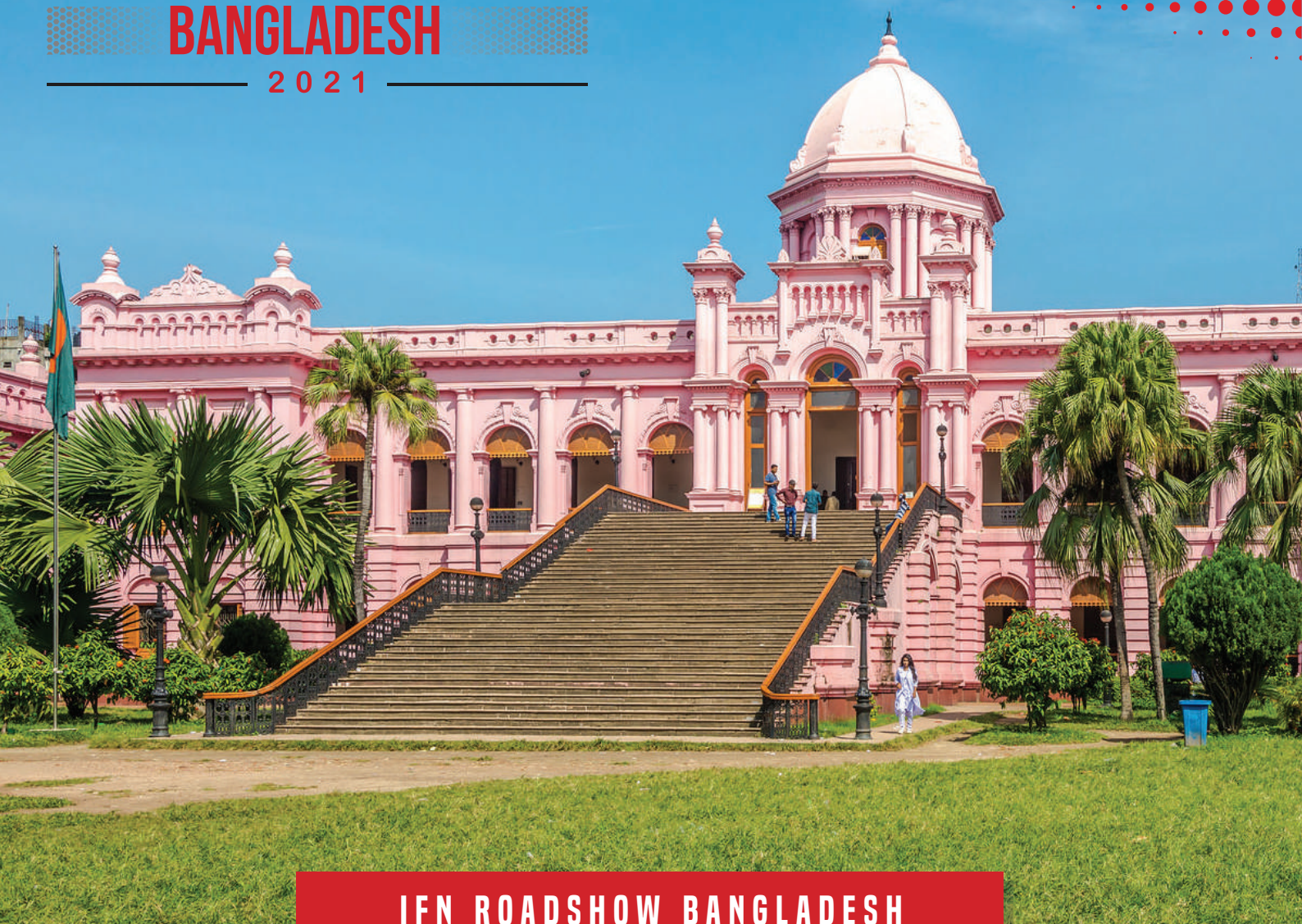


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2021



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Prof Dr M Kabir Hassan of the University of New Orleans; Dr Scott Levy, CEO of Bedford Row Capital; Andrew Tebbutt, the managing director of REDmoney Group; respected moderator Md Touhidul Alam Khan; distinguished panelists, my dear fellow colleagues; sponsors; and all participants.

Assalamualaikum, and good morning/good afternoon/good evening to all of you.

It is a great pleasure for me to attend this online session on the development of Islamic banking and finance in Bangladesh organized by REDmoney Group as a speaker. I am pleased to see that the development of the Islamic financial industry is taking place in many areas including the development of ideas and knowledge, products and services and also financial sectors. This session could pave the way for the industry's ability to move toward better insights in servicing the market in Bangladesh.

Supported by internationally qualified experts, it is not overdone if I expect at the end of the session that this conference will produce strategic initiatives and measures to give Islamic finance a greater and significant role in the economic development of the country.

Distinguished guests, ladies and gentlemen, Before sharing my insights on the topic today, I would like to draw your kind attention to the few key facts of this country. Bangladesh is the second-largest Muslim-majority nation and has the ninth-largest population in the world. Since 2005/06, it has been keeping its growth rate around 7%. Though the unemployment and poverty rates are still high and it is poorly ranked in the Global Innovation Index, Bangladesh is a nation of high potential due to its demographics with more than 60% consisting of the younger generations who can bring changes in the economy.

Ladies and gentlemen,

If we look at the organic development of Islamic banking in Bangladesh, this sector has achieved robust growth mostly due to the huge public demand, continuous success of Islamic banking and policy support from Bangladesh Bank. The first Islamic bank in Bangladesh, Islami Bank Bangladesh, started its journey in 1983 10 years after the first Islamic bank in the world, Dubai Islamic Bank.

As of December 2020, Bangladesh's 10 fully-fledged Islamic banks have been operating with 1,524 branches out of a total of 10,752 branches in the whole banking sector. In addition, 21 Islamic banking



Md Nazrul Islam — Deputy General Manager, Bangladesh Bank

branches of nine conventional commercial banks and 163 Islamic banking windows of 11 conventional commercial banks are also providing Islamic financial services in Bangladesh.

Ladies and gentlemen, Is that development sufficient? We are very lucky to be a Muslim-majority country with what we have achieved so far but on the other hand, we are very unfortunate not to understand Islamic finance, how it works in the area of development and how it improves in the area of innovation. The definition of Islamic banking is that it is Shariah-based banking and Islamic finance continues to grow globally due to its risk-sharing, resilience, inclusive and real asset-backed transaction features. But if we see the global trends of interest rates since the global financial crisis in 2007/08, I would rather say that Islamic finance empowers creativity, innovation and growth.

Ladies and gentlemen,

The COVID-19 pandemic has really changed the global economic perspectives, in addition to all the advances in monetary and macroprudential policies to strengthen financial stability and growth. Almost all countries have suffered from this ongoing pandemic and the projected global growth rate has been reduced and Bangladesh is no exception. To boost economic activities and achieve sustainable growth, the Bangladeshi government and Bangladesh Bank have jointly taken many measures that are under implementation.

Some of the historic steps are shared here:

1. A financial stimulus package including a refinance scheme
2. A credit guarantee scheme for cottage, micro, small and medium enterprises

3. The issuance of Sukuk for the first time in Bangladesh, and

4. The introduction of a start-up fund and directives to build banks' own funds.

Distinguished guests, ladies and gentlemen, If we observe the relationship between productivity and the interest rate mechanism and global trends since 2007/8, countries have been taking so many steps to lower interest rates and are trying to boost the economy. Bangladesh Bank has also reduced the policy rate from 5% to 4% recently and is encouraging commercial banks to offer loans at a reduced interest rate.

At the end of the October–December 2020 period, deposits and investment grew by 2.28% and 3.55% respectively while remittances and excess liquidity of the Islamic banking sector increased by 19.24% and 60% respectively compared with that of the last quarter. Islamic banks accounted for a 40.51% share of remittances mobilized by the entire banking sector during the same period.

It would be worth sharing that the most challenging parts not only in this sector but also in the overall banking system are the lack of skilled human resources, product diversification, the use of technology and a strong legal framework for Islamic banking in Bangladesh.

Please allow me to close my speech by expressing my appreciation and sincere gratitude to the organizer, speakers and participants for the willingness to join this event. I also would like to wish you all a fruitful discussion and deliberation in this important event.

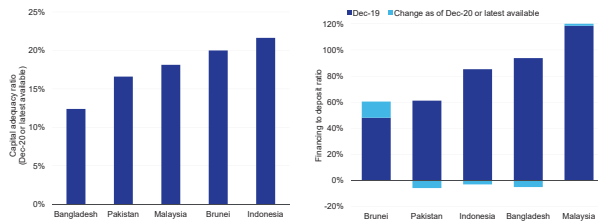
Thank you very much, Assalamualaikum.

Islamic banking poised to expand across South and Southeast Asia post-pandemic

Tengfu Li, Analyst, Financial Institutions Group, Moody's Investors Services

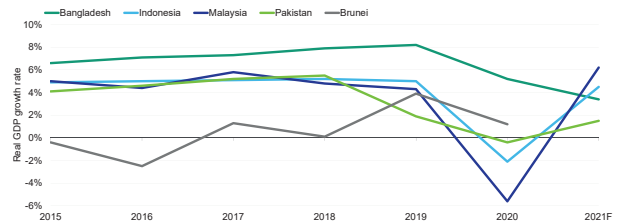


Islamic banks have sufficient capital and liquidity to expand financing



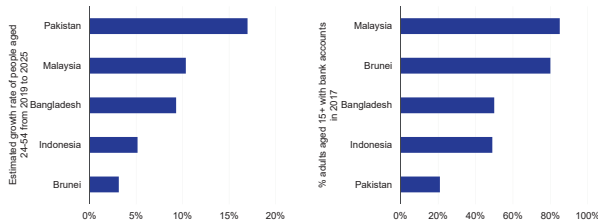
MOODY'S INVESTORS SERVICE Islamic banking poised to expand, April 2021 3

Economic recovery will aid growth of banking growth



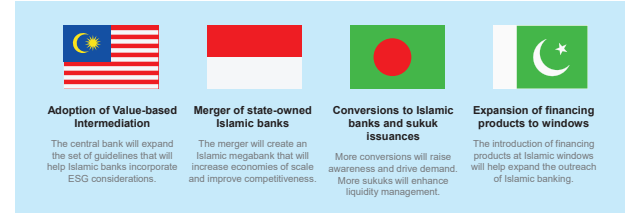
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Young, untapped demographics provide fuel for long-term expansion



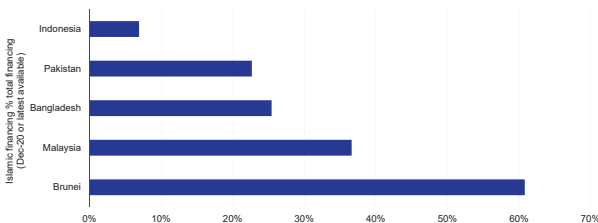
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Government efforts will remain backbone of growth

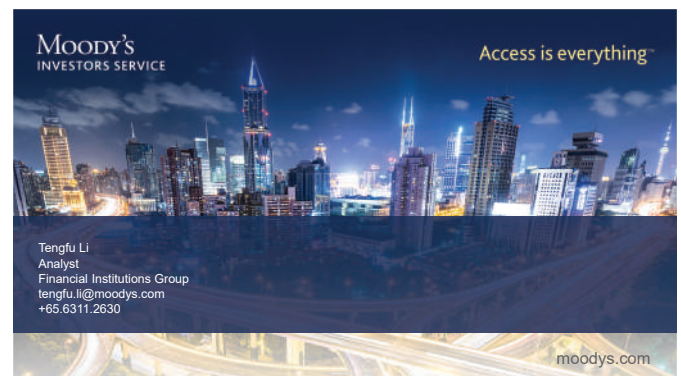


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Penetration of Islamic banking will increase further



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Keynote Address:



Md Nazrul Islam — Deputy General Manager, Bangladesh Bank

Presentation



Tengfu Li — Analyst, Financial Institutions Group, Moody's Investors Services

Brave New World: Islamic Finance in Bangladesh

Panelists:



Md Touhidul Alam Khan — Additional Managing Director, Standard Bank (Moderator)



Ikbal Daredia — Advisor to CEO, Acting Director – Global Markets and Fixed Income (GMFI) and Acting Director - Treasury, The Islamic Corporation for the Development of the Private Sector



Professor Dr M. Kabir Hassan — Professor of Finance, Department of Economics and Finance, University of New Orleans



Dr Natalie Schoon — Consultant, Formabb



Dr Saliba Sassine — Managing Director, Bluemount Capital



Dr Scott Levy — CEO, Bedford Row Capital

The IFN Roadshow 2021 series opens with Bangladesh, a country that has a promising future in Islamic finance, especially as it launched its first corporate Sukuk in 2020. Bangladesh is on a sprint to aggressive development as the public demand for Islamic finance is rising, which has spurred the robust Islamic banking sector in the nation.

Moody's Investors Service forecasts a growth of more than 25% in Islamic banking penetration in the country, backed by strong government support due to the high demand. As the world economy moves toward recovery from the effects of the COVID-19 pandemic, Bangladesh is looking forward to greater conversion to Islamic banking, as access to finance due to digitalization comes into play. Overall, the future looks bright for Bangladesh as the government looks toward an enhancement of liquidity management through more regulatory frameworks and the establishment of an independent Shariah committee. This can be seen as a platform to enable a conducive ecosystem for more Sukuk issuances and further developments in the country. There is also a stronger emphasis on the advocacy of Islamic finance literacy among the public to further catalyze growth opportunities of other sectors such as the Halal industry and much more.

The challenges facing the Islamic finance industry are as follows:

1. Communication gap
Misconceptions, misunderstandings and misplaced notions about Islamic finance must be removed through awareness and advocacy programs.
2. Trust gap
Social business and impact investing should be emphasized to remove tension among the stakeholders of the Islamic finance industry.
3. Innovation gap
Balance between macro and micro Maqasid should be maintained — the so-called form versus substance (financial engineering).
4. Talent gap
A new brand of scholars who are well versed in Islamic jurisprudence and secular financing techniques and mechanisms must be nurtured.
5. Regulatory gap
A proper and efficient regulatory framework and law should be enacted to provide a level playing field and guidelines and standards for Islamic finance industry stakeholders.

Professor Dr M Kabir Hassan is the professor of finance in the Department of Economics and Finance at the University of New Orleans.



According to the experts, the playing field has to be level and the approaches from banks, non-banking institutions and other key market players need to be comprehensive for which a guideline and roadmap should be prepared if the bottleneck is to be reached under the scope of social finance.

The government should look into the tax structure to gain a bigger share in Islamic banking. Bangladesh Bank needs to conduct fit and proper tests besides selecting members of the Shariah boards in Islamic financial institutions, so that Shariah governance can be ensured properly.

As agent banking has been employed with the adoption of technology to penetrate the country's unbanked population, Bangladesh easily qualifies as a fine example of financial inclusion. The experts also opined that the existing technologies should be upgraded, including those used in fintech to ensure greater transparency.

They observed that the pool of trained professionals and human resources is not adequate when it comes to the delivery of Islamic banking services and products. Because of that shortage, they emphasized the development of skilled human capital to support the industry's goal to add values and advance while envisioning a state where it is based on Shariah itself, not just compliant with Shariah laws.

Md Touhidul Alam Khan is the additional managing director, chief risk officer and chief anti-money laundering compliance officer of Standard Bank, Bangladesh.



The esteemed panelists discussed several areas particularly on how Islamic banking can be developed across the globe. Sufficient evidence was there to arrive at a conclusion that the Islamic banking industry in the South Asian region has access to adequate capital required for sustainable growth. In Bangladesh, it bears a long-term potential as well.

They also suggested that the country should put more emphasis on the governance and development of Sukuk that can fulfill the objectives of Shariah rather than on the budgetary deficit of the government. Should a secondary capital market be developed, Sukuk could be more popular and outperform conventional bonds in the market at some point. They view green Sukuk as this region's newfound potential to strengthen sustainable banking. Market penetration for this industry is being accelerated through the country's agent banking networks.

They added that Bangladeshi Sukuk have entered both the interracial and local markets as the country is widely considered a no-brainer for those who seek investments. Therefore, the potential of the Sukuk market is obvious here in Bangladesh where the government has due interest as to some mega infrastructure projects.



The Islamic finance market in Bangladesh is approximately 30% of the overall financial services market, yet the service offerings are not yet very well developed. However, the issuance of Sukuk by Bangladesh Bank in December 2020 is certainly a step in the right direction.

A number of possible future developments were highlighted such as a centralized Shariah board, and the development of both regulations and product development in line with international best practice. This will assist with (international) trade-related financial services and in growing the Islamic financial services industry.

There are potentially strong opportunities for Islamic finance in Bangladesh going forward, with innovation, as well as creativity in meeting customer demand, being key.

Dr Natalie Schoon is the principal consultant at Formabb.

Tengfu Li



There is ample potential for Sukuk to grow in Bangladesh.

Firstly, the country's robust economic growth and favorable demographics provide a strong foundation for growth.

Secondly, the momentum for Sukuk issuances has picked up pace with the recent maiden government and corporate Sukuk issuances, with more expected to come this year.

In addition to bridging the long-term financing gap in Bangladesh, these Sukuk will help banks, which currently lack liquid Islamic instruments to invest in, to smoothen their liquidity management.

Last but not the least, more can be done in terms of the regulatory framework to support a sustainable growth in Sukuk.

Tengfu Li is an analyst in the Financial Institutions Group of Moody's Investors Service.

Dr Scott Levy



Bangladesh is probably the most interesting emerging economy. Bangladesh and a few Bangladeshi corporates have only recently entered the international capital market stage and done so with some innovative and forward-thinking initiatives.

Islamic finance (Sukuk in particular) has enormous growth potential both for the domestic market and as a destination for global Sukuk investors in search of better returns. However, some work needs to be done to take advantage of the strong start to 2021. The domestic capital markets have little experience of secondary markets (too heavily reliant on Murabahah) for Sukuk and the governance around Islamic finance is in its infancy.

We have seen a lot of recent interest in Bangladesh for Sukuk investment but challenges remain around central bank policy and local governance to bring Bangladesh to the forefront of Islamic capital markets. IFN's first Bangladesh forum demonstrated just how much knowledge and international experience there is to help support the development of Islamic finance in Bangladesh — the future is bright.

Dr Scott Levy is CEO of Bedford Row Capital.

TESTIMONIALS

MD. RAMIZ UDDIN MIAH

"The forum is extending their best effort to build strong, compliant and knowledge based Islamic banking. Best wishes for them."



SHERIEF RAHMAN

"Overall, excellent."



MD. MUSTAHIDUR REZA CHOWDHURY

"This forum is playing an important role for developing the Islamic market."



A K M SHAHIDUL HOQUE KHANDAKER

"You are doing a great job for the betterment of Islamic finance and banking."



AMIRUL CHOWDHURY

"Thanks for sharing your forum. All the best. Jazakallah."





Bangladesh: A strong push for Islamic banking and finance

The past year has been a busy one for Bangladesh's Islamic banking and finance industry, as it sees greater demand for Islamic financial products and stronger governmental support. NESSREEN TAMANO writes an overview of the Republic's Shariah financial industry.

Regulatory landscape

While Bangladesh still does not have a dedicated Islamic finance and banking regulation, the Banking Companies Act and Companies Act have provisions for Shariah compliant activity. Bangladesh Bank (BB) also issued Islamic banking guidelines in 2009 covering licensing and conversion requirements, among others.

In 2019, the Bangladesh Securities and Exchange Commission (BSEC) issued regulations to facilitate the trading of Sukuk and derivatives in the capital market, as well as the entry of new items — including Sukuk — into the stock market.

In 2020, BB started working on guidelines on green Sukuk for Shariah banks and financial institutions as well as a policy framework on Shariah-based green financing. The central bank also announced that it will be placing a yet unspecified quota limit on Sukuk allocated for Islamic banks to be implemented during BB's auction scheduled for June 2021.

Banking and finance

As at December 2020, the share of total deposits of Islamic banks accounted for 25.33% of the banking sector, while the share of total investment of Islamic banks was 25.69% of the total loans and advances of the sector, according to data from the central bank.

There are 11 fully-fledged Islamic banks, with Standard Bank, Jamuna Bank and Global Islami Bank (formerly NRB Global Bank) being the most recent ones to convert their operations to become fully Shariah compliant. Meanwhile, 20 conventional banks offer Shariah financial products through their Islamic banking branches or windows.

In September 2019, Abu Dhabi Commercial Bank closed a landmark blockchain-based trade finance deal involving Islami Bank Bangladesh (IBBL) to move goods worth US\$6.5 million from Canada to the South Asian nation. In 2020, City Bank executed an Islamic cross-border Murabahah-based letter of credit transaction on blockchain, the first in Bangladesh, in partnership with the International Islamic Trade Finance Corporation.

Capital markets

A few years ago, the central bank issued the Refinance Scheme for Investment in Green Products or Initiatives targeted at Islamic banks and financial institutions, in addition to the Inter Islamic Fund Market and the Islamic Refinance Fund Account. The government has also been consistent in issuing three- and six-month Bangladesh Government Islamic Investment Bonds.

The Sukuk market has seen a flurry of activity in the past two years, and notably at the end of 2020, Bangladesh issued its first-ever sovereign Sukuk worth a total of BDT80 billion (US\$927.86 million). Proceeds from the issuance will be used to fund a safe water supply project across the country.

There has also been a rise in Sukuk issuances from financial institutions, with corporates announcing their intentions to follow suit. In the past few months alone, IBBL, Shahjalal Islami Bank and Export-Import Bank of Bangladesh have confirmed upcoming Sukuk issuances, while Bangladesh Export Import Company (Beximco) and Deshbandhu Group are vying to become the first corporate Sukuk issuers in the country.

There are two Islamic indices in Bangladesh, both launched in 2014: the Dhaka Stock Exchange and the Chittagong Stock Exchange.

Takaful

There are 11 Takaful operators in Bangladesh out of 77 insurance companies, all regulated by the Insurance Development and Regulatory Authority. About 12 conventional insurers offer Takaful products on a window basis.

According to the IFSB's latest data, over two-thirds of total Takaful contributions written in 2017 were attributed to Family Takaful which recorded a negative growth of -0.09%, whereas General Takaful showed a positive growth of 2.98% in the same period.

Islamic funds

IBBL has two Islamic funds: the SEMI IBBL Shariah Fund and the CAPM IBBL Islamic Mutual Fund, which started trading in March 2018. Conventional player Asian Tiger Capital Partners Investment launched a BDT100 million (US\$1.2 million) Shariah fund in 2016.

IDLC Asset Management also rolled out its maiden Islamic fund, targeting a return per annum of 8–9% over a period of three to five years.

Outlook

Bangladesh's Islamic banking and finance industry has ample growth potential that would enable it to hold its own with its neighbors, Sri Lanka and Pakistan, and especially with strong support from a government that is pushing for more Islamic finance transactions in the country. A promising Sukuk pipeline and more banks offering Islamic products can only get better with a more comprehensive legal and regulatory infrastructure, which is considered by industry players as the biggest obstacle they face.

Overall Evaluation Online Event

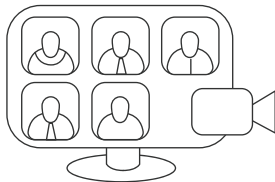


Speakers



Breakdown Delegate

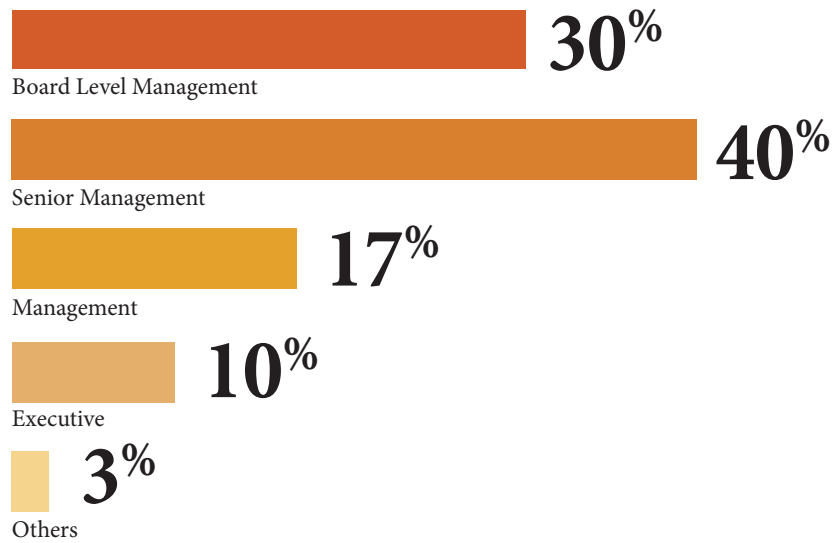
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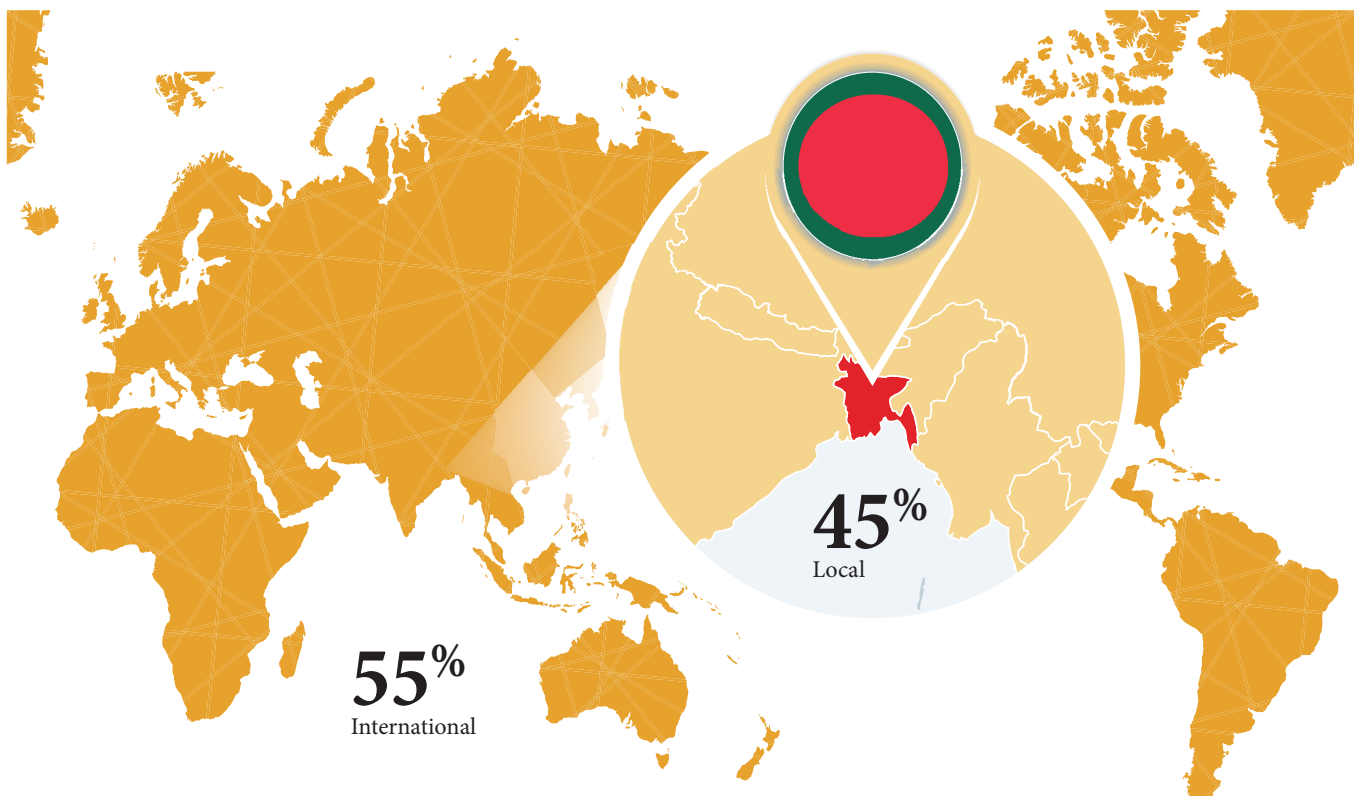
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Speakers

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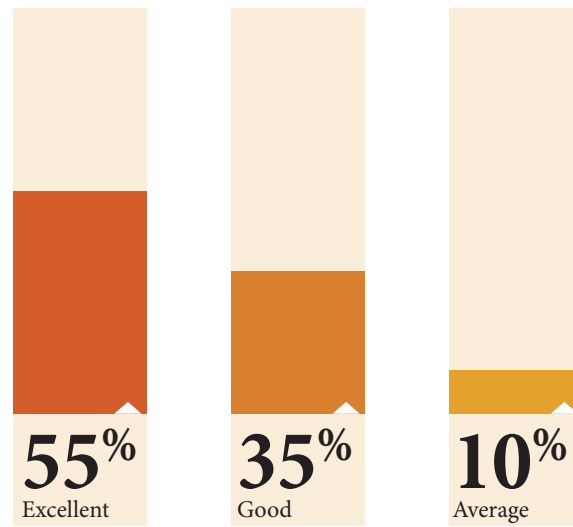


International & Local



Session Evaluation

Brave New World: Islamic Finance in Bangladesh



Delegates Who Would Like to Attend IFN Bangladesh OnAir Roadshow 2022



Viewership



A DFI	EY	Nigerian Stock Exchange
Affin Hwang Investment Bank	FINEOPOLIS Consulting	NRB Bank
African Alliance Insurance Takaful	First Abu Dhabi Bank	OCBC NISP
Astana International Financial Center (AIFC)	Formabb	OMS Advisory
Al Muslim Group	Franklin	ONE Bank
Al Rajhi Bank Malaysia	Freelance	Padma Bank, Bangladesh
Alliott Hadi Shahid	FSIBL	Poran Foods
Alpha Strategies	Gatehousebank	Porus Capital
Alwaseet Travel	Gateway Global	Prime Bank
Aman Insurance	GIIFEC	Prince Sultan University
Amundi Aalam	Gulf Central Merchant Bank	Propertees Group
Artvin Coruh University	Hagnus Group	Proshare Nigeria
ASR Leasing	Hello Speaker	Psalm Fiduciary
Ataturk University	Huriya Gold	Pubali Bank
Atoba Business Networks	ICD-IDB	R.J. Fleming & Co
Attorney General's Chambers, Malaysia	ICIEC	Refinitiv
Avenir Registrars	ICMAB, SSG	RHB Bank
Bangladesh Bank	I'ECO	RTI
Bangladesh Securities and Exchange Commission	IiBF	Rutsaert Legal
Bank Alfalah, Bangladesh	Infopro	Sakeenah Co
Bank Asia, Bangladesh	International Islamic Trade Finance Corporation (ITFC)	SAL GROUP
Bank Negara Malaysia	International Islamic University Malaysia	SBL Capital Management
Bedford Row Capital	Iran Fara Bourse Securities Exchange	SBNK
Beninvest & Associates	IsCD	Scholastica
BHDC	IsDB	Serunai Commerce
BIIT	Islami Bank Bangladesh	Shahjalal Islami Bank
Bingöl University	Islamic Corporation for Development of the Private Sector - ICD	SHAPE Knowledge Services
Blida 2 University	Islamic Development Bank	Shapoorji Pallonji
BLM	ICIEC	Share & Care Developers
BlueMount Capital Australia	Islamic Finance and Investment	SJ Associates
BML Istisharat SAL	Islamic Finance Research Institute Ghana	SMC Enterprise
BRAC Bank	ITFC - IsDB Group	Social Islami Bank, Bangladesh
Bylur GmbH	Jaiz Bank	Sonali Bank
Capital Banking	Janata Bank	SQB Securities
Cardiff Metropolitan University Research	JC Capital	Squire Patton Boggs
Chittagong Stock Exchange	Kameelan Consortium	Standard Bank, Bangladesh
City Bank Capital	Katsina State Board of Internal Revenue, Nigeria	State Bank of Pakistan
Colourcove	Kwara State Government	Sterling Bank
Concern Worldwide	Labuan International Business and Financial Centre Malaysia	TAIF Digital Institute
DDCAP	LAET	Telecom
Dentons UK & Middle East	Licungo University	The City Bank
Deshbandhu Group	Maghreb Titrisation	Treasury Department Kwara State, Ministry of Finance
DHL	Marmara University	UNDP
DigiAlly	Mercantile Bank	UniSZA
Distinct Model Schools	Midland Bank	University of Dhaka
Durham University	Mirab Impex	University of Sydney
Eiger Trading UK	MMBL	University of New Orleans
Emin Consultancy	Modhumoti Bank	Wake-up Bangladesh
Eminence Global Asset Management	Mukas Capital	Waseda University
Equitativa	Mutual Trust Bank	Wells Fargo
Everx She Management Solutions		Wholesum Capital
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