ethical Finance; Scott Levy, CEO at Bedford Row Capital; and Simon Meldrum, an investment specialist at the British Red Cross.

Dumitrescu

Samina

Levy

Meldrum

KEY TAKEAWAYS

Globally the need for humanitarian assistance is growing. Five times more humanitarian assistance is required today than in the previous decade, with projected requirements set to double to US$50 billion per year by 2030, according to the World Economic Forum.

The Red Cross and Red Crescent (RCRC) Movement is the world's largest independent humanitarian network, comprising more than 17 million volunteers across 191 national societies.

RCRC is exploring new sources of funding and financing for humanitarian action and to enable the movement's mission including private capital, public markets and Islamic finance.

As an ethical and values-based financing approach and one that support financial inclusion of communities, Islamic finance is consistent with the movement's fundamental principles of universality, impartiality, and neutrality.

Innovative humanitarian finance refers to a range of strategies to make effective use of, and/or generate, financial resources to achieve sustainable development goals or humanitarian goals.

Simon Meldrum, Innovative Finance, Red Cross

The UK government has always been a very strong supporter of the Islamic finance industry. To cement its commitment further, on the 24th June 2014, the UK government sent a very strong message to the finance sector by becoming the first country outside of the Islamic world to issue a sovereign Sukuk.

The UK's first sovereign Sukuk received very strong demand with orders totalling around US$2.3 billion.

Allocations were made to a wide range of investors including sovereign wealth funds, central banks, domestic and international financial institutions from the Middle East, Asia and here in the UK.

From what we are seeing, the market is reacting very positively to the announcement to the second Sukuk. This further highlights that the UK government is serious with its commitment to the industry. We also feel this news will attract further issuance to the UK. London Stock Exchange remains a key global venue for Sukuk listings. To date, more than US$50 billion has been raised through 68 Sukuk issues on the London Stock Exchange. With regards to the likely timetable and structure of the Sukuk offering, very little is known at this stage.

We heard from John Glen, the economic secretary to the Treasury, who during his keynote address at the IFN UK OnAir Forum confirmed that the UK government is fully committed to issuing the second sovereign Sukuk. This is very positive news for our UK Islamic finance industry and I wouldn't be surprised if it's not 11 times oversubscribed again. Sukuk are a valuable instrument, both for issuers and investors. They are a liquidity management tool for Islamic banks and institutions and can act as a source of portfolio diversification for conventional institutions.

Samina Akram, Managing Partner, Samak Ethical Finance

Islamic social finance assets such as Zakat or Waqf should be seen as a critical and integral part of Islamic finance. Estimates range from US$50 billion to US$500 billion, even to US$1 trillion of Zakat that can be mobilized every year. If we looked at Zakat through the eyes of financial intermediation rather than just charity, it could be a game changer. And that is exactly what we need, given the challenges of our time – climate change or COVID-19 or rebuilding Syria.

Of course, Zakat is for the poor and the needy etc and their established methods for collection and distribution but that is not say that we couldn't or shouldn't find a way to utilize Zakat with the highest possible impact.

Zakat flows could, for example, be used as the capital based against which we could secure a Sukuk offering creating a sizeable impact investment fund.

Dr Mohammed R. Kroessin, Head of Islamic Microfinance, Islamic Relief Worldwide

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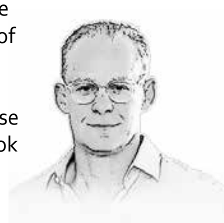
The main takeaway has been that there is a common understanding that Islamic finance has deeply ethical and sustainable rooted aspect in their way of doing business. With this 'code of conduct', it should not be difficult to bring together the aspects of Islamic finance and environmental, social and governance (ESG) on the conventional side. This can have a deep impact on society; not just the commercial side, microfinance and charitable activities all can benefit from a closer alignment of the global ESG push. Islamic finance is a natural beneficiary of this trend but work needs to be done to ride the current waves.



Innovation can come from anywhere and it is important to draw as much knowledge and insight from the deep pool of expertise in the market (from the Bank of England through liquidity management, down to grassroots funding mechanisms). The outlook is positive and impact can be real.

Scott Levy, CEO, Bedford Row Capital

KEY TAKEAWAYS

Islamic finance has a key role to play in supporting the post-COVID-19 recovery and the IFN UK OnAir Forum proved an excellent platform to explore joint opportunities as well as critical issues such as converging standards.

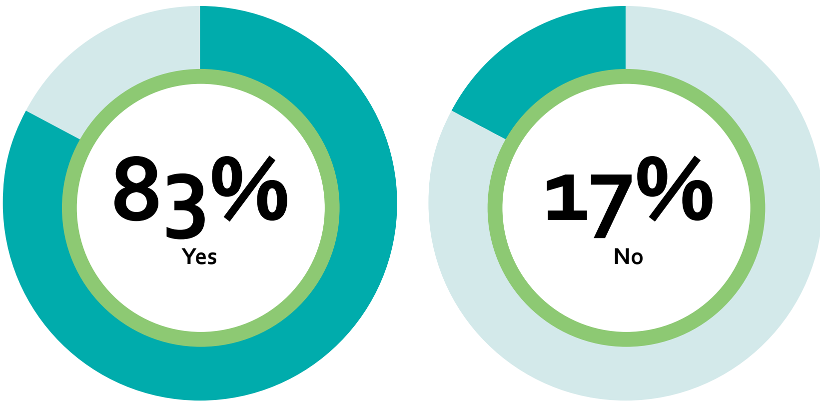
It is now clear that the Sukuk market would benefit from positioning itself as a core element of the sustainable finance toolkit. It is encouraging to witness first-hand the latest developments commitment to the product from our long-term partners at the Bank of England through launching their new Alternative Liquidity Facility and promoting the risk-sharing merits of GDP-linked instruments which can be structured in Sukuk form.

While the European Bank for Reconstruction and Development is primarily a conventional Islamic finance institutional investor, we will support our clients to tap the Sukuk market especially in Turkey, North Africa and Central Asia.

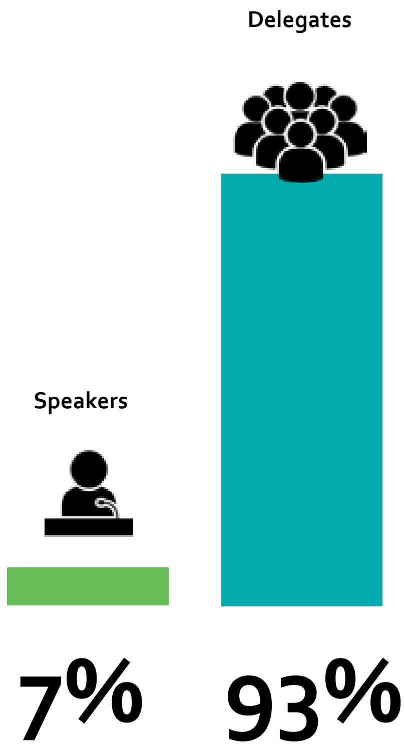
Razvan Dumitrescu, Principal, Local Currency and Capital Markets Development, European Bank for Reconstruction and Development

PRE-EVENT CONTACT	OVERALL EVALUATION OF THE EVENT	OVERALL EVALUATION OF THE SPEAKERS
32% Excellent	31% Excellent	37% Excellent
45% Good | 23% Average	46% Good | 23% Average	47% Good | 16% Average

DELEGATES WHO WOULD LIKE TO ATTEND IFN UK FORUM 2021



DELEGATE BREAKDOWN



DELEGATE JOB TITLE BREAKDOWN

15%	23%	29%	25%	8%
Board Level Management	Senior Management	Management	Executive	Others

DELEGATE BREAKDOWN (INTERNATIONAL & LOCAL)

49%
Local

51%
International

SESSION EVALUATION

PUTTING ISLAMIC FINANCE TO WORK: ISLAMIC CAPITAL MARKETS, SUSTAINABLE & GREEN FINANCE

Excellent	Good	Average
26%	52%	22%

DISCUSSION INTRODUCTION

THINKING BIG: ISLAMIC ASSET MANAGEMENT AND REAL ESTATE INVESTMENT

What influences the deployment of Shariah compliant capital, what do Shariah compliant institutional investors want and where do Sukuk, Islamic private equity, real estate and trade finance funds play a role? What is Shariah compliant capital investing into the UK real estate market demanding in terms of structure and asset class, and what represent potential post-pandemic targets and opportunities? What does a successful UK-domiciled Islamic REIT look like in terms of structure and mandate? Besides the use of effective endowment structures, agency arrangements and enhanced investment screening, what is the Shariah compliant asset and investment proposition? Finally, considering the current business and operating environment facing Shariah compliant investors and asset owners, we take a critical look at the regulatory framework pertaining to workouts, restructurings and the resolution of disputes involving Islamic financial structures.

YOUR PANEL

NATALIE SCHOON
Principal Consultant, Formabb

AYDA HABBOUSH
Partner, Trowers & Hamlins

FUAD SHAKSHIR
Head of Structured Real Estate, QIB (UK)

PAUL DECROOS
Head of Real Estate Finance, Bank of London and The Middle East

SOHAIL ALI
Legal Director, DLA Piper

TREVOR NORMAN
Director – Islamic Finance and Funds Group, VG

ZAINEB SEFIANI
Founder and Director, Carrera Learning

THINKING BIG: ISLAMIC ASSET MANAGEMENT AND REAL ESTATE INVESTMENT

Schoon

Finally, the third day of the event centered around the exceptional opportunities within the UK's booming property market, and how Islamic finance can be utilized to leverage this appeal.

The panellists explored what influences the deployment of Shariah compliant capital, what Shariah compliant institutional investors really want, and how Sukuk, Islamic private equity, real estate and trade finance funds can play a role. The discussion range across issues such as direct investing, property REITs,

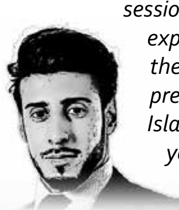
Ayda

Fuad

endowment structures, agency arrangements and investment screening; as well as taking a critical look at the regulatory framework pertaining to workouts, restructurings and the resolution of disputes involving Islamic financial structures.

Moderated by Natalie Schoon, the principal consultant at Formabb, speakers included Ayda Habboush, a partner at Trowers & Hamlins; Fuad Shakshir, the head of structured real estate at QIB (UK); Paul DeCroos, the head of real estate finance at Bank of London and The Middle East; Sohail Ali, the legal director at DLA Piper; Trevor

DeCroos



Sohail

Norman, the director of Islamic Finance and Funds Group at VG; and Zaineb Sefiani, the founder and director at Carrera Learning.

Norman

To hear the full panel sessions, and access the wealth of expertise and detailed exploration of the enormous opportunities presented by the UK's Islamic finance industry, you can listen to the full event completely free of charge at www.redmoneyevents.com.

Zaineb

KEY TAKEAWAYS

The final session covered three broad subjects: real estate investments, asset management, and dispute resolution. The panellists agreed on the fact that the impact of COVID-19 and Brexit on the UK real estate sector is hard to quantify at the moment, but noted residential real estate seems to hold up better than commercial real estate.

The imbalance between demand and supply is expected to continue to exist. Islamic investors continue to prefer direct investment in real estate, but where they do invest in funds the simpler structures such as Murabahah remain prevalent. Some tentative changes in screening methodologies are observed in the market.

The panellists agreed the industry will undoubtedly be impacted in some way by the on-going uncertainty caused by Brexit and COVID-19. It will be interesting to follow any legal disputes following from these events. So far, disputes have mainly focused on the lack of Shariah compliance which is unlikely to be a strong argument in future.

Dr Natalie Schoon, Principal Consultant, Formabb

London is and will remain one of the global centers of Islamic finance. This is clear from the support that Islamic finance receives from the UK government as well as the Bank of England.

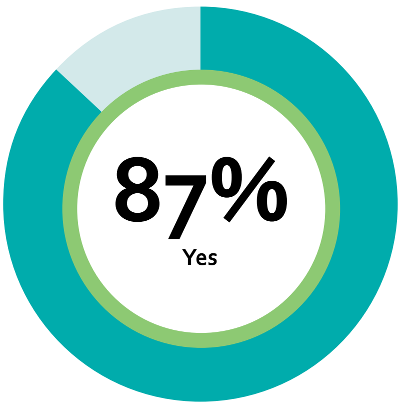
The world we live in today is characterized by black swan events. The global financial crisis of 2008, followed by Brexit followed by a global pandemic.
The UK is the fifth biggest economy in the world, as it and other major economies have recovered from the global financial crisis, it will also recover from Brexit and from COVID-19.

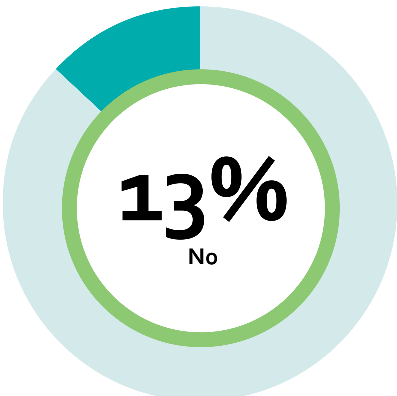
The recovery in real estate will be at different paces: residential (outside Prime Central London), logistics, warehousing and data centers will continue to do well. Offices will benefit if these are located in prime areas, as a result of flight to quality. The hospitality industry will recover but will take longer. Structural issues however will remain in the non-food retail market.

Fuad Shakshir, Head of Structured Real Estate, QIB (UK)

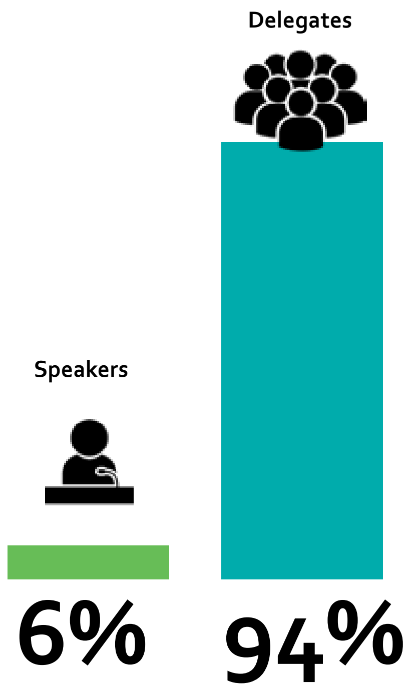
PRE-EVENT CONTACT	OVERALL EVALUATION OF THE EVENT	OVERALL EVALUATION OF THE SPEAKERS
33% Excellent	33% Excellent	39% Excellent
43% Good | 24% Average	42% Good | 25% Average	44% Good | 17% Average

DELEGATES WHO WOULD LIKE TO ATTEND IFN UK FORUM 2021

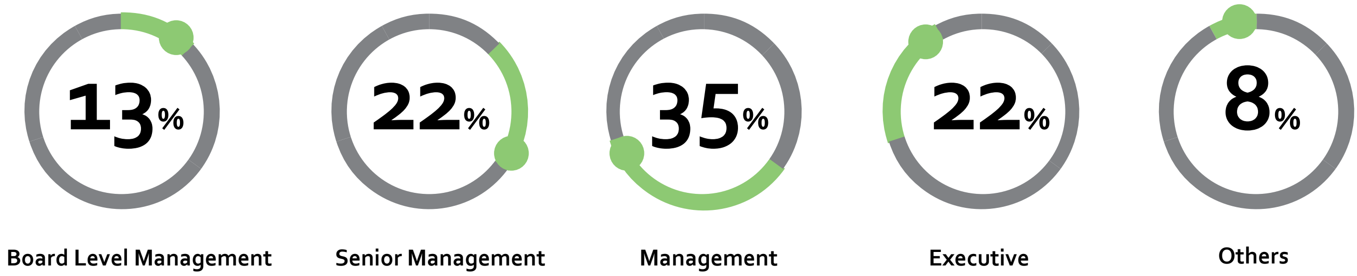




DELEGATE BREAKDOWN



DELEGATE JOB TITLE BREAKDOWN



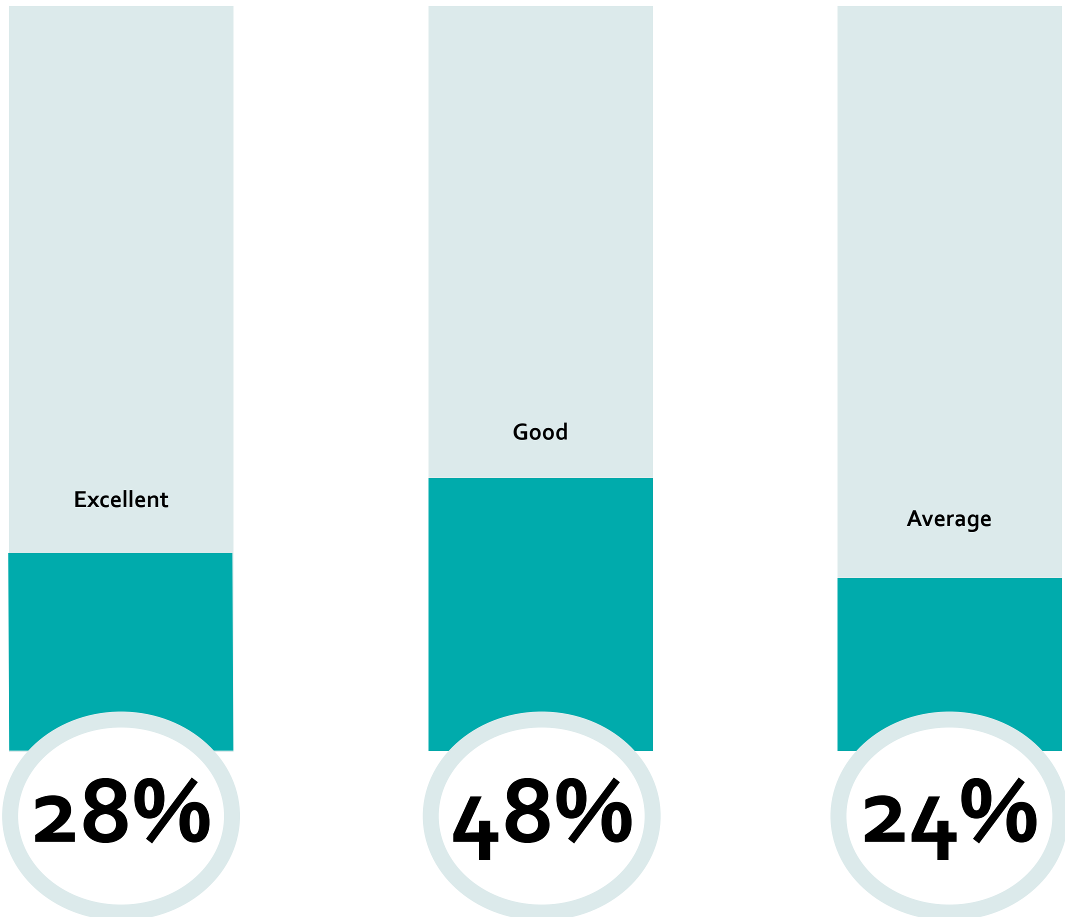
DELEGATE BREAKDOWN (INTERNATIONAL & LOCAL)

53%
Local

47%
International

SESSION EVALUATION

THINKING BIG: ISLAMIC ASSET MANAGEMENT AND REAL ESTATE INVESTMENT



90 North Real Estate Partners
AESI
Africa Islamic Economic Foundation
AIA Indonesia
Akhira Capital
Al Rayan Bank
Al-Amaan
Aliant Qais Conrad Laureate
Allen & Overy
Alliott Hadi Shahid CA
Almalia
Altus Search
Amundi Malaysia
Anad & Noraini
Ansoruna Business School
Association of Commercial Diplomats
Athelstan Mead Consulting
Ausepco Ventures
Bank of England
Bank of London & Middle East
Bank of Punjab
Bayero University Kano
Bedford Row Capital
Berkeley Lansdowne
Birmingham City University
Blacks
Blida University
Bond Asian Ventures
Boston Scientific
BPLG Luxembourg
British Red Cross
Capco
Carrera Learning
Cass Business School
Central Bank of Tunisia
Citylight Asset Management
Codebase Technologies
Colledge
Corporate-Industrial
Coventry University
Da'aamah Sri Consultant Japan
DDCAP Group
Distinct Model Schools
DLA Piper
Dubai ISlamic Bank
EBRD
EG Group
Eiger Trading Advisors
European Bank for Reconstruction and Development
European Comission
Fidezz Ghana
Financial Conduct Authority
Financial World magazine
FINEOPOLIS Consulting
FINSO
Foot Anstey
Formabb
FTI Consulting
FTSE Russell
Gatehouse Bank
H t I
Halal Tourism Britain
Harrison Clark Rickerbys
HM Treasury
Hong Leong Bank
Howard Kennedy
IAID Ciamis
IBA - Islamic Bank Australia
Ibex Global Solutions
IdealRatings
IFG
IFRIG
INCEIF
Infopro
International Islamic University
Islamic Development Bank (ICIEC)
Islamic Relief Worldwide
Izdihar
Kantar
Kestrl
KTO Karatay University
Lincoln`s Inn
Livres du Monde
Lloyd`s of London
London Business School
London Net
London School of Economics
Lootah Capital
MAC Clinical Research
Management & Science University
M-CRIL
Melkbama
MoneeMint
Moody's Investors Service
National Commercial Bank
National Investment Company
National Mineral Water Co
Nester
Norton Rose Fulbright
Ocorian
Octopus Investments
Ortus Real Estate
Padjadjaran University
Participative Banking
Phil House of Representative
Philip Lee
Postcode Property Group
Property Services and Investment
PwC
QIB (UK)
Ramid Law Firm
Reuters
Reuters
SageNet Enterprise
SAL Group
Salaam Gateway
Samak Ethical Finance
Saracens
Sariibrahimoglu Law Office
Saudi Real Estate Refinance Co
Searchtal Recruitment
Selim Megatama Indonesia
Sharp Opinion Business Consultancy
Sigma 8 Capital
South Esater Nanatolian Projects
SPV Cap
SS&C
St James`s Place Wealth
Standard Chartered Bank
SunTrust Bank Nigeria
TAM Asset Management
Tanadi
Terrabiz
The City UK
The Lord Mayor
The Zeal Corporation
Traroots
Treasury and City Minister
Trowers & Hamlins
UCLA School of Law
UK Debt Management Office
UMS Malaysia
Unisza
Universiti Teknologi Mara (UTM)
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US-African and European Busine
VG Trust Company
Walkers
Watson Farley & Williams
Yielder