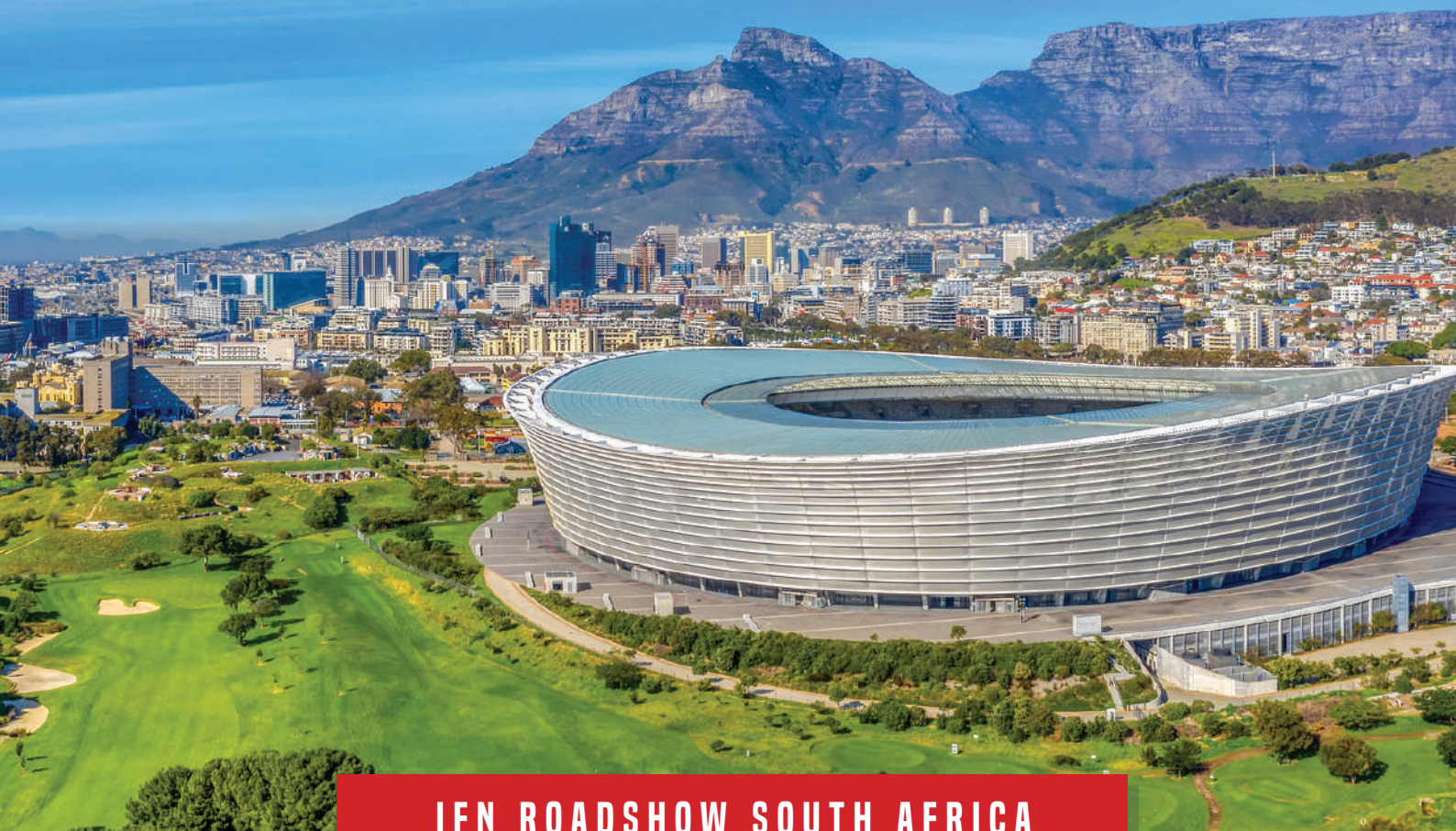


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System Restart: Islamic Banking and Finance in South Africa

Panelists:



Cassim Docrat — Regional Director, DDCAP (*Moderator*)



Amman Muhammad — CEO, FNB Islamic Banking



Bessem Soua — Senior Division Manager, Sub-Saharan Africa & Europe Region Division, The Islamic Corporation for the Insurance of Investment and Export Credit



Yasmina Francke — CEO, South African National Zakah Fund



Yumna Emeran — Head of Coverage Analyst, Development Bank of Southern Africa

The post-pandemic recovery period has brought greater attention to the African market, with a focus on Sukuk as a viable way out to spur growth in the backdrop of a recovering economy.

Foreign investments have been seen as one of the potential areas of opportunity to be tapped into and in which the government's support is much sought-after. International trade finance and cross-border transactions have garnered much interest from the local Islamic finance practitioners in the market.

The country is looking forward to greater collaboration between the Islamic banking industry and regulators for greater access to finance supporting the local businesses or SMEs through microfinancing and integrating financial technology in the process.

Despite being one of the non-Muslim-majority countries on the African continent, South Africa has proven its place in the Islamic finance industry through its strong foundation of creating diverse products and tools to support the development of the sector in the country.

Yasmina Francke



The role of the South African Islamic social finance sector is an important discussion point in exploring a system restart to address the myriad of socioeconomic challenges in our country — particularly now that we need to recover from a debilitating virus.

The Islamic financial industry, and particularly Islamic banking, in South Africa enables Muslims in the country to manage their financial affairs in a way that is aligned to their beliefs.

A person may live their entire life avoiding Riba/interest and investing in Shariah compliant products but it might be in vain if he or she is not mindful of Zakat and the timeous discharging of this obligation.

Islamic banking coexists with Zakat in that it can be a powerful facilitator for ensuring that Zakat obligations are fulfilled by the Muzakkis in respect of the wealth entrusted to the bank or investment house.

As a country, South Africa's poverty reduction strategy must incorporate all components of the Islamic social finance ecosystem. Each of these components functions at various levels of efficiency and impact, but is still relatively independent of each other. We need greater collaboration between the various players to be truly effective, which will also serve to eliminate some of the inefficiencies and duplications.

Yasmina Francke is CEO of SANZAF.

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South Africa: Turning to Islamic finance

The famously multicultural nation of South Africa is also the region's second-largest economy by GDP and a pioneer in Shariah finance. The country suffers from a weak economy, however. NESSREEN TAMANO writes an overview of the African nation's Islamic finance and banking industry.

Regulatory landscape

Islamic banking and finance in South Africa is governed by the same legislation as its conventional counterpart, with accommodations for Shariah compliant transactions. Concepts including Mudarabah, Murabahah and Musharakah are recognized in the Taxation Law Amendment Act of 2010 as well.

Sukuk facilities were formally recognized in 2011 as an instrument for the government only, but later in 2016 were opened up to public entities and listed companies.

In 2018, the government started developing a regulation to audit Islamic institutions, expected to be launched in early 2019 but has yet to materialize.

Banking and finance

South Africa boasts a sophisticated financial system with over 50 banks, according to the South African Reserve Bank.

The Republic has only one fully-fledged Islamic bank, however — Al Baraka Bank South Africa (Al Baraka SA), which was established in 1989 — and one fully-fledged retail financier, Lendcor, which converted into a Shariah compliant institution in 2016. Four other banks offer Islamic products on a window basis — Barclay's Absa Bank, Habib Bank Zurich's HBZ Bank, First National Bank and Standard Bank.

According to the Banking Association of South Africa, the Islamic banking sector of the country has shown substantial growth, with total deposits reaching ZAR37 billion (US\$2.68 billion) as at the end of June 2020 compared with ZAR35 billion (US\$2.54 billion) recorded at the end of December 2019 and ZAR23 billion (US\$1.67 billion) achieved at the end of December 2018.

An Islamic crowdfunding platform was said to be in the works in 2018, focusing on funding for industries like import-export, manufacturing and agro-processing. Also in the pipeline is an Islamic robo-advisor awaiting regulatory approval. A few Shariah compliant products debuted in the market in the past few years, including Murabahah financing, as well as a working capital solution and trade finance product by Global Islamic Financial Services Firm — the former is said to be the first Islamic invoice discounting solution in the region.

Takaful

There are two fully-fledged Takaful operators in South Africa: Absa Takaful, previously Takaful SA which was established in 2003 and acquired by Absa Group in 2011, and Takaful

Africa, which partners with Canada-based Fairax's subsidiary Bryte Insurance Company South Africa.

In 2017, First National Bank's Islamic unit started offering Takaful products, and Al Baraka SA has also expressed interest in tapping the Takaful market.

Asset management

There are 11 asset management companies offering Shariah instruments with over 20 Islamic funds, including at least three exchange-traded funds (ETFs), in the South African Islamic fund space.

The first Islamic mutual fund in the country was introduced by Al Baraka SA in 1992 — a collaboration with Old Mutual Investment Group — and Absa Group pioneered Shariah ETFs with its NewFunds Shariah Top 40 Index ETF in 2009.

Other funds in the market include Old Mutual's 10-year close-ended African Agri Farmland Fund and the Rasmala Trade Finance Fund by UK-owned and Dubai-based Rasmala Investment Bank. In late 2019, Momentum Securities launched a global Shariah portfolio that invests in MSCI World Islamic Index companies.

Sukuk

South Africa was the first African government to tap the global Sukuk market with its debut issuance worth US\$500 million in 2014. A sophomore rand-denominated Sukuk facility was expected in 2018 but has been delayed at least three times; early this year, the National Treasury said it will be issuing a US\$3 billion Sukuk paper in 2021/22 to diversify its debt portfolio.

In the corporate market, Al Baraka SA issued its maiden Sukuk, the country's first Tier 2 capital Sukuk by a bank, in 2018 and announced plans for a second issuance which was supposed to be in 2019. State-owned electricity provider Eskom is also working on a domestic Sukuk issuance.

Outlook

The rainbow nation's credit rating has been downgraded to junk status by Moody's Investors Service, as the country was already in recession even before its first COVID-19 case. Still, Islamic finance industry players remain optimistic, as a substantial portion of consumers, while non-Muslim, lean toward alternative, ethical financing and investment options, in addition to the government's strong interest in developing Shariah finance.

Overall Evaluation Online Event

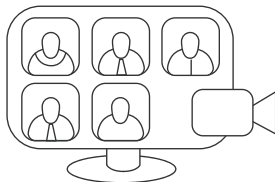


Speakers



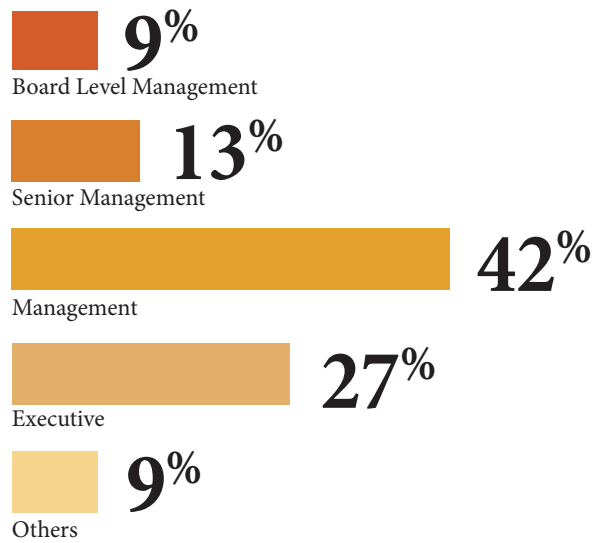
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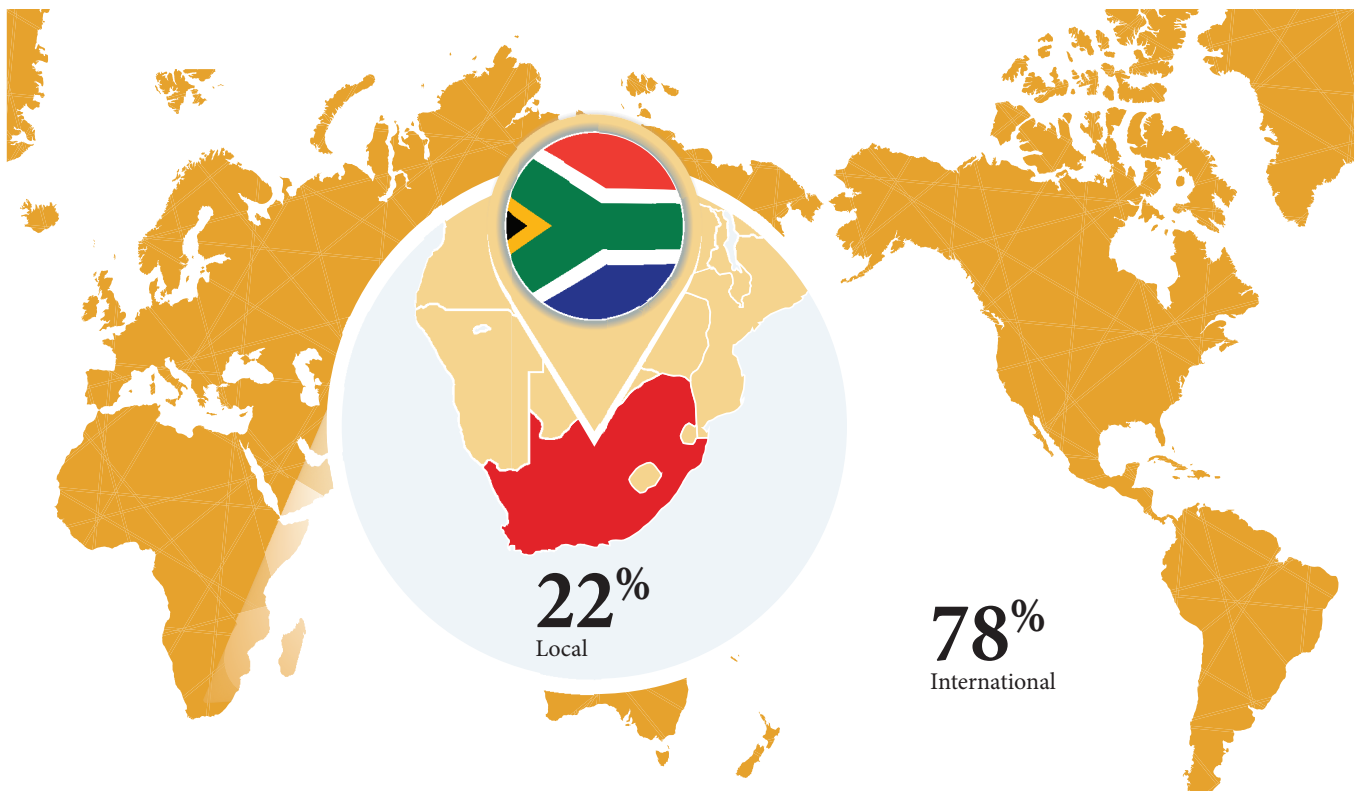
■ ONLINE CONFERENCE ■

Job Title



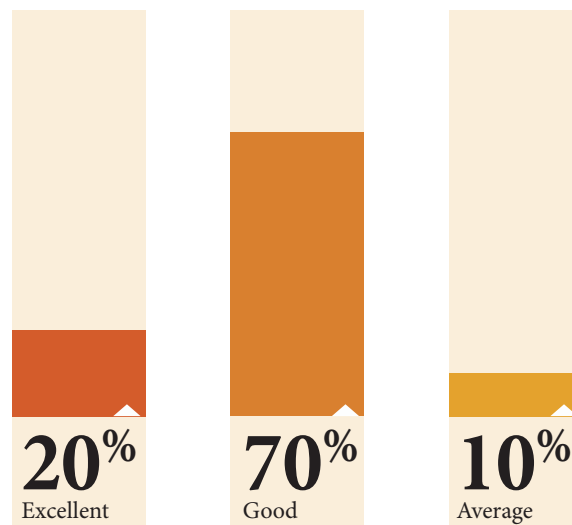
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Speakers

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Session Evaluation

Brave New World: Islamic Finance in South Africa



Delegates Who Would Like to Attend IFN South Africa OnAir Roadshow 2022



Viewership



Ableace Raakin	HBZ Bank
Absa Islamic Banking	HM Treasury, UK
Allied Cooperative Insurance Group	Huriya Gold
Alwaseet Travel	ICIEC
Andalusia Consulting	ICMIF
Arka Projects	InfoPro
Arka Projects Strategic Planning	Jaiz Bank
Awqaf SA Foundation	Keystone Law
Baker McKenzie	Kuveyt Turk Participation Bank
Banco Sabadell	Labuan IBFC
Bank Negara Malaysia	Licungo University
Bank OCBC NISP	Marmara University
Bank of Southern Africa	Moody's Investors Service
Bedford Row Capital	Orrick Herrington & Sutcliffe (UK)
Bird & Bird	Prince Sultan University
Blida 2 University	Psalm Fiduciary
BML Istisharat SAL	Renaissance Capital
Bursa Malaysia	Sakeenah Group
Bylur GmbH	Sal Group
Cardiff Metropolitan University	Salaam Gateway
Central Bank of Nigeria	Samak Ethical Finance
CESAG, Senegal	Social Islamic Bank
Dawat e Islami	South African National Zakah Fund
DDCAP Group	Squire Patton Boggs
DDGI	Standard Bank Group
Dentons UK & Middle East	Standard Bank Shariah
DigiAlly	State Bank of Pakistan
Distinct model schools	Sutraq Technologies
Eiger Trading	Tanadi
Emind Consultancy	The center for International Business (TCIB) UK
Equitativa Group	The Islamic Corporation for the Insurance of Investment and Export Credit (ICD)
Finteq International	Treasury Dept of Kwara State, Ministry of Finance
FirstRand	University of Kerbala
FNB	Uzbek Leasing International
FNB Commercial	Vigeo Eiris (V.E) an affiliate of Moody's
FNB Islamic Banking	WAIFEM
FTSE Russell	World Bank
Gate House Bank	