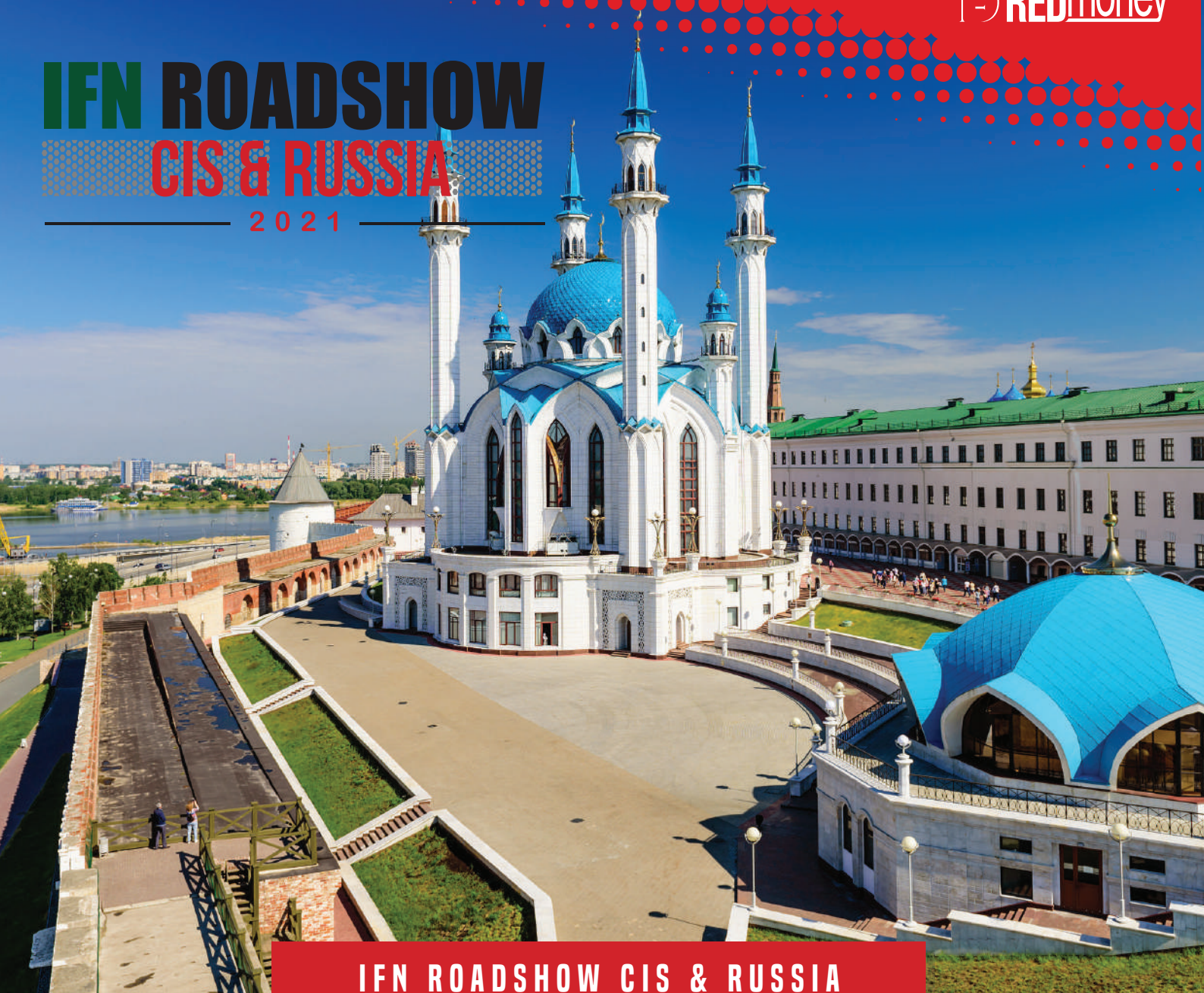


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2021



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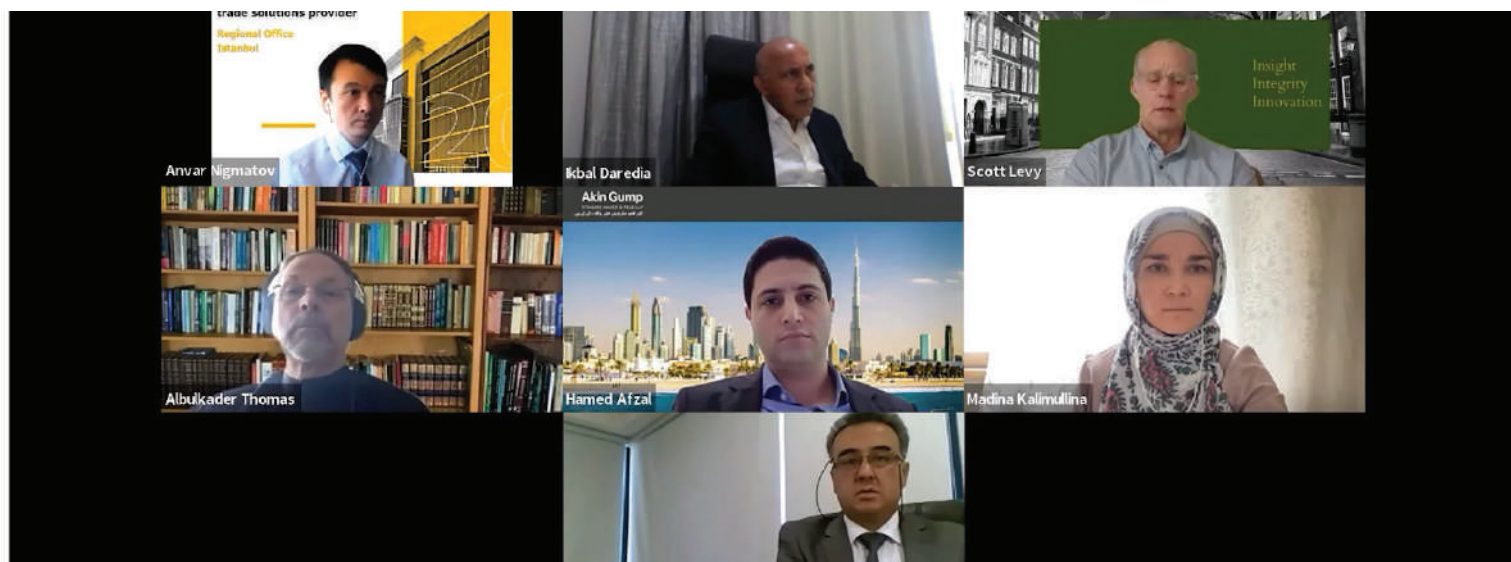


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Brave New World: Islamic Finance in Commonwealth of Independent States and Russia

Panelists:



Abdulkader Thomas — Group CEO, SHAPE™ Knowledge Services (Moderator)



Anvar Nigmatov — Manager, Relationship Management with CIS, International Islamic Trade Finance Corporation



Hamed Afzal — Counsel, Akin Gump



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



Madina Kalimullina — Executive Secretary, Russian Association of Experts in Islamic Finance



Dr Scott Levy — CEO, Bedford Row Capital



Zafar Mustafaev — CEO, Uzbek Leasing International

IFN takes a closer look at Russia's Islamic finance landscape as well as how the development of the Commonwealth of Independent States (CIS) countries has progressed in terms of the regulations, Islamic banking and frameworks in place to propel Islamic finance to the next level.

The past five years have seen the birth of several fully-fledged Islamic banks in the Islamic CIS countries which have led to the establishment of an ideal ecosystem for the development of the economy and international trade through Islamic finance.

The prospects of Islamic finance in the region are promising and mainly substantiated by the significant reforms in the regulatory landscape which have gradually transformed the region into a new emerging market for Islamic finance. Supportive legislation has been developed to facilitate the need for Shariah compliant services in the CIS frontier region.

Our diverse panel enjoyed a wide discussion about the prospects of Islamic finance in Russia and the Commonwealth of Independent States (CIS). Ikbal Daredia [advisor to CEO and acting director – global markets and fixed income and acting director – treasury, the Islamic Corporation for the Development of the Private Sector] and Anvar Nigmatov [manager of relationship management with CIS, International Islamic Trade Finance Corporation] shared the contributions of the IsDB Group in the region. Ikbal noted important regulatory gaps and indicated that this hinders the development of local currency Sukuk which are, in his view, an empowering way to support local SMEs in the CIS region.



Hamed Afzal [counsel of Akin Gump], however, shared how the lack of regulation was not always an impediment. But the lack of tax parity was a problem. Dr Madina Kalimullina [the executive secretary of the Russian Association of Experts in Islamic Finance] and Zafar Mustafaev [CEO of Uzbek Leasing International] also commented on the lack of regulations, but noted the range of constructive developments in Russia and Uzbekistan. While awaiting Islamic finance laws, Zafar noted that his firm has secured a Fatwa in favor of its leasing operations.

Hamed and Dr Scott Levy [CEO of Bedford Row Capital] discussed whether or not windows were a short cut. Dr Scott postulated that non-banks can be more innovative than banks. Anvar contributed how IsDB Group often started with windows and banks to create capacity in the CIS.

Dr Madina led a vibrant discussion of the opportunities for Islamic finance to support the rapidly growing Russian Halal export sector.

Dr Scott reprised the benefit of Sukuk but noted the importance of education to develop the market. He gave our meeting a notable quote: “The CIS grows better together.”

Abdulkader Thomas is group CEO of SHAPE Knowledge Services.

institutions are currently using Islamic windows to approach the market in parallel to a number of entrepreneurial businesses which are going direct. The Astana International Finance Centre has demonstrated that there is the possibility of regional developments but there is a long way to go. The support of the IsDB has been important in selected areas but none of these deals have managed to ignite the local market. A combination of fintech and broader education will be needed to push through the legislative and tax changes necessary to make Islamic finance a viable commercial option in Russia and the CIS.

Dr Scott Levy is CEO of Bedford Row Capital.



Who should be the main innovators in the Islamic finance segment in the Commonwealth of Independent States (CIS)? Fintech provides solutions which allow us to surpass the hurdles related to banking regulation, including taxation issues, making the services uncompetitive compared to conventional finance.

As pointed out by some of the other panelists, globally, the trend is not with the banks. In the CIS, the main trendsetters in the consumer markets are either financial groups or big resellers such as Ozon.

The market is also witnessing the mergers of both. Among the latest examples of diversifying businesses are the introduction of financing services by Ozon.ru, business diversification by Sberbank which opened cafes in bank branches and launched its delivery services, and the buyout of a bank by Yandex Group.

The bigger groups have greater resources to market any new product and to make it affordable to any consumer. In this environment, it makes it almost impossible for any newcomers to compete. Therefore, a common Islamic finance services provider has to be smart enough not to expect that Shariah compliance as a competitive advantage is enough to be efficient.

The success is in the speed, convenience, social benefits and the clear added value to the customer and the economy. This is enhanced by the growing trend toward environmental, social and governance, ethical finance and the convergence between the financial and trade sectors.

Madina Kalimullina is the executive secretary of the Russian Association of Experts in Islamic Finance and a senior researcher of the HSE-Skolovo Institute for Law and Development at HSE University.



Russia and the Commonwealth of Independent States (CIS) have a large Muslim population spread across a number of independent states which, although they have a common recent historical background, have very different approaches to Islamic finance. The panel discussions covered a number of interesting aspects including tax and regulations as well as fragmented local markets and lack of education. Financial

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“Good forum for introduction to a hitherto unknown potential market and development opportunities for Islamic finance.”





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Russia: Fostering relations with the Middle East

Islamic finance and banking has a large potential market in Russia which, according to World Population Review, has an estimated total population of 146 million in 2019, 6.5% of which is Muslim. However, progress has been slow, even as the country has a strong education base and receives support from international entities. NESSREEN TAMANO writes an overview.

Regulatory landscape

There is no dedicated Islamic finance regulatory infrastructure in Russia; providers of Shariah compliant products operate within the country's existing regulations.

The Advisory Council on Islamic finance legislation of the State Duma Committee on Economy, Policy, Industry, Innovative Development and Entrepreneurship created a special working program in 2017 to incorporate Islamic finance within the legal infrastructure. The State Duma, however, rejected draft regulations on Shariah finance a year later. The draft is expected to be tabled again, providing an amendment exercise is completed.

In 2018, the Central Bank of Russia (CBR)'s Participation Banking Working Group (PBWG) had a roadmap for Islamic finance in the pipeline — supposed to be adopted in 2018–19 — and was studying ways to remove hurdles in the legal system that might hinder Islamic finance. The CBR was also said to be looking at developing Islamic banking, Takaful and Islamic securities. These plans have yet to be implemented.

In 2019, the IsDB started discussions with the central bank to prepare a framework for the launch of commercial Islamic banks.

Banking and finance

There are no fully-fledged Islamic banks in Russia, but some institutions offer Shariah compliant products. In 2018, a potential joint Islamic bank — by Iranian and Russian entities and a Shariah bank in Grozny of the Chechen Republic — was in discussion but has yet to materialize. Sberbank, Russia's largest lender which provides Islamic solutions, was also mulling the establishment of an Islamic finance entity.

In 2020, the state-owned bank announced its plans for a fully licensed Islamic banking window, as well as the establishment of its subsidiary Sberinvest Middle East in the UAE, with its first office and a dedicated Shariah department to open in Abu Dhabi in early 2021.

A few other banks, including AF Bank, Bank Express, Moscow Industrial bank and Sovcombank, used to offer Islamic financial solutions but have been shut down after internal decisions to withdraw their respective licenses.

Lale, an investment fund of Tatarstan's state-owned AK Bars Capital, began operations in 2019, facilitating Islamic investments in Russia and abroad using Shariah compliant

investments. At least three institutions — Amal Finance House, LaRiba Finance and Fincity — offer Islamic microfinancing.

Sukuk

Russia's first Sukuk transaction was a test issuance in 2017 by Sukuk Invest, an SPV. The transaction, accepted and registered by the CBR and arranged by Fintech Invest, was expected to aid local corporates and sovereign entities to tap the Islamic debt capital markets. However, no progress has been seen in this area to date.

Takaful

In 2018, the central bank's PBWG was said to be considering granting Takaful licenses to local operators and focusing on initiatives that support the sector. However, to date, only Allianz Life Insurance's Allianz Invest+ solution is the closest Russians have to a Takaful product, even though it is yet to be certified Shariah compliant.

International support

Russia receives strong support from foreign entities. The IsDB has signed agreements of cooperation with a number of Russian financial institutions, and the multilateral bank's Islamic Corporation for the Development of the Private Sector has lobbied for changes in Russian banking legislation to incorporate Islamic banking.

Russian banks and entities have established relationships with Islamic finance powerhouses including the Dubai Islamic Economy Development Centre and the Export Development Bank of Iran. The country is a member of the Eurasian Economic Union, an international organization of regional economic integration of which Kazakhstan, Kyrgyzstan, Armenia and Belarus are also members. As special laws relating to Islamic finance are already in place in both Kazakhstan and Kyrgyzstan, particularly in banking, insurance, the capital market and licensing, it is hoped that a harmonization of legislation between these member countries will result in their established Islamic financial institutions being legally allowed to work in the Russian financial markets.

Outlook

There is a strong base for education and building awareness on Islamic finance in Russia, with a few educational institutions offering programs that focus on the sector. This, paired with the Russian government's willingness to further develop its relations with the Gulf region, is an encouraging sign that the demand and opportunities for Islamic finance and banking exist in the country.

Overall Evaluation Online Event

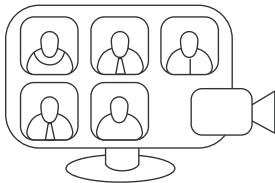


Speakers



Breakdown Delegate

94%
Delegates



■ ONLINE CONFERENCE ■

6%
Speakers

Job Title

9%
Board Level Management

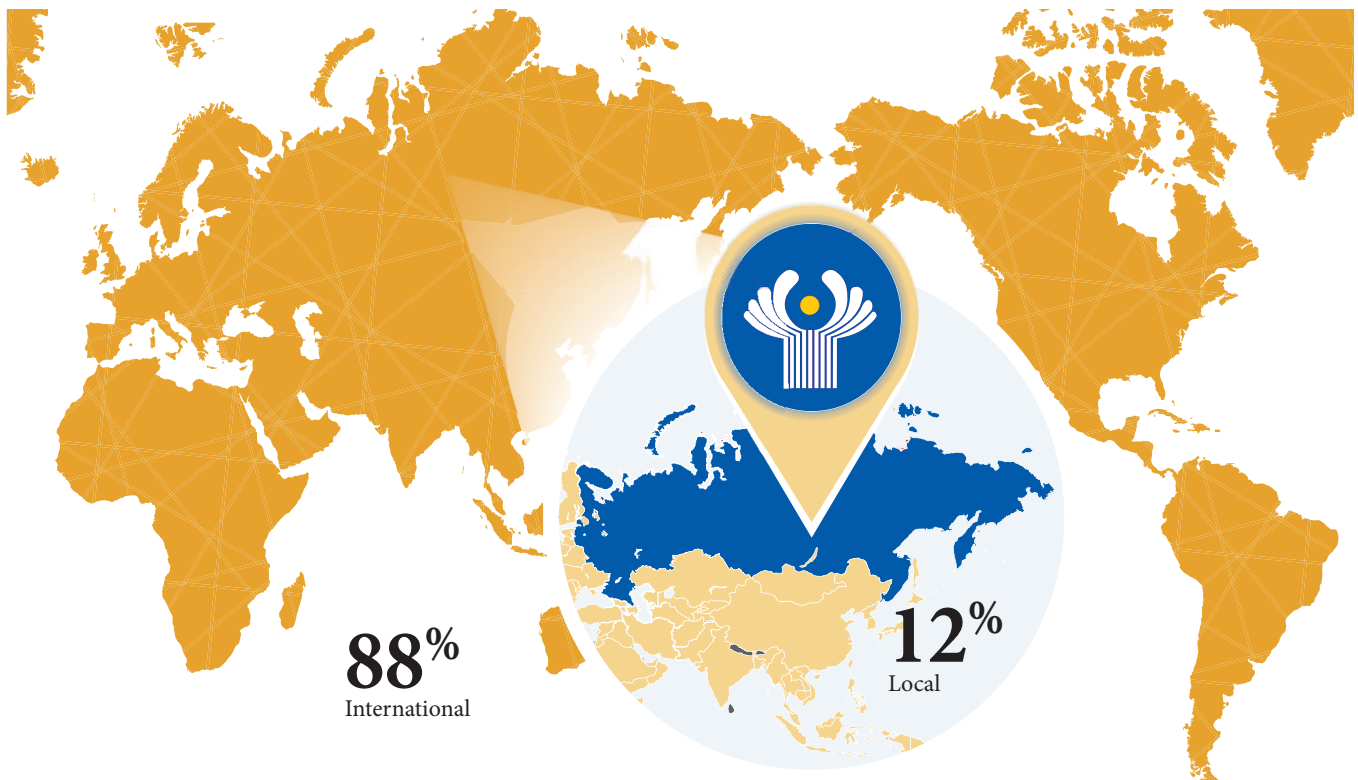
35%
Senior Management

40%
Management

5%
Executive

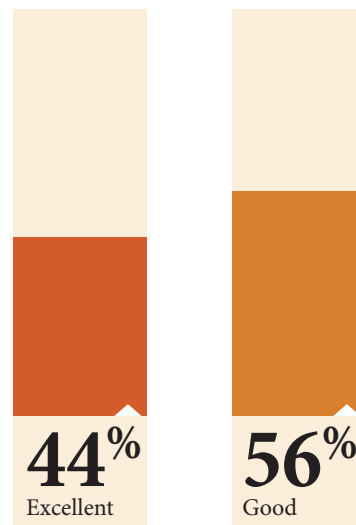
11%
Others

International & Local



Session Evaluation

Brave New World: Islamic Finance in Commonwealth of Independent States and Russia



Delegates Who Would Like to Attend IFN CIS & Russia OnAir Roadshow 2022



Viewership



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Ableace Raakin	K&L Gates
Africa Islamic Economic Foundation	KAAP
Akin Gump	Labuan IBFC
Al Akhdar Bank	Licungo University
Alwaseet Travel	LLC Turkish Health Clinic
Asr Leasing	Mal Wa Halal
Baker McKenzie	Marmara University
Bank Negara Malaysia	MW2Elite
Barclays	Oxford University
Bedford Row Capital	Pairstech Capital Management
Bluemount Capital	Paytut
BML Istisharat	Platilate, Rusiia
BSA Law Firm	Prince Sultan University
Bursa Malaysia	Psalm Fiduciary
Bylur GmbH	PwC, Uzbekistan
Capital Banking Solutions	Russian Association of Experts in Islamic Finance
Cardiff Metropolitan University	S&P Global Ratings
CESAG Business School, Senegal	Sakarya University
City Resort S.R.O	Sakeenah Group
Clifford Chance	SAL Group
Codebase Technologies	Salaam Gateway
Cura Management	Salim Megatama Group
Da Afghanistan Bank (Central Bank of Afghanistan)	Samba Financial Group
DDGI	Sberbank
Deloitte	SHAPE™ Knowledge Services
Dentons	Siaflux
Deshbandhu Group	Spektr Consultant
DigiAlly	Squire Patton Boggs
Distinct Model Schools	Standard Bank
Eiger Trading	State Bank of Pakistan
Emind Consultancy	Sterling Bank
Equitativa Group	SunH Holdings
FINEOPOLIS Consulting	Taiba Leasing
FWD Insurance Indonesia	Taj Bank
Gate House Bank	TheCityUK
GFC Media	Treasury Dept of Kwara State, Ministry of Finance
Ghana Institute of Islamic Finance and Economics	Turkiye Finans
GIFT	University of British Columbia
Hermione Markets	Uzbek Leasing International
Huriya Gold	Uzexim Capital
IsDB	Vakif Katilim Bankasi
Islamic Corporation for the Development of the Private Sector (ICD)	Waseda University
Islamic Development Bank ICIEC	WOM International Commercial
Islamic University University in Uganda	Yasaar
Istanbul University	