

# IFN FINTECH

UNLOCKING THE POTENTIAL OF ISLAMIC FINANCE

Brought to you by

**IFN** Islamic  
Finance  
news

## IFN FINANCIAL INNOVATION REPORT 2021

Platinum Partners



Partners





**Eiger Trading Advisors Limited is a UK-based Fintech specialising in  
Commodity Murabaha for the Islamic Financial Market**



**Customised Trading  
Solutions**



**Market-Leading  
Fintech**



**Shariah Compliant  
Commodity**



**24/7 Service  
& Support**

Eiger acts as a key market intermediary for over 100 Islamic Financial Institutions globally. Through the Eiger Trading Platform (ETP), we provide our clients with real-time purchase, transfer and sale of fully-deliverable, Shariah-compliant physical commodities.



## **Award Winning Fintech Solutions**

**IB&F Best Islamic Fintech Company (Kuala Lumpur) 2019**

**IB&F Best Islamic Fintech Company (UAE) 2019**

**GIFA Best Shariah Compliant Commodity Broker 2020**

**[www.eigertrading.com](http://www.eigertrading.com) | [info@eigertrading.com](mailto:info@eigertrading.com)**

**T: +44 (0) 203 216 2500**

## Cautious optimism

It is with great pleasure we bring you the second edition of the IFN Financial Innovation Report, a seminal publication focusing on key Islamic fintech topics. This report discusses, among others, the findings of a market survey of 200 industry practitioners which allowed us to understand the impact of COVID-19 on their businesses and expansion strategies. We also gained insights into how the market has matured, identified key growth areas, narrowed down the biggest challenges behind sector advancements and gathered feedback and recommendations for progress.

Based on these findings as well as our list of curated sector articles contributed by leading market experts, we see how agile Islamic fintech start-ups have navigated this new normal world, leveraged on new opportunities to close market gaps and gained more international recognition which have translated into more investments into the sector.

Several verticals in particular have shown wonderful promising growth including alternative finance and digital banking, and others such as blockchain, robo-advisory as well as peer-to-peer finance and crowdfunding continue to grow from strength to strength. Therefore, despite it being a difficult two years, these developments are painting a favorable outlook for Shariah fintech and we are cautiously optimistic about what the future holds for the industry as it gains more mainstream recognition and secures more regulatory and financial support from stakeholders.

We hope the IFN Financial Innovation Report 2021 would spark discussions and interest in this burgeoning market and we look forward to more of what the sector has to offer.

Most sincerely,



**Vineeta Tan**  
Managing Editor



|   |                            |  |
|---|----------------------------|--|
| <b>Managing Editor</b>  | <i>Vineeta Tan</i>         | <i>vineeta.tan@REDmoneygroup.com</i>         |
| <b>Senior Contributions Editor</b>  | <i>Sasikala Thiagaraja</i> | <i>sasikala.thiagaraja@REDmoneygroup.com</i> |
| <b>Senior Copy Editor</b>   | <i>Kenny Ng</i>            | <i>kenny.ng@REDmoneygroup.com</i>            |
| <b>News Editor</b>  | <i>Nessreen Tamano</i>     | <i>nessreen.tamano@REDmoneygroup.com</i>     |
| <b>Head of Production</b>   | <i>Hasnani Aspari</i>      | <i>hasnani.aspari@REDmoneygroup.com</i>      |
| <b>Senior Production Manager</b>  | <i>Norabidi Abdullah</i>   | <i>zabidi.abdullah@REDmoneygroup.com</i>     |
| <b>Senior Graphic Designer</b>  | <i>Eumir Shazwan</i>       | <i>eumir.shazwan@REDmoneygroup.com</i>       |
| <b>Web Designer &amp; Developer</b>   | <i>Ebrahim Ahmed</i>       | <i>ebrahim.ahmed@REDmoneygroup.com</i>       |
| <b>FinTech Lead</b>   | <i>Hanif Namora</i>        | <i>hanif.namora@REDmoneygroup.com</i>        |
| <b>Marketing Director</b>   | <i>Gintare Baltene</i>     | <i>gintare.baltene@REDmoneygroup.com</i>     |
| <b>Marketing Manager</b>  | <i>Yugges Sundram</i>      | <i>yugges.sundram@REDmoneygroup.com</i>      |
| <b>Director, Head of Events</b>   | <i>Cindy Wong</i>          | <i>cindy.wong@redmoneygroup.com</i>          |
| <b>Managing Director</b>  | <i>Andrew Tebbutt</i>      | <i>andrew.tebbutt@REDmoneygroup.com</i>      |
| <b>Managing Director &amp; Publisher</b>  | <i>Andrew Morgan</i>       | <i>andrew.morgan@REDmoneygroup.com</i>       |
| <b>Published By:</b>   |                            |  |
| <b>MALAYSIA</b> - Suite 22-06, 22 <sup>nd</sup> Floor, Menara Tan & Tan, 207, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia Tel: +603 2162 7800 Fax: +603 2162 7810 |                            |  |
| <b>LONDON</b> - 16-19, East Castle Street, London, W1W 8DY, United Kingdom, Tel: +44 20 7097 9206   |                            |  |



# TABLE OF CONTENTS

## COVER STORY

7



### **Islamic fintech in 2021: An exciting playground**

*The financial landscape has dramatically changed in 2021 as the world grapples with the unprecedented impact of the global coronavirus pandemic which has unleashed a raft of tectonic shifts to the way we do business, live, bank and socialize. But in every difficulty lies an opportunity: the onset of the pandemic did create a rather perfect storm for the Islamic fintech sector to thrive, even as harsh operating conditions weed out weaker players.*

## TIMELINE

10



### **Key Islamic Fintech Developments**

12



## SURVEY RESULTS

## INTERVIEW

18



**Interview: Stephen Openshaw, CEO of Eiger Trading Advisors**

20



**Interview: Mohammed Kateeb, the group chairman and CEO of Path Solutions**

## COMPANY PROFILE

23



**Eiger**  
*UK-based financial technology firm*

30



**ITS**  
*Integrated information technology (IT) solutions provider and preferred digital transformation partner*

36



**Fintech Saudi**  
*Launched by the Saudi Central Bank in collaboration with the Capital Market Authority*

## ADVERTORIAL

28



### **The journey to digital**

## FEATURES

32



**MDEC: Steering growth and innovation for fintech and the Islamic digital economy in Malaysia**

34



**Is Islamic finance compatible with innovation?**

# Next Generation Banking is Here.



## ETHIX NG

### Redefining Islamic Finance

**ETHIX NG** is the core banking solution designed for today's transforming banking landscape. **ETHIX NG** brings together frontier technologies including AI, Machine learning and Big Data to streamline processes, facilitate connectivity and collaboration, including with fintech's, and elevate Financial institutions to the Digital Age. Discover how **ETHIX NG** powers processes across multiple organizational business units, delivers customized and personalized screen designs and reduces credit risk and human error - all from one core platform! Discover the future of finance today.



# TABLE OF CONTENTS

## MARKET REPORTS



24

*Post-COVID-19 revolution*

37



*Blockchain technology and Islamic leasing*



38

*Challenging the challengers*



39

*Crowdfunding: Alternative funding for those in need*



40

*The role of data science in the innovation of new Islamic financial products*



41

*FIKRA: Closing the inclusion gap in the Malaysian Islamic capital market*



42

*2021: The pool of capital for Shariah compliant tech companies is increasing*

## WIFA

43



*World Islamic Fintech Awards 2020: Rainbow after the storm*

## IFN ISLAMIC FINTECH LANDSCAPE DATA

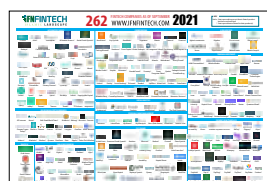
49



*IFN Islamic Fintech Landscape breakdown by main headquarter as at the 22<sup>nd</sup> September 2021*

## IFN ISLAMIC FINTECH LANDSCAPE

50



*An ongoing initiative mapping out Islamic fintech service providers worldwide*





## Islamic fintech in 2021: An exciting playground

The financial landscape has dramatically changed in 2021 as the world grapples with the unprecedented impact of the global coronavirus pandemic which has unleashed a raft of tectonic shifts to the way we do business, live, bank and socialize. But in every difficulty lies an opportunity: the onset of the pandemic did create a rather perfect storm for the Islamic fintech sector to thrive, even as harsh operating conditions weed out weaker players. This translated into a very exciting 2021 as we see a proliferation of new players, a raft of new regulations and initiatives as well as more money poured into this promising sector.

**If 2020 was a period of accelerated germination for Islamic fintech start-ups, 2021 is the period the industry is seeing the fruits of its labor.**

### Setting a new bar

As we explored last year, the pandemic essentially forced governments and Islamic financial institutions to lay down, at an accelerated pace, regulatory and technical infrastructures required to facilitate remote banking. This momentum did not only carry through into 2021 but picked up as Islamic fintech players mushroomed — we see this at both global and national levels.

At an international level, global standard-setting body the Accounting and Auditing Organization for Islamic Financial Institutions, or more commonly known as AAOIFI, approved in principle the governance standard on Islamic crowdfunding, the first of several planned fintech-related frameworks, underscoring the vital role fintech will play in the Islamic finance industry.

Zooming into specific countries, Indonesia in particular spent the last 12 months fortifying its financial system with new digital

finance-related measures to not only bolster the sector, but to eliminate the bad apples. The Republic's authorities, including Bank Indonesia (BI), the Financial Services Authority (OJK), the national police force, the Ministry of Communication and Information Technology as well as the Ministry of Cooperatives and SMEs, signed an MoU in August to jointly combat illegal online financing activities. This is in response to the phenomenal growth of peer-to-peer (P2P) finance platforms, which also unfortunately, ushered in various illegal online loans: from 2018 to August 2021, almost 4,000 fintech contents which violated local laws were cut off.

In the same month, the OJK issued three new regulations to protect consumers while fostering digital innovation among financial institutions, as well as dedicated rules for securities crowdfunding.

These developments follow a series of earlier measures including BI overhauling its fintech regulatory sandbox and the OJK introducing its new five-year financial masterplan which focused on speeding up digital transformation. It is perhaps unsurprising to see such strong regulatory support from Indonesia: the government, through various channels including the regulators and the National Committee for Islamic Economy

and Finance, has made Islamic digital transformation a key focal point of their nation-building mandate. As a result, Indonesia houses one of the largest concentrations of Islamic fintech start-ups globally, 39 as at the 20<sup>th</sup> September 2021, according to the IFN Islamic Fintech Landscape.

We see a similar push in neighboring Malaysia, which is home to 30 Islamic fintech service providers. Apart from new rules such as the one on e-money and digital wallets by Bank Negara Malaysia (BNM), the Securities Commission Malaysia also launched an Islamic fintech accelerator program, FIKRA, in partnership with the UN Capital Development Fund, the first program of its kind to focus specifically on the Malaysian Islamic capital market.

Pakistan has been exceptionally busy: not only did the regulators issue several rules including for insurtech, mutual fund digital platforms and digital banks — all accommodating Islamic instruments — but the State Bank of Pakistan has also been enhancing its groundbreaking Roshan Digital Account. Launched last year, the Roshan Digital Account enables the Pakistani diaspora to open banking accounts remotely as well as invest in Islamic and conventional instruments. This year, the service has been expanded to include the facilitation of Zakat payment and the procurement of car financing. The central bank also confirmed it will soon allow overseas Pakistanis to secure property financing through the Roshan Digital Account.

**“Major Islamic financial markets are putting their money where their mouths are and are proactively engaging stakeholders to offer regulatory support to create an enabling holistic Islamic fintech ecosystem, pushed by the belief that digital is the future, and the future is now”**

In the Middle East: Oman joined its peers by releasing crowdfunding regulations and expects to begin licensing platforms before the end of 2021; Iran approved new digital instruments including Islamic micro e-payments and crypto payments; the Central Bank of Bahrain instructed banks to implement the second phase of its open banking framework; and the Saudi Central Bank also finalized its debt crowdfunding regulations and implemented an open banking policy.

Major Islamic financial markets are putting their money where their mouths are and are proactively engaging stakeholders to offer regulatory support to create an enabling holistic Islamic fintech ecosystem, pushed by the belief that digital is the future, and the future is now.

## Challenging banking conventions

Various Islamic digital finance trends have emerged over the last 12 months, but two stood out in particular: the explosion of buy-now-pay-later (BNPL) service providers, and the rapid increase of Islamic challenger banks and stand-alone digital banking services by established financial institutions.

BNPL, or point-of-sale loans, is taking the world by storm. As the pandemic rages on, e-commerce has boomed as bricks-and-mortar retailers have either been forced to shut temporarily or been driven out of business permanently. Global online shopping transactions grew 19% to US\$4.6 trillion last year, according to payment processing firm Worldpay, and BNPL accounted for 2.1% of that sum, approximately US\$97 billion.

With BNPL start-ups like Klarna achieving a US\$46 billion valuation and Paidy as well as Afterpay being acquired by big guns like PayPal and Square respectively, BNPL is big money and it is no surprise that fintechpreneurs are entering the space with Shariah compliant versions. Over the last year, we have seen the likes of Tamara and Tabby — both from Saudi — securing Fatwas, and Malaysia’s Split getting a Shariah stamp of approval for its point-of-sale services.

Another force to be reckoned with is the rise of Islamic challenger banks across traditional and non-traditional Muslim markets.

In the US, at least two are bidding to appeal to North American Muslims, long sidelined by the domestic banking system. Texas-based Fair and Californian start-up Fardows are piggybacking on existing bank charters such as that of Washington’s Coastal Community Bank to offer interest-free financing, Shariah investments and Islamic banking services to meet the demands of the world’s fastest-growing religious group.

Two digital banks have been approved by the Saudi government, with one — Saudi Digital Bank — confirmed to operate within the confines of Shariah. In the UAE, at least three digital banks are to make their debut. Zurich Capital launched REZQ-Baraka and also confirmed it has applied for regulatory licenses in several African markets including Congo, Ghana, Nigeria and Gambia to offer Shariah digital financial services in collaboration with local partners. The UAE regulator gave its approval to Al Maryah Community Bank to launch as a specialized digital bank, while Zand revealed it is to launch “soon”, subject to final regulatory approvals, and will be chaired by Emaar Properties Founder Mohamed Alabbar.

In Malaysia, it seems that everybody wants to get into the digital bank game — from banks and non-financial conglomerates to tech companies and digital wallets. BNM closed its digital bank license applications at the end of June, and with only five available for grabs, the race is tight. More than 10 entities have formed at least five consortiums to apply for an Islamic digital banking license. The contenders include the likes of telco giant Axiata Group, RHB Bank, insurance broker Boustead, National Co-operative Movement of Malaysia’s MyAngkasa Digital Services, communication device firm Green Packet, factoring company M24 Tawreeq and chemicals company Hextar Global, among others.



As BNM processes these applications, Labuan Financial Services Authority, the financial regulator of offshore center Labuan, has begun licensing digital banks, with a couple focusing exclusively on Shariah products: Asia Digital Bank and Baxian Private & Investment Bank, both of which are Chinese-owned.

But challenger banking start-ups are not the only one grabbing headlines; established players, as expected, are also flexing their muscles by establishing stand-alone digital brands, carving out a niche for themselves while leveraging on their existing network, resources and expertise. In the UK, Kuwaiti-owned Bank of London and The Middle East introduced Nomo, its mobile-first Islamic digital banking arm. In the UAE, Abu Dhabi Islamic Bank rolled out Amwali, a mobile app developed specifically for children and the youth — those between the ages of eight and 18 years old.

Tajikistan's Alif Bank is growing its reach through its gamut of digital platforms ranging from its digital wallet to BNPL platform as well as online marketplace. Having already expanded into Uzbekistan, with an eye on entering other Central Asian jurisdictions, Alif is also setting up roots in the UK.

This encouraging trend of Islamic virtual banks is in line with the rise of challenger banks entering the market with niche propositions such as catering to minority communities, unbanked populations and high-net worth individuals.

### Attracting the money

2021 can be characterized by the surge in investments into Islamic fintech. Although access to capital remains the biggest obstacle Shariah fintech start-ups face, as confirmed by IFN Fintech's seminal CEO and founder survey, a greater number of investors — including conventional and first-time Islamic fintech investors — are pouring money into more Shariah fintech start-ups. This suggests that Islamic fintech is entering mainstream consciousness: while its ethical and niche proposition is important, but more significantly, it signifies the readiness and capability of Shariah fintech start-ups to compete with conventional players.

The year was off to a great start: Indonesia's Shariah P2P platform ALAMI secured a US\$20 million Series A round in January and raised another US\$17.5 million in August. BNPL platform Tamara closed MENA's largest Series A funding this year, raising US\$110 million in April, after securing US\$6 million in seed funding at the start of the year. Other notable Islamic fintech deals this year include those of: FlexxPay, CapBay, Forus and IslamicFinanceGuru.

### Mergers and acquisitions

Another 2021 theme is inorganic growth. After a slow start, a handful of Islamic fintech players have finally matured to a stage to act as a buyer to expand their offerings, while a couple have successfully exited.

Indonesia's ALAMI, for example, acquired a local Islamic rural bank, BPRS Cempaka Al-Amin, which it relaunched as Bank Hijra, signaling the P2P financier's foray into banking services beyond P2P financing. New York-headquartered Wahed Invest at the end of last year announced it would be acquiring UK-

based Islamic digital banking start-up Niyah to support the Islamic robo-advisor's ambition of becoming a "one-stop shop for Shariah compliant financial products and services".

Also worth highlighting is the purchase of Islamic tech giant Path Solutions by Singapore's Azentio Software. Still subject to the necessary approvals, the acquisition is part of Azentio's expansion strategy into Muslim-majority markets with Path Solutions's suite of Islamic banking software products.

### Reaching new heights

These trends we have highlighted do seem to paint a bright picture for Islamic fintech. The discussion has demonstrated how Islamic fintech start-ups have endured and emerged stronger during a global health crisis, with the pandemic being the most effective driver for digitalization in the financial space. The tough operating conditions, which demanded digital solutions as social distancing rules make in-person financial services seem almost obsolete, have created pockets of growth for certain verticals. Not only are regulators paying more attention to this sector, but investors as well — and this speaks volumes.

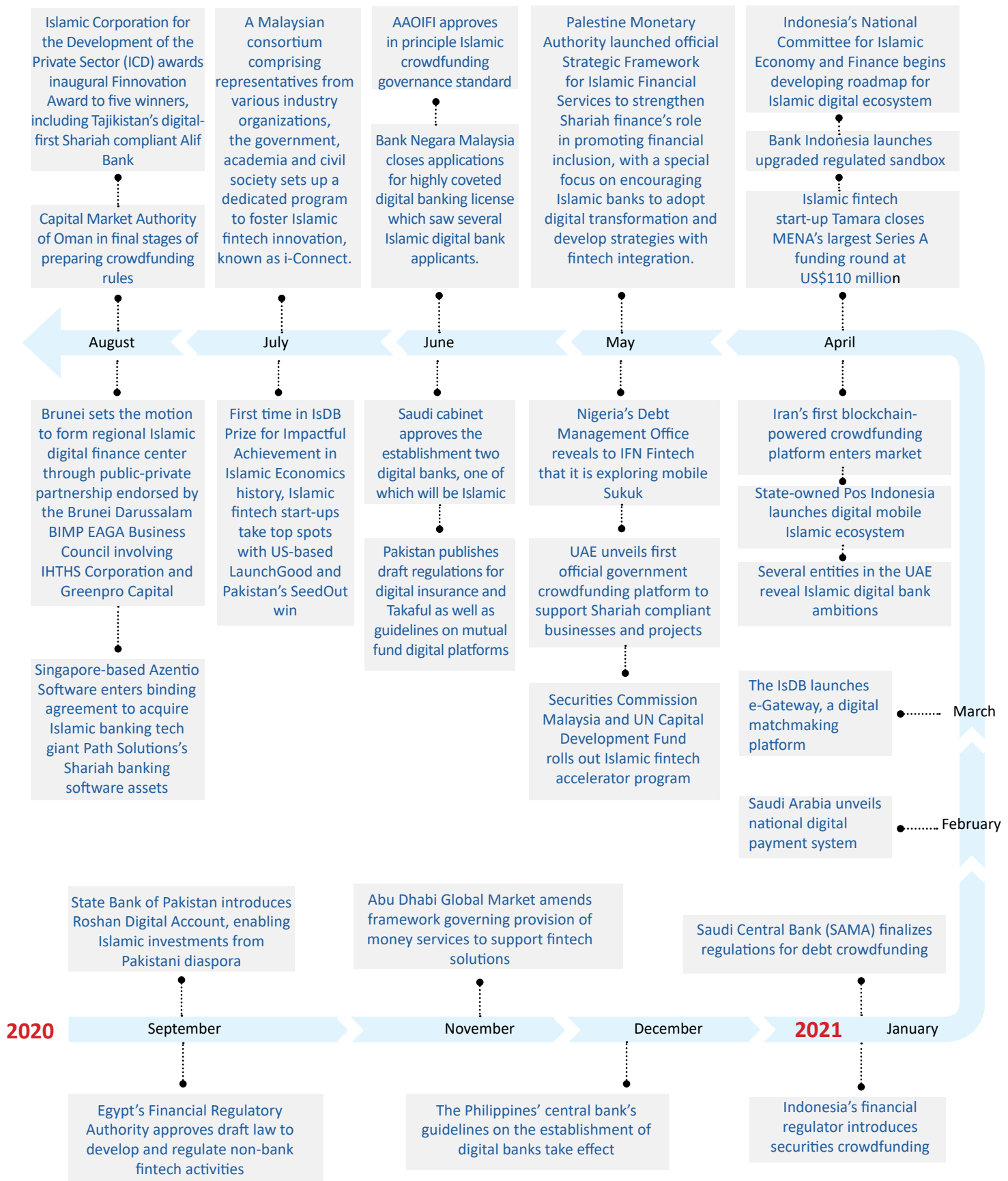
***This encouraging trend of Islamic virtual banks is in line with the rise of challenger banks entering the market with niche propositions***

As investments into fintech hit new records thanks to COVID-19 (KPMG noted global fintech investment rose to US\$98 billion in the first half of 2021 from US\$87 billion in the second half of 2020), and with Muslim jurisdictions such as the Middle East and Indonesia grabbing more attention (and funds), it is likely that Islamic fintech start-ups would also benefit.

Islamic fintech trends observed this year are likely to keep their momentum as the regulatory environment becomes friendlier and the market becomes more familiar with Islamic and digital finance. Activities within the alternative finance space are likely to continue and digital banks or digital banking initiatives are likely to be more common. Crypto finance and decentralized finance (DeFi) are also ones to watch out for as there is a rising movement among central banks to explore and utilize cryptocurrencies, and more DeFi players are making the case for Islamic finance.

As far as the pandemic is concerned, we are not out of the woods yet. However, vaccination is sweeping across the world, and more countries are learning how to live with COVID-19. Economic recovery would be staggered depending on vaccination rates and infection levels, but there is cause for cautious optimism, and it will be exciting to see what is in store for Islamic fintech. ☺

## Key Islamic Fintech Developments



# Accelerate your digital banking initiatives with us

A powerful combination of experience and innovative technology enables CREALOGIX to fast-track your digital transformation

CREALOGIX is a publicly-listed, **global leader in digital banking technology** and a Swiss Fintech 100 company. For 25 years we have partnered with some of the world's leading banks and wealth management firms.

We are a digital financial engagement platform provider, independent from legacy and core banking systems. We deliver a modern, unified, omnichannel front end to financial institutions for their client-facing products and services in banking and wealth management.



Email us at  
[solutions@crealogix.com](mailto:solutions@crealogix.com)



Find out more on our website  
[crealogix.com](https://crealogix.com)





## IFN Fintech Survey 2021 results

From April to June 2021, 200 founders, CEOs and senior executives of Islamic fintech start-ups were invited to share their thoughts and projections on the most pressing issues and trends of the global Shariah fintech market. Responses came in from Europe, Southeast Asia, the Middle East, North America and Africa.

### Key highlights:



- Alternative finance predicted to be the fastest-growing Islamic fintech vertical of 2022 followed by challenger banking and crowdfunding and peer-to-peer (P2P) finance



- Slow growth expected for Islamic insurtech or Takatech



- Funding remains the biggest hurdle faced by Islamic fintech start-ups while lack of Islamic finance awareness and regulatory barriers continue to be a challenge to growth



- Almost 70% of respondents plan to raise funds by the first half of 2022



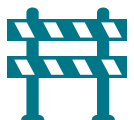
- Despite more than two-thirds of respondents having secured a Fatwa for their businesses, about 55% of respondents view official Shariah pronouncements as unnecessary to their businesses, with about 67% of those without an official Fatwa confirming they intend to secure one in the future



- Islamic fintech founders and CEOs perceive Malaysia as the most conducive and supportive ecosystem for Shariah compliant fintech service providers, leading over the UK and Saudi Arabia by a comfortable margin



- Among factors to encourage Islamic fintech growth include raising market awareness, more robust regulations and access to venture capital



- More than half of respondents believe Islamic fintech start-ups are disadvantaged compared with conventional fintech firms



- Southeast Asia and the GCC are seen as the most lucrative Islamic fintech markets, and Indonesia and Malaysia are the most popular jurisdictions for expansion, with almost 35% of respondents highlighting those markets as their next preferred market to enter.

# Digital Economy Enabler in member countries



[www.icd-ps.org](http://www.icd-ps.org)



icd\_ps

## Industry outlook

### Growth opportunities — alternative finance most attractive

In a surprising turn of events, alternative finance catapulted itself from one of the least promising Islamic fintech verticals for growth in 2021 to being the segment Islamic fintech leaders think will exhibit the strongest growth in 2022, unseating P2P and crowdfunding. With only 4% of respondents last year opining that alternative finance would be the fastest-growing Islamic fintech vertical, this year almost a quarter (24%) believe the vertical will top the rest.

Despite falling two spots, P2P and crowdfunding (14%) remain one of the most promising growth areas after challenger banking (15%). Islamic insurtech or Takatech came in last two years in a row. It is worth noting that the Takatech vertical remains the smallest vertical by number in the IFN Islamic Fintech Landscape as at the end of August 2021. This suggests that momentum is low for Takatech.

### Most conducive ecosystems — Southeast Asia in the lead

Southeast Asia remains the undisputed regional hub for Islamic fintech, housing two major powerhouses, with one representing a conducive Islamic finance ecosystem and the other embodying immense latent market potential. Nearly 40% singled out Malaysia as having the most robust and supportive regulatory architecture and Islamic finance infrastructure for Shariah fintech activities. The next most conducive Islamic fintech ecosystem is the UAE (almost equally split between Dubai and Abu Dhabi but the former is slightly more favored), followed by the UK, Saudi Arabia and Indonesia.

Interestingly, while Indonesia may not be perceived as the most supportive market when it comes to Islamic fintech, it is nonetheless the market most Islamic fintech entrepreneurs want to expand into. This is unsurprising considering the commercial opportunities Indonesia's 270 million-strong Muslim population provides coupled with the Republic's affinity for Shariah as well as the government's aggressive drive for Islamic finance over the last five years. Such unrivaled market prospect overshadows any potential market barriers that may be faced by foreign Islamic fintech start-ups in expanding into Indonesia.

Malaysia is a very close second for obvious reasons. The country is one of the most sophisticated Islamic financial markets in the world and in recent years has focused on bolstering its Islamic fintech ecosystem. Malaysia has been touted as an ideal gateway for Islamic fintech start-ups to launch into the wider Southeast Asian region. It is worth noting that the top five favored jurisdictions for expansion are Muslim-majority markets except for the UK, underscoring the appeal of the UK as an Islamic fintech destination. With a robust financial regulatory architecture, thriving fintech community and international repertoire as a financial center as well as the title of 'the Islamic finance hub of the western world', the UK is attracting related start-ups — both homegrown and foreign — seeking to capitalize on unmet domestic Muslim demand as well as to use the UK to tap the European market.

Chart 1: Most promising Islamic fintech verticals in 2022

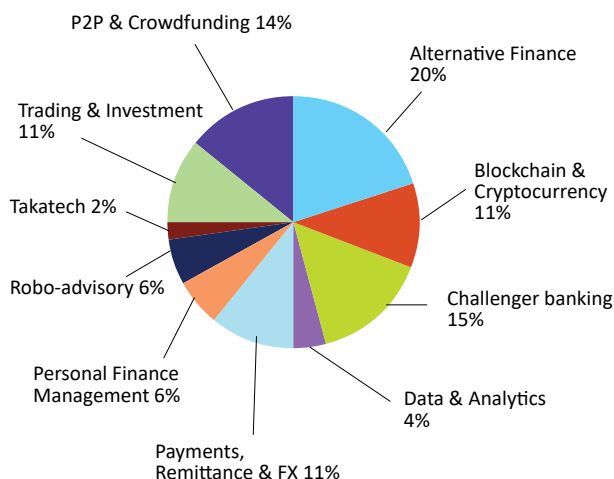


Chart 2: Which market do you think has the most supportive and conducive ecosystem for Islamic fintech?

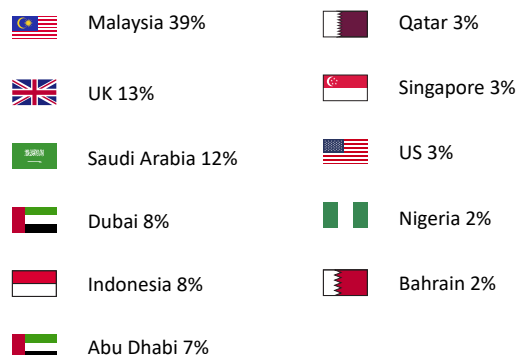


Chart 3: Ideally, which market would you like to enter next?







ABU DHABI  
GLOBAL MARKET



## THE LEADING INTERNATIONAL FINANCIAL CENTRE

Strategically located in the capital of the UAE, on Al Maryah island, offering stability under English Common Law, with a progressive and robust regulatory framework, and a tax friendly environment, giving your business a platform to grow and prosper. Join a vibrant business community in the heart of Abu Dhabi at ADGM.

## Competitive advantages

A majority of respondents (62.5%) believe that taking the Islamic route puts a start-up at a rather disadvantageous position compared with conventional firms. Founders and CEOs provide more color to this in the discussion about challenges they face in expanding their market share. These include access to Halal capital, regulatory and tax hurdles, negative perceptions toward Islam, as well as the lack of human capital sufficiently well-versed in fintech and Islamic finance.

“Yes, I think any restriction or parameter puts you at a disadvantage aside from catering to a customer base that prefers dealing with Islamic laws,” a Dubai practitioner shared. This sentiment is echoed by another market leader based in the UK: “Earning customer trust when it comes to Shariah approval is an additional friction point when compared to other fintech firms.”

Yet, almost 30% viewed Islamic fintech and conventional fintech start-ups as being on par, with different value propositions and ethos.

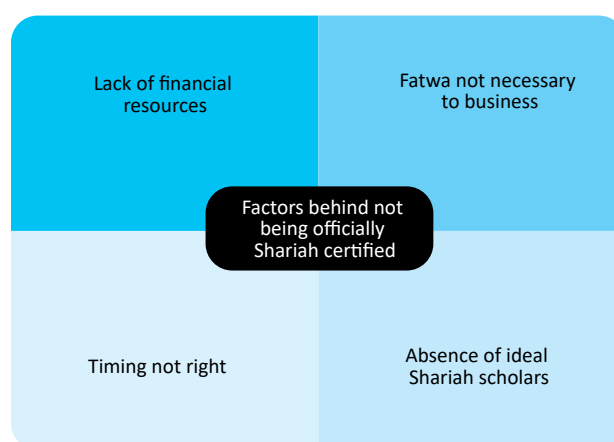
A small minority, about 8%, was of the view that being Shariah compliant does not necessarily hold a start-up back. “A financial services company can operate in any way it sees fit — charging an interest is prohibited in Shariah law, whereas specialist Shariah mortgages provide the same outcome just structured differently. If Islamic finance products were wrapped up and marketed as something available to the whole market, then these funds would see a huge boost. Whereas Islamic finance products are currently only being marketed to Muslim investors — then other cultures perhaps see them as ‘not suitable’ because they do not follow Shariah law personally,” one UK-based Islamic finance director at a fintech firm shared.

## Shariah compliance

Yet, despite the additional challenges that come with being Shariah compliant and the fact that 56% of respondents do not view a Fatwa as necessary for their business model, an overwhelming majority had pursued or are planning to secure an official approval from Shariah scholars.

About 71% of the start-up respondents had officially received Fatwas while 67% of those not certified yet are planning to get a Fatwa for their business within the next 12 months. This underscores the importance of an official Shariah approval in building integrity as an Islamic fintech service provider which would ease business growth and market expansion. For those not certified yet, 44% did not see certification as essential, while about one-third are being held back by unfavorable market conditions and waiting for an opportune time to get certified. Budget constraints were a factor of consideration for 17% of the respondents with about 6% still on the hunt for the right Shariah scholar.

**Chart 4: Factors behind not being officially Shariah certified**

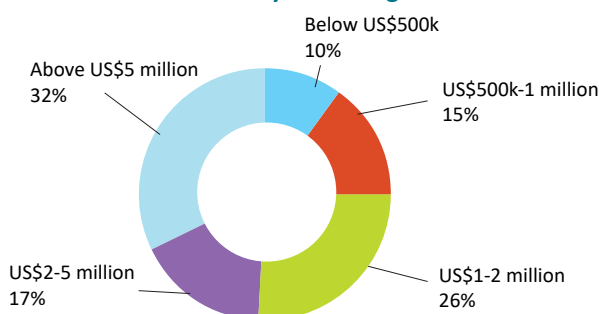


## Funding

Despite tougher market conditions triggered by the global coronavirus pandemic, only 15% of the start-ups surveyed are holding off fundraising plans, while another 10% are mulling the decision in light of market conditions. In total, 76% intend to raise investments over the next 12 months.

This year, a greater number of start-ups are seeking bigger funding — 32% intend to raise over US\$5 million over the next 12 months, up from 26% in 2020. This signals the maturity and market readiness of the Islamic fintech sector. US\$1–2 million is still a sweet spot for 26% of Shariah fintech start-ups (versus 29% in 2020).

**Chart 5: How much are you looking to raise?**



## Challenges

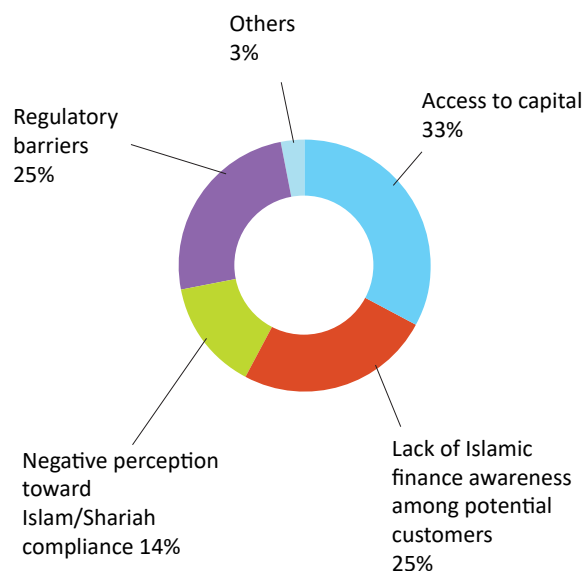
As far as challenges are concerned, Islamic fintech practitioners maintain that access to capital remains the biggest hurdle Islamic fintech start-ups face in scaling up, followed by the poor Islamic finance literacy among target market segments and unsupportive regulations.

These concerns are pervasive and persistent, as reflected from the IFN Fintech study conducted last year.

When asked about what is needed to drive the industry forward, a majority of the CEOs and founders expressed the need for regulatory enhancement to better facilitate and support Islamic fintech start-ups in navigating the local environment, greater Islamic and digital finance awareness among users and stakeholders as well as the need for a larger pool of capital for Shariah fintech ventures.

“Regulatory framework needs to be improved to create a level playing field. Big banks need to be constrained from creating barriers to entry,” explained one practitioner. Others echoed the sentiment, also calling for streamlined regulatory approval processes as well as joint awareness campaigns to improve Islamic financial literacy.

**Chart 6: What are the biggest challenges you face in scaling up?**



## Future

### Optimistic growth potential

Despite severe economic challenges triggered by the global pandemic, the CEOs and founders surveyed were optimistic on the growth potential and demand for Shariah compliant fintech services over the medium term. Almost half believed that the value for the global Islamic fintech market would double by 2025, with a quarter of the total respondents opining that the market would quadruple over the same period.

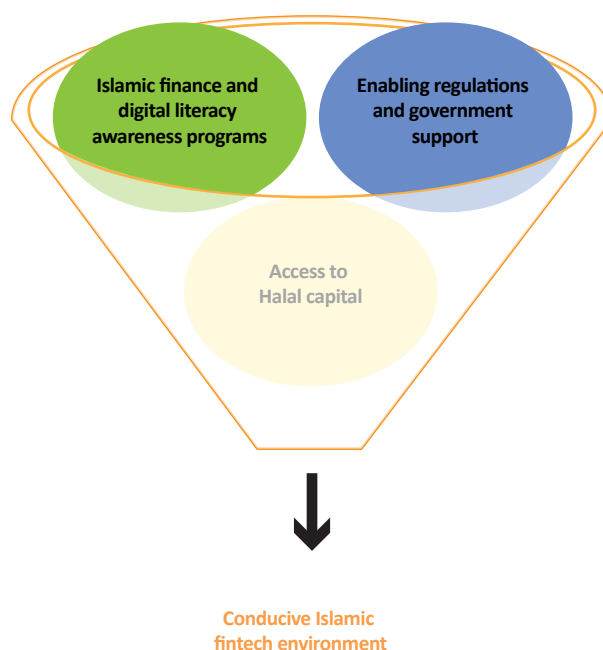
“I think the market is ripe for an exponential growth as a result of the aftermath of the COVID-19 pandemic. The opportunity for growth lies in people seeking financing that is more equitable, impact-driven and is void of exploitation,” one market leader commented.

Another echoed a similar sentiment.

“The market will grow naturally with there being more access to funds via online platforms and the ability to invest across the globe from the comfort of your own home. The potential for growth is huge but it needs to be carefully structured,” one industry leader shared.

A handful also held the opinion that initiatives post-pandemic, particularly those centering around financial inclusion and sustainable finance, taken by governments could contribute to driving the demand and value for Islamic fintech products and services.☺

**Chart 7: Factors for a conducive Islamic fintech environment**







### Interview: Stephen Openshaw, CEO of Eiger Trading Advisors

**When we spoke a year ago, you expressed your concerns about the adverse impact of COVID-19 on the Islamic financial markets. Considering how the situation has evolved with the emergence of new variants but also the rollout of vaccines globally, where do you stand now?**

The economic impact is difficult to capture in its entirety, but we can safely say that no economy has escaped the wrath of COVID-19, which the IMF describes as “a crisis like no other”.

A year ago, I feared that COVID-19 would affect the Islamic financial markets deeply but, at that time it was too early in the pandemic to get a true sense of what that impact might be. Since then, governments across the world have spent an enormous amount of money to protect lives and help prop up their stagnating economies as their working populations were forced to remain at home and follow government COVID-19-related restrictions.

The combination of a large increase in financial resource availability and COVID-19 gave impetus to the Islamic digital landscape and has proven a boon, albeit not evenly across jurisdictions. Over the near and medium terms, I feel that my previous view was a little conservative. I now see a boost to the Islamic financial marketplace as the landscape changes.

The big question will come over the next 12 months when lockdowns and restrictions are eased further, and we take stock of the true aftermath of this pandemic.

**Digitization has been a key theme in the growth journey of Islamic financial institutions across the world, the urgency of which has been exacerbated by the pandemic. In your opinion, and based on your experience with global clients, has the Islamic finance industry been able to cope with the digital revolution?**





Absolutely. The demand for totally integrated financial services has accelerated and the response is keeping pace with that growth. The end user is experiencing a vast array of digital offerings from legacy and new, innovative institutions. In addition to the new players, banks are being forced to upgrade their offerings to keep pace. Central banks and regulators are also reacting positively and encouraging these changes, especially through the use of sandboxes and national vision projects, particularly in the GCC.

**What are some of the biggest digital trends of the past year? What trends do you think would be key for the year ahead? What is your market outlook?**

From our perspective, we have seen the biggest growth in alternative microfinance, SME financing platforms and new Islamic 'digital banks'. These have the potential to be game changers and are forcing legacy institutions to re-evaluate their products and services.

Within the low-interest rate environment, coupled with the demand from individuals and business for funding to help emerge from under the cloud of COVID-19 restrictions, we have also seen a significant rise in alternative funding platforms such as peer-to-peer and crowdfunding platforms.

Islamic-focused and Shariah compliant digital banks have been launched at speed over the past six months with the aim of offering a fully digital proposition to their customers through mobile-only or online platforms without the burden of traditional bricks-and-mortar branches.

**In the commodity Murabahah space, the implementation of AAOIFI Shariah Standard 59 is a major development. How does the new ruling impact the business of trade facilitation? What other key factors of change should the market take notice of for the commodity Murabahah market?**

The adoption of the AAOIFI Standard 59 by a number of jurisdictions has required financial institutions to rethink how

they transact certain products. This has had no direct effect on the way that we undertake our business.

**Turning our focus to Eiger, what has been the most significant developments for Eiger during such tumultuous times? How has the business coped and what are some of the top achievements for the company over the past year?**

Working practice has had to change to reflect the realities of the COVID-19 pandemic and it is a positive reflection on the attitude of the staff that, despite the major disruption to our staff rotas, there has been no reduction in the level of service that our clients received.

Additionally, disruption to business travel caused by COVID-19 has stalled face-to-face contact with our clients which is a key feature of our client interaction. We cannot underestimate the value of human interaction with clients and potential clients. Although staff have begun to travel, it is going to be some time until we will be able to visit all our jurisdictions.

Regardless, I am very happy with the current level of business, which reflects the increased level of business being seen within the Islamic finance industry. Eiger has established three new strategic partnerships with ConnectIf, Instimatch and Refinitiv, all of whom provide automated solutions for our clients. These solutions allow our banking clients to take advantage of emerging platforms that help streamline the post-trade process of Islamic deals, as well as the often-cumbersome KYC [know-your-customer] requirements between counterparties.

We welcomed the new appointment of Steve Moulder to the Eiger Board of Directors as a non-executive director. With a career spanning 41 years in banking and financial markets across the UK and the Middle East, Steve will bring a new perspective to business growth and risk mitigation and help strengthen our platform for growth in the future.

We continue to be recognized as a leader in our peer group as specialists in commodity Murabahah trade facilitation and execution services. Eiger received an award from GIFA for 'Best Shari'a Compliant Commodity Broker 2020' and we hope to be recognized again before the end of the year.

**What can we expect from Eiger over the next 12–18 months? What are some of the projects you are working on or strategic priorities?**

Our key focus is to maintain excellent relationships with our customers and stakeholders. We believe we have the strength and vision to take advantage of current market conditions and digitalization will be key for the next 18 months. I am sure that during this time frame we will also see further key initiatives and strategic moves in the marketplace. 😊

## Interview: Mohammed Kateeb, the group chairman and CEO of Path Solutions

IFN speaks to Group Chairman and CEO Mohammed Kateeb to find out more about the impact of COVID-19 on Islamic financial institutions and his digital predictions for 2022.

**Some would say that the COVID-19 pandemic is the most effective CTO [chief technology officer], having triggered rapid digital transformation across virtually all industries, including banking and finance. How did Islamic financial institutions cope with the unprecedented disruption that the COVID-19 pandemic caused?**

The impact of isolation caused by the COVID-19 pandemic has triggered unheard-of revolution around the world, where customer behaviors massively changed, increasing the demand for online products and services through digital channels. This has forced Islamic financial institutions to accelerate their digital transformation that was already underway prior to the pandemic. The pandemic has unexpectedly forced them to operate differently, with staff often having to work remotely. This has heightened an already growing concern about cybersecurity and the ability of technology infrastructures to support future ways of banking. It has also caused financial institutions to rethink their contingency plans, since the pattern of disruption seen in the pandemic, particularly with limited movement, may not have been considered in past planning.

Clients' remote interactions demanded the availability of digital channels which was challenging because of their existing application infrastructure. Some Islamic financial institutions compensated for that by assigning dedicated relationship managers to serve their customers remotely while focusing on boosting digital channels' initiatives to create virtual branches, digital onboarding applications, enhanced and customized mobile banking features, intelligent chatbots, chat banking, etc. Moreover, the crisis has enforced remote working procedures which highlighted the discrepancies of operating models which rely too heavily on manual procedures, leading to better efficiency in the work processes.

**Do you think Islamic financial institutions were digitally ready to adapt to the disruption? Who were more equipped (from which regions)? Those who were not, how did they adjust?**

I believe it is not specific to Islamic finance, but to the banking sector as a whole; some banks were ready more than others. The impact of the COVID-19 pandemic has magnified existing vulnerabilities and created many technological challenges for banks to uphold their standards of customer experience while mitigating operational hurdles. Islamic banks that were less prepared to implement adaptable technological solutions were more vulnerable to technological risk and cybersecurity risk.

Despite all this, Islamic financial institutions have shown extraordinary resilience in responding to the impact of COVID-19, and the rapid transition to financial digitization. As per the CIBAFI [General Council for Islamic Banks and Financial Institutions] Global Islamic Bankers' Survey 2021 Report, the



Mohammed  
Kateeb

main weakness faced was their inability to meet increasing customer demand for digital or mobile banking services, while their main strength was the quick response to the regulators' various directives and the flexibility to adopt new operational measures concerning the health of their employees and customers.

The global lockdown has dealt a heavy blow to consumer banking in all jurisdictions; in Asia, Islamic finance has a large share of the retail lending and microfinance market, while in Africa, Islamic microfinance has a place, but its market share continues to increase. Social distancing measures and retail closures have caused the most damage to SMEs and low-income groups.

Islamic financial institutions had to re-evaluate and reconsider their internal policies and procedures to better meet social distancing requirements. Now, as the crisis is entering the next stage, Islamic banks are constantly striving to provide customers with more flexible digital services, allowing them to customize their own offerings according to their specific needs. Even before the crisis broke out, governments and regulators in the GCC and Southeast Asia recognized the need to accelerate innovation by setting up fintech sandboxes in each jurisdiction for participants to test their Islamic financial propositions.

**What were the biggest digital, innovation and fintech trends observed in 2020 and 2021?**

The forced digital transformation starting from the banking channels where fintechs have played a key role deep into the core of the traditional financial institutions saw them dominate changes during the last year. Digital banking became the new norm focusing on digital onboarding using digital identity





International  
Islamic Trade  
Finance Corporation



We advance trade,

to improve lives.

## 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\$55 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.

Member of Islamic Development Bank Group

P.O. Box 55335, Jeddah 21534, Kingdom of Saudi Arabia. T +966 12 646 8337 F +966 12 637 1064

[www.itfc-idb.org](http://www.itfc-idb.org)



itfccorp



verification, liveness detection, eKYC [electronic know your customer], AML [anti-money laundering]/blacklist checks, digital signature and others. Few neobank licenses were issued in the MENA region which is leading the digital-only banks and financial services segment. And we saw a noticeable increase in collaboration between banks and fintechs in the segment.

## What are your top three digital predictions for 2022?

As the world adjusts to the new normal, everything that we have been discussing for the last 10 years about the Industry 4.0 technologies will continue to accelerate. Artificial intelligence (AI) technologies will continue to be the most important set of technologies in driving the industry forward, and many initiatives will be introduced, but we will not see their full potential before the next 18 months — trends such as machine learning, predictive analytics, autonomous finance, voice-activated technologies (intelligent chatbots and virtual assistants, etc). The proliferation of biometric authentication and security systems to secure digital channels will continue to be a focus area. Many neobanks will be coming live, and open banking will accelerate permitting the sharing of banking data with accredited third parties.

Of course, other initiatives already in the works will come online in the coming year such as innovative digital payments, agency banking, robotic process automation, AI-powered fintech voice assistants, advance secure payments with the use of biometric data for payment authorization, video conferencing and remote assistance, chat banking through social media, robo-advisory and many others.

## What do you think Islamic financial institutions should focus on or allocate their resources toward as far as digital and innovation strategies are concerned?

Islamic financial institutions should view this pandemic as a platform to transform and improve, mainly from a digital aspect. They should build on the momentum they have had in 2020 and 2021 to continue to focus on digital transformation initiatives throughout their organizations which will help them improve their digital banking experiences and bring new services to market fast. They should continue to further enhance their digital banking offerings to improve customer experience and increase their market share. Their focus should be on digital

onboarding and increased process automation in the backend to improve productivity and operational efficiency. This is essential to enhance their digital infrastructure, modernize operations and automate processes.

## What are some of the projects Path Solutions is working on? What were the rationales behind these projects and when can we expect them to come to fruition?

Path Solutions has been working on a series of key initiatives to enable banks to transform their operating models to respond to new market entrants, rising customer needs and profitability challenges such as working on an open API platform and a digital banking platform with off-the-shelf features that unify multiple channels, providing a convenient, personalized and seamless digital experience with services for retail, corporate, SME and investment banking.

We are now offering a digital and payment hub middleware that connects the new digital capabilities with existing processes and services and helps to orchestrate and administer all integrations between core banking and other peripheral systems, and acts as a digital interface for local and international instant payments and clearing channels.

In addition to that, we have launched our new customizable CRM [customer relationship management] solution based on Microsoft Dynamics 365 CRM, which empowers banks to provide a frictionless omnichannel customer experience.

The intelligent behavior segmentation that uses machine-learning algorithms allows a bank to reach even more specific niche markets by combining different segmentation styles. And we launched an intelligent AML engine that offers capabilities to recognize suspicious activity in real time.

The rationale behind these new and ongoing projects is to deliver highly customizable and state-of-the-art customer-focused digital solutions that tap into the most powerful asset a bank has: DATA! 📊





**Eiger is a UK-based financial technology firm providing commodity trade facilitation and execution services to the Islamic financial marketplace, to support multiple Islamic financial products — seamlessly delivered in a simple online platform and via an intuitive API.**

## Overview

Over the past decade, Eiger has bridged the gap between the physical commodity markets and Islamic financial institutions with market-leading technology. Today, the Eiger Trading Platform serves well over 100 clients worldwide.

Our role is to work with all participants in the industry openly and with transparency to drive forward digitalization and innovation objectives using a customer-centric approach. Recently, Eiger was privileged to be awarded Best Shariah-Compliant Commodity Broker by Global Islamic Finance Awards (GIFA) 2020.

We are a team of dedicated professionals, drawing on a broad range of skills and experience from technology and financial backgrounds.

## The Eiger Trading Platform

The Eiger Trading Platform is a cloud-based trading system designed exclusively to provide a secure and efficient mechanism to facilitate the purchase and sale of Shariah compliant assets for the commodity Murabahah requirements of Islamic financial institutions. All trades are completed in real time and customers have access to multiple Shariah compliant commodities, geographically dispersed across the world and fully deliverable.

Eiger's powerful integration services allow customers to connect their core systems directly with the Eiger Trading Platform to efficiently manage high volumes of transactions across retail and wholesale markets.

## Products supported

The Eiger Trading Platform supports Islamic financial products across a variety of unique operational requirements such as liquidity management and treasury, Islamic capital markets, asset management, corporate and retail banking, derivatives, real estate financing, peer-to-peer financing and microfinancing.

The Eiger Trading Platform has been designed to be highly flexible and the trade workflow can be customized to suit the individual requirements of each customer we work with. Users can navigate the platform through an intuitive user interface which offers seamless access to detailed reporting and booking workflows while mitigating post-trade risks.

## Governance and regulation

The Eiger Trading Platform exemplifies Eiger's commitment to sustainability principles and best practice. Our commitment and dedication to good governance is demonstrated through our memberships to AAOIFI and the International Islamic Financial Market, through which we endeavor to support the development of the Islamic finance industry through the adoption of standardized Shariah compliant financial documentation and accounting standards. Furthermore, Eiger is an associate trade member of the London Metal Exchange as well as an affiliate of the London Platinum and Palladium Market.

## Commitment to security

We understand and recognize the importance of adopting industry-leading security practices and technology needed to protect clients' data. Our clients rely on us to deliver high levels of integrity, confidence and trading availability and this is an integral part of what we do in highly regulated industries such as banking and financial services and has been for over a decade.

As part of the network of valued relationships and professional partners that we have the pleasure of working with, we are honored to work with IFN and REDmoney, and acknowledge their wonderful contribution to the Islamic finance industry through their in-depth and thought-provoking reporting, publications and industry events.





## Post-COVID-19 revolution

The Islamic finance industry has generally responded well to the ongoing COVID-19 pandemic. Although many challenges remain globally, digitalization across all aspects of the Islamic finance industry has moved at incredible speed.

While this is not a new concept, the Islamic finance industry has historically been slower to adapt to technological advances than its conventional counterpart, due to a traditional reliance on complex, manual processes. The pandemic has forced the industry to rethink. More than ever, market participants are seeking out the best technology solutions available, which in turn is driving growth in the fintech start-up space.

The pandemic has forced banks and financial institutions to change their business models and adopt new, digital processes in order to sustain growth in the uncertain economic landscape. Integration via application programming interfaces has become a prevalent software interface, facilitating greater financial transparency and creating efficient, tailored solutions for the end customer.

The industry is becoming increasingly connected as a result of integration. Third-party integrators and fintech disruptors have played a key role in this and will continue to do so as technology solutions evolve.

### Fintechs challenging the norm

Fintech companies are absolutely vital: they can act as an important driver of financial inclusion by pushing the boundaries of financial innovation by challenging incumbent

systems and processes. These points are overrepresented in predominantly Muslim countries, where people are largely underserved financially. Cloud banking platform Mambu recently surveyed 2,000 young Muslims and found that over half (53%) would choose Islamic banking, if barriers to entry were removed. This shows there is significant demand for banking services that are easily accessible and aligned with the people's faith.

This is where the new entrants have the advantage. Fintech start-ups, unencumbered by decades of legacy technology and bureaucracy, are able to construct scalable solutions which are quickly deployable. These companies are developing their products and services to meet consumer demands, while at the same time embracing faith, environmental, social and corporate governance factors. However, because the products and services being developed by fintechs are so new and unique, they often require assistance from local regulatory bodies to launch and, quite often, the regulators do not understand the impact of these new products and services.

### Regulatory support is crucial for growth

In order for fintechs to thrive, it is critical that regulatory authorities respond and adapt quickly to the fast-moving fintech revolution. Timely regulatory support is critical, particularly for



## YOUR FINTECH CAPACITY BUILDING PLATFORM

Fintech Booster is a program by MDEC, in collaboration with Bank Negara Malaysia, which provides capacity building resources for Fintech companies, that are based or looking to set up business in Malaysia, via three modules; i) Legal & Compliance, ii) Business Model, and iii) Technology.

The program is open to all and there will be no charges imposed for participants to join the program.

For the Public Workshop, interested participants are required to register to join the program, subject to availability of pax. For the Private Program, a more stringent screening process will be done to ensure that eligible companies that require consultation will be matched accordingly with our Partners as the private programs are conducted via one-on-one session.

For more information, please visit  
[www.fintechbooster.com.my](http://www.fintechbooster.com.my)



fintechs bringing entirely new concepts and technologies to market. This is not always easy to achieve, as from a regulatory perspective, authorities are focused on issues such as the management of public data, cybersecurity, consumer protection and data privacy. To mitigate these issues, regional regulators are working hard to define the rules around the type of data that financial institutions can share, the types of products and services that are allowed and which customers are eligible.

The Capital Market Authority of Oman has recently authorized the use of crowdfunding platforms in the Sultanate as an alternative means to fund SMEs. In the UAE, the Dubai International Financial Centre has developed regulatory frameworks specifically to enable fintech innovation. The Saudi Central Bank, the Central Bank of Bahrain and Bank Negara Malaysia (the central bank of Malaysia) have been operating fintech sandboxes for some time which allows new digital fintechs to develop, test, scale and monetize — while under the watchful eye of the regulator who is developing new legislation to support these new digital initiatives. These fintech sandboxes are interconnected through the Global Financial Innovation Network, built on a 2018 proposal from the UK's Financial Conduct Authority to build a global sandbox “committed to supporting financial innovation in the interests of consumers”.

“

***These Islamic digital banks are being built on composable banking platforms, making them as nimble as a fintech start-up while offering the full suite of products and services, similar to that of their traditional counterparts***

”

## Digital banks could be the game changer

Digital banks may bridge the gap between the traditional Islamic banks that are adapting to the changing environment and the innovative concepts being developed by fintechs. Islamic digital banks have been launching at a furious pace over the past six months, offering a lean, digital experience and incorporating the core beliefs and values of their customers. Being solely online also allows digital banks to scale quickly and build their customer base as most products and services are available online, primarily via mobile apps. This presents an enormous advantage in markets such as Africa or Southeast Asia where financial inclusion is low, but most people have access to a smartphone.

These Islamic digital banks are being built on composable banking platforms, making them as nimble as a fintech start-up while offering the full suite of products and services, similar to that of their traditional counterparts. Composable banking platforms allow financial institutions to choose off-the-shelf and cloud solutions, as well as custom-built platforms. Each system

performs its own function but is integrated for flexible assembly and allows the bank to build, test and release new products or services rapidly, instead of being locked into a rigid core banking platform with hard-coded integrations. These digital banks are building scalable, Shariah compliant solutions that allow them to constantly evolve with the market and technological advances.

## Third-party integrators on the rise

Other collaborators supporting the integration between banks, financial institutions and fintechs have recognized that an opportunity exists to offer aggregated straight-through processing to financial institutions. In May, Instimatch was the first to announce that its platform could offer money-market borrowers and lenders end-to-end Islamic trading that is fully automated for straight-through processing. Refinitiv followed suit very quickly with its own integrated solution for Islamic money market transactions such as Murabahah, Wakalah and Mudarabah. These platforms allow financial institutions to access seamless integrated solutions that aggregate multiple systems within a single environment to deliver a better quality of service to their customers while also eliminating manual processes and reducing operational risk. ConnectIf is another such example of a collaborator that is working to make master documentation and know-your-customer management, trade execution and post-trade management accessible through its third-party platform for a full-service solution.

Financial institutions are moving quickly to update their slow and cumbersome systems and processes in a rapidly evolving environment of innovation and changing consumer behavior, but will it be fast enough? Fintechs, digital banks and third-party platforms are quickly filling the space and soon traditional financial institutions may find it difficult to stay relevant. Regulators and central banks help to provide a base for digital innovators to grow and prosper, but they themselves are often large bureaucratic organizations that take time to fully understand the implications of introducing new technology and provide the stage for fintechs to expand. So, this may provide some breathing space for traditional financial institutions to adapt or possibly adopt new technology. Either way, digitalization is exciting for Islamic finance and the COVID-19 pandemic may well be the greatest shake-up of the industry since its creation.

## Contact us

Eiger is the leading technology-focused, Shariah compliant, commodity facilitator in the Islamic finance market. Our role is to work with all participants in the industry openly and with transparency to provide digital and innovative solutions, with a customer-centric approach.

To find out more about how Eiger can support your digital objectives, please get in touch at [info@eigertrading.com](mailto:info@eigertrading.com). ☺

**EIGER**



**ICIEC** | THE ISLAMIC CORPORATION FOR  
THE INSURANCE OF INVESTMENT  
AND EXPORT CREDIT

# Realizing sustainable development through trade and investment insurance solutions



An award for IFN Africa Deal of the Year 2020 for ICIEC's EUR 20 million cover toward the reconstruction of Scientific High School in Yamoussoukro, Côte d'Ivoire



An Award for the IFN Sovereign & Multilateral Deal of the Year 2020 for ICIEC's EUR 143 million cover of the financing for the construction of two new hospitals in Côte d'Ivoire.



[iciec-communication@isdb.org](mailto:iciec-communication@isdb.org)



[iciec.isdb.org](http://iciec.isdb.org)



مجموعة البنك الإسلامي للتنمية  
Islamic Development Bank Group





## The journey to digital

### XTM doorway to digital-only

Emerging technologies, together with changing customer expectations, have witnessed a digital banking explosion, further fast-tracking the move toward a cashless economy. As preferences shift away from bricks and mortar to digital-only, the humble ATM has come under the spotlight as a key element in a bank's digital transformation.

### Bringing technology with the human touch

The extreme teller machine (XTM) by ITS is a state-of-the-art micro branch that combines visual, interactive financial services and self-service technology that allows customers to conduct transactions normally done in a branch. With customers being able to access face-to-face interaction through real-time video calls, the XTM may be the bridge between the physical and digital banking worlds for institutions looking to meet today's customer demand for 24/7 service accessibility, while still providing for those customer segments that require a more 'human' touch.

### Ready for next-generation banking?

We are! For those financial institutions that are ready to achieve a competitive advantage in the digital age, we have designed ETHIX NG, a next-generation core banking solution specifically designed to empower Islamic banks and financial institutions with frontier technologies such as artificial intelligence, machine learning and big data. ETHIX NG digitizes business processes and has powerful built-in engines to streamline business processes, enhance operational efficiency and deliver unmatched customer experiences while driving product innovation.

Discover more information about ETHIX NG, our new flagship digital banking solution. Visit [www.its.ws](http://www.its.ws) or email [info@its.ws](mailto:info@its.ws). ☺



# A World-Class FinTech Ecosystem

## Incubation & Co-Working Space

Since our launch in 2018, we've incubated **80 local and global innovative companies and startups**. Our space is the ideal environment for meeting development goals and achieving corporate initiatives.



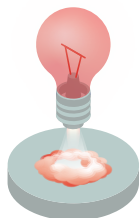
## Venture Acceleration Platform

We've strategically partnered with **over 20 industry-leading scale-ups** looking to expand across the region. Our partners range from FinTech companies in various sectors, including **payments, wealth tech, Robo-advisory, RegTech, and compliance**.



## Bespoke Acceleration Programs

We design our bespoke acceleration programs to meet the specific objectives of our partners. Since the launch of the "Innovate for Bahrain" initiative in April 2020, we've run **five acceleration programs**, welcomed over **500 local startup applications**, and provided **\$111,000 in total funding to 20 winning teams**.



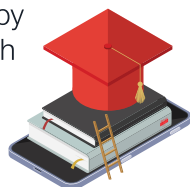
## Thought Leadership

Our thought leadership series provides in-depth research on the rapidly changing dynamics of the domestic and global FinTech ecosystem. To date, we've launched **31 thought leadership pieces**, including **eight in-depth market ecosystem reports**.



## Education

We partner with **world-renowned institutions** to bring **world-class FinTech education** to **youth and working professionals**, including the **Georgetown FinTech Program** by Georgetown University McDonough School of Business, with **100 professionals from Bahrain** and the **GCC** graduating from the program.



## Community & Events

We bridge our community with our global network of FinTech thought leaders through curated workshops, conferences, and events. Thus far, we've hosted over **200 events and workshops**, **three international conferences**, and **over 20 webinars and live events**.



Join our growing ecosystem!



info@bahrainfintechbay.com



www.bahrainfintechbay.com



bahrainfintechbay



fintechbay



### Digital transformation partner

International Turnkey Systems Group (ITS) is an award-winning integrated information technology (IT) solutions provider and preferred digital transformation partner to the financial services, retail, education, energy, communication and government sectors.

### Trusted across the globe

Headquartered in the State of Kuwait with a presence across the Middle East, India, Africa, the Americas, the Caribbean and the Commonwealth of Independent States, ITS leverages an extensive delivery and global partnership network to provide top-tier clients with the technologies and expertise they need to transition from legacy systems and gain competitive advantage in the digital economy.

### Services and solutions

ITS services include the development, design and delivery of cutting-edge software and services solutions including strategic outsourcing and managed and professional services to support customers' critical business services.

Our financial solutions and services include a comprehensive portfolio of solutions and services in IT, consulting, implementation, maintenance and hosting. ITS solutions and services are complemented by a large portfolio of proprietary software that has been built to address our clients' diverse needs.

ITS also develops and implements enterprise solutions, provides a range of comprehensive cybersecurity solutions, infrastructure solutions, datacenter solutions and a portfolio of managed customer support services.

### Next-generation banking

Our award-winning flagship solutions package, ETHIX, supports the digital transformation of financial institutions and is trusted by leading banks worldwide. ETHIX NG is the new digital core banking solution from ITS that is set to redefine the financial



services industry. The complete retail and corporate banking solution optimizes, automates and digitizes business processes to move banks toward a digital-ready, fintech-ready, open banking and paperless environment.

### Leading innovation for 40 years

At the forefront of technology innovation since 1981, ITS has evolved to become the industry leader in the provision of innovative IT solutions and services, bringing tested and proven business solutions to global top-tier clients across a wide range of industry segments. We deliver flexible and creative IT solutions and services that help organizations sustain growth in today's dynamic business environment as we move toward our vision to be the globe's preferred provider of progressive IT solutions.

### Connect with us

To learn more about partnering with ITS for digital success, please visit [www.its.ws](http://www.its.ws) or email [info@its.ws](mailto:info@its.ws). ☺





# معهد البنك الإسلامي للتنمية Islamic Development Bank Institute



## Enabling Sustainable Development through Knowledge-Based Solutions Guided by the Principles of Islamic Economics and Finance

- We lead in providing innovative knowledge-based solutions for development challenges, guided by the principles of Islamic economics and finance.
- We help build human capital in Islamic economics and finance to nurture and empower future knowledge leaders.
- We foster knowledge-driven sustainable development through knowledge creation, management, and dissemination.
- We deliver advisory, technical assistance, and consultancy services for enabling ecosystems for Islamic economics and finance.

Download our pioneering **IsDBI E-Book Reader** app



**IsDB**   
مجموعة البنك الإسلامي للتنمية  
Islamic Development Bank Group





## MDEC: Steering growth and innovation for fintech and the Islamic digital economy in Malaysia

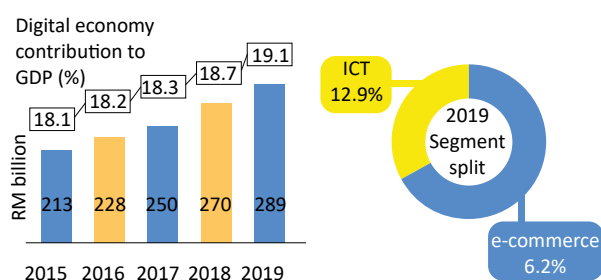
Malaysia Digital Economy Corporation (MDEC) continues to be at the forefront of driving Malaysia's digital economy agenda, evidenced by its successes over the last 25 years. Echoing the government of Malaysia's ambition to boost Malaysia's digital economy, MDEC aspires to transform Malaysia as the 'Heart of Digital ASEAN' and concerted efforts are underway to accelerate the growth of the digital economy.

In February 2021, the government of Malaysia launched the Malaysia Digital Economy Blueprint (MyDIGITAL). The blueprint's release heightens the importance placed on the digital economy for sustainability amid the current crisis and the critical role it plays in advancing the economy. In 2019, Malaysia's digital economy contributed 19.1% (or RM289.2 billion (US\$68.46 billion)) to the nation's GDP. By 2025, it is projected to rise to 22.6%, further highlighting the criticality of the digital economy toward GDP and the growth of the economy.

According to the State of the Global Islamic Economy Report 2020/2021 and Global Islamic Fintech Report 2021, Malaysia is ranked first, globally. The country's success is attributed to its robust regulatory environment, well-established Islamic financial community and profound government commitment to champion the Shariah compliant agenda and this has proven Malaysia to be the best test-bed environment for Islamic fintech companies. The number of innovative Islamic businesses in Malaysia is on a healthy uptrend, with 25 Islamic fintech start-ups<sup>1</sup> currently housed in Malaysia.

Based on DinarStandard's estimates, the global Islamic economy market opportunity in 2024 is envisaged to total US\$3.2 trillion with a 6.2% compound annual growth rate. Hence, in light of Malaysia's global leadership in Islamic finance, the government aspires to transform the Malaysia Islamic Digital Economy (IDE)

Figure 1: Contribution of Malaysia's digital economy (2015–19)



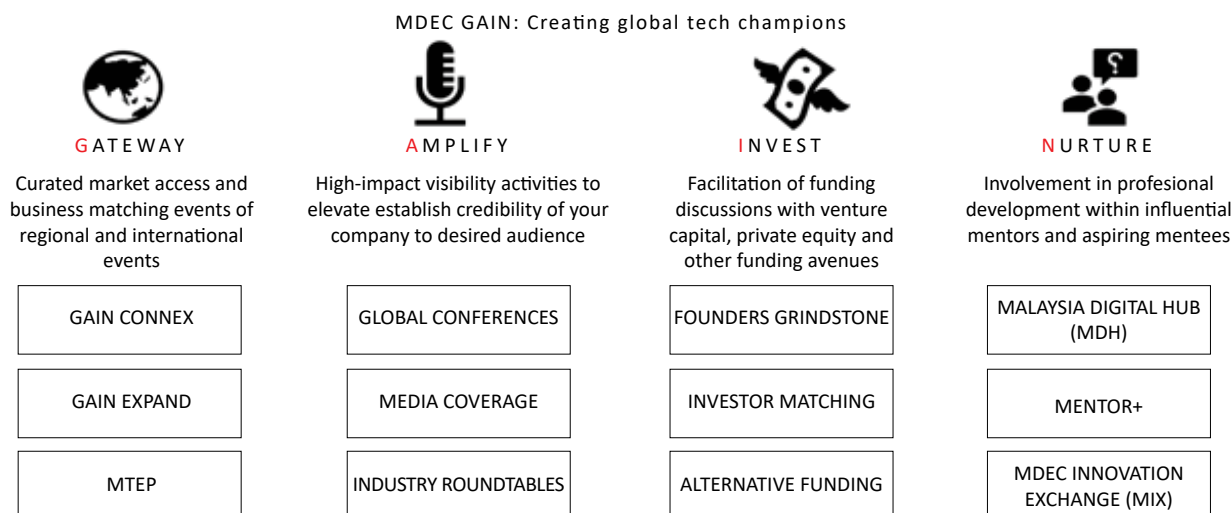
Source: Department of Statistics, Malaysia

as a key catalyst for future economic growth. In support of this, MDEC aspires to proactively engage with all stakeholders (locally and globally) in the Islamic fintech and IDE ecosystem — fintech community, corporates, regulators, associations and other government bodies. This includes playing the role of enabler and coordinator of various initiatives and industry-driven programs to ensure continuous growth in the fintech and IDE industry.

Among the key incentives that have spurred the growth of the Malaysian digital-tech scene is the Multimedia Super Corridor (MSC) Malaysia. Since its inception in 1996, the MSC Malaysia has succeeded in driving the nation's digital economy to new

<sup>1</sup> IFN Fintech Landscape

Figure 2: MDEC's GAIN program



Source: MDEC

heights. The MSC Malaysia status provides eligible information-, communication- and technology-related businesses, both local and foreign, with a wide range of incentives, rights and privileges to promote continued growth.

When it comes to local companies, especially those who were in the tech verticals — MDEC provides Malaysia-headquartered companies with the following support through MDEC's GAIN program. The Malaysia Digital Hub (MDH), one of the initiatives under the GAIN program, helped and continues to transform coworking spaces to further foster tech innovation and cultivate the optimum environment for productivity and collaboration for the companies housed in these digital hubs. There are currently 21 certified MDHs of various locations in the Klang Valley and Penang.

The Malaysia Tech Entrepreneur Programme (MTEP) is another incentive put in place to attract more foreign players to enter the Malaysian tech scene. MTEP provides a one-year pass for new entrepreneurs and a five-year pass for established entrepreneurs, coupled with access to various other supports by MDEC's GAIN program.

To date, the GAIN program has helped over 150 companies to expand their businesses and has formed partnerships with over 200 parties globally and resulted in over US\$1 billion in digital export revenue. To know more about GAIN, kindly visit <https://mdec.my/gain/>.

Zooming into fintech specific interventions, MDEC in collaboration with Bank Negara Malaysia, launched the Fintech Booster program. The Fintech Booster program provides a capacity-building program for fintech companies to develop meaningful innovative products and services by enhancing their understanding of legal, compliance and regulation requirements. Since its launch in August 2020, the program through its portal has attracted over 500 registered users of local and global presence. Three verticals will be introduced in the program, namely: 1) legal and compliance; 2) business

model; and 3) technology. The first vertical, which is legal and compliance, includes a series of public workshops or clinic sessions that are run by renowned partners, covering topics ranging from company law to cybersecurity and data governance. As at the 1<sup>st</sup> July 2021, a total of 24 public sessions and 35 clinics were successfully completed. The next vertical, the business model, is targeted to be launched in September 2021.

To know more about Fintech Booster, kindly visit <http://fintechbooster.com.my/>.

## About MDEC

Malaysia Digital Economy Corporation (MDEC) is the agency under the Ministry of Communications and Multimedia Malaysia leading the nation's digital transformation for 25 years. MDEC's agenda is **Malaysia 5.0**, enabling a nation deeply integrated with technology, providing equitable digital opportunities to the people and businesses.

In order to achieve this, we will focus on four key DIGITAL thrusts, **New skills**, **Adoption**, **Disruptors** and **Investments**. This forms the basis of our NADI Digital brand campaign that will drive our core programs for the rakyat, business and investors. MDEC's aim is for Malaysia to become a globally competitive digital nation, anchored on inclusivity, sustainability and shared prosperity, firmly establishing Malaysia as the 'Heart of Digital ASEAN'.

#Malaysia5.0 #NadiDigital #SayaDigital #MHODA #MyMDEC

To find out more about MDEC's Digital Economy initiatives, please visit us at [www.mdec.my](http://www.mdec.my) or follow us on: Facebook: <https://www.facebook.com/MyMDEC/> Twitter: @mymdec. (P)





## Is Islamic finance compatible with innovation?

KARSTEN KEMNA, the managing director of CREALOGIX APAC, highlights how digital tools for Islamic finance are at the cutting edge of fintech.

**The principles of Islamic finance are based on ancient, long-held values, but it is still very compatible with innovation. The emergence of digital challenger brands across the world demonstrates that there is demand and an opportunity for innovation in this space. The size of the opportunity means that banks are developing targets for this demographic and different communities within it. Innovation is needed to deliver a clear, easy-to-use digital solution that builds trust with a previously underserved market and addresses the need for ethically-driven financial services.**

### UX matters

User experience (UX) is the key driver of customer loyalty and growth in a digitalized world. It is particularly important in Islamic finance, because in many traditionally Muslim countries a large proportion of the population are currently unbanked. If the digital solution is too complicated or difficult to use, it may deter people from signing up. Also, there is a growing middle class in Indonesia keen to make more of their money; an accessible digital solution that clearly reflects both their

finances and their ethical values could be a powerful tool for building long-term loyalty as they continue to prosper.

### Supporting the unbanked Muslim population

When addressing the large proportion of the Muslim population that is currently unbanked, these customers need specific support and financial products that align with their values. This can be seen across Southeast Asia in countries such as Bangladesh and Pakistan. Another example is Indonesia, which has the fourth-largest population in the world. Around 85% of the 270 million living in Indonesia are Muslim and between 60% and 70% of these are unbanked. Digital banking may present a solution to this situation. This is why the digital UX is so important — being easy to use and clearly representative of customers' values will help to engage these new potential customers.

### Essential UX features for Islamic banking

Multi-language capabilities are important for this market segment and it comes with additional considerations. It is not



simply a case of substituting one language for another according to the client's preference; these capabilities include the need for both English and Arabic alphabets. In addition, while western languages read from left to right, Arabic language reads right to left and this needs to be factored into the design. A dual calendar functionality combining Hijri and Gregorian calendars will also be essential.

Once the foundation is built, there is an opportunity to be more creative with additional features which are aligned with customers' values. This could include the calculation and payment of Zakat, or charitable contributions, directly from the digital platform. A digital app might offer support with the location/direction of Qibla and also with prayer times, or include a loyalty program with Shariah compliant rewards.

## Wealth management and investment

An area which could deliver significant growth is in ethical and Shariah compliant investments. Given that in Islamic banking returns from investments are based on underlying economic activities and/or assets that structure the contractual relationship between transacting parties, it is possible to use the asset-based nature and risk-sharing aspects of Islamic finance for greater integration with the real economy and to improve the overall economic balance between the real and the financial sectors. In wealth management, Islamic finance could be viewed as a segment of environmental, social and governance (ESG) investing. It is particularly important to have clear reports which demonstrate that all investments are Shariah compliant and reflect the client's values.

Many clients in wealth management have ethical preferences — such as a focus on the environment — and exclusions, such as alcohol. Islamic investing is a subset of these preferences with specific requirements. This is not a challenge for providers; it delivers a clear opportunity to tailor communications to promote Shariah compliant products, services and investments through the app and grow assets under management. An increasing interest in wealth management services that align with Muslim values allows us at CREALOGIX to cross-fertilize our skills in conventional wealth management digitization with our experience in Islamic banking. Just as western investment services now include a digital representation of investments in relation to the ESG requirements of the client, the important values of this community can be reflected in their investment portfolio.

## Demonstrating Shariah compliance

If your organization provides products and services aligned to the requirements of Islamic finance, these are usually powered by back-office systems. However, building the products is just the start of the journey. Muslim consumers need to be reassured with clear representations of their financial position in a way that aligns with their values. Muslim customers expect the same as everyone else — a unique experience tailored to their interests and that is convenient and easy to use. This means convenient mobile-first banking via a secure app and a seamless, omnichannel experience for in-person support where needed. In short, it is a combination of the customers' values with the latest in fintech innovation.

## Personalization matters

While we can talk about the basic principles of Islamic finance, it is worth remembering that personalization on an individual basis is also important. As well as capturing customers' values, digital tools can be used to capture and display individual preferences and priorities. This may be as simple as a preference to receive all-important information via email or directly via app notifications, or it may be additional dimensions to investments such as an interest in environmentally friendly investments alongside Shariah compliance. These personal touches highlight the added value that an organization can bring to each customer. This can help to build engagement, particularly with previously unbanked customers and can also build longer, lifetime loyalty.

“

*Muslim customers expect the same as everyone else — a unique experience tailored to their interests*

”

## Getting started on a digital solution for Islamic banking

While there may be specific digital and communication requirements for Islamic finance, the challenge is the same for all digital banking initiatives. The key, as with all digital innovation, is not to go it alone. There are experts across the financial services and fintech sectors who can support the digitalization of Shariah compliant products and services. At CREALOGIX, our experience working with major financial organizations across the Middle East, including eight of the Tier 1 banks in Saudi Arabia, means that we understand both the requirements of Islamic finance and a powerful digital solution. CREALOGIX has experience working with top-tier banks in the Middle East such as NCB (National Commercial Bank) and the Al Rajhi Banking Corporation. This is combined with our expertise in delivering a premium, easy-to-use digital front end and means that our partners can deliver an industry-leading digital solution to their customers.

We serve Islamic banks on all key strategic, operational and organizational topics, and we assist conventional banks in building Islamic banking businesses. Our customer base in the Middle East shows our deep understanding of the Islamic banking business. We understand that the key priorities are accessibility, relevance and a great customer experience. Organizations that are just getting started on digitalization will benefit from working with an expert partner with proven experience. ☺







### Fintech Saudi

**Fintech Saudi is an initiative launched by the Saudi Central Bank in collaboration with the Capital Market Authority under the Financial Sector Development Program to support the development of the fintech industry in Saudi Arabia. Fintech Saudi's ambition is to transform Saudi Arabia into an innovative fintech hub with a thriving and responsible fintech ecosystem.**

Fintech Saudi seeks to achieve this by supporting the development of the infrastructure required for the growth of the fintech industry, building capabilities and talent required by fintech companies and supporting fintech entrepreneurs at every stage of their development.

The fintech industry in the Kingdom is growing at a rapid rate. Between 2017 and 2019, the value of fintech transactions increased at a rate of over **18% each year, reaching over US\$20 billion in 2019**. The majority of fintechs in Saudi Arabia are looking to scale their business, with 18% already operating. Between 2018 and 2020, the number of active fintechs in Saudi Arabia grew by a compound annual growth rate of 147%. (Source: Fintech Saudi Annual Report.)

By launching a number of different initiatives, Fintech Saudi has played a significant role in supporting Saudi Arabia's fintech ecosystem.

Initiatives include the Fintech Internship Program, which has provided over 130 interns with the opportunity to gain work

experience at leading organizations in fintech, in addition to the Fintech Tour 20, the largest cluster of fintech-related events in the region.

“

***By launching a number of different initiatives, Fintech Saudi has played a significant role in supporting Saudi Arabia's fintech ecosystem***

”

Fintech Saudi also launched the Fintech Accelerator Program, an intensive three-month program providing 10 innovative fintech companies with the tools they need to scale their businesses, and more recently, the Virtual Fintech Careers Fair, which attracted more than 25,000 attendees seeking jobs in fintech. (2)

Email: [info@fintechsaudi.com](mailto:info@fintechsaudi.com)

Social media: [@FintechSaudi](https://twitter.com/FintechSaudi)

Website: [Fintech Saudi](https://www.fintechsaudi.com)

## Blockchain technology and Islamic leasing

Think of a system which records information in a way that makes it difficult or impossible to change, hack or cheat and is 100% trustable. The level of transparency is ultimate and the process should be quick like in milliseconds or nanoseconds. Yes, it is possible if we use technology in a smart way and in the current technology era, it is blockchain which can make things possible. A blockchain-based digital identity of a leasing asset will include its history, location and title details. Usually, lessee and leasing companies (lessor) can potentially rely on this digital identity of the asset for title assessment, as any change to the existing data would have to occur through a consensus across several blockchain nodes. **NOMAN UL HAQ** writes on how to digitize leasing contracts and execute between a lessee and a lessor.

**The blockchain technology is forecast to have a hugely disruptive impact on a whole ecosystem of industries, from finance, supply chain to shipping industries. Of course, Islamic banking and its applications are no exceptions. When blockchain comes to mind, we easily think of some technology which should be permanent, public or private, with tamper-proof qualities to store and run with automated contracts. These smart contracts would be quicker to set up, more transparent and less open to challenge and litigation than traditional contracts.**

In leasing/Ijarah transactions, legal contracts are extensively used, which are basically incorporated to protect the contracting parties against misinterpretation and losses. However, usually this often makes the contracting process very slow, time-consuming, expensive and still open to interpretation which is sometimes difficult to understand without the involvement of any legal parties.

To overcome this manual and lengthy process, we can digitally implement all the processes by the help of blockchain technology with smart contracts, a digital set of rules that formulaically set out the agreed transaction, and action will be taken automatically by the smart contracts with a high level of transparency. A smart contract can be illustrated as an 'if then' action — when a condition is met, then a predetermined action is performed and the contract should be ready for the next levels of execution with less time.

### Process before entering into an Ijarah contract

The lessee initiates the process by way of choosing the supplier or vendor and commences the smart contract process by programming/predefining the Islamic leasing conditions, as would usually be contained with a lease (ie rentals, processing fees, payment frequency, asset type and make, currency and other particulars), into a new smart contract. The lessor will review the lease's conditions through an online platform and once agreement has been reached, they will digitally sign the smart contract using a key that denotes their identity, or that of their organization. The supplier/vendor also digitally signs the contract, which then turns into a legally binding digital smart contract stored on a blockchain.

### Process in between the Ijarah period

At every agreed payment period frequency, the smart contract digitally withdraws funds from the lessee's account and also

records a permanent transaction in the blockchain ledger. At the same time, the money/cryptocurrency is immediately deposited into the lessor's account. Rent payments can be automated, so the right amount is paid on time every time and is fully traceable for audit. This reduces errors and the cost of human involvement. Additionally, processing fees can automatically be calculated with the way of gas price (ethereum world) — charged and paid. This is made possible based on data fed into the blockchain from internet of things devices that record energy, utilities and more in a transparent way.

### End of Ijarah contract

As soon as the Ijarah contract expires, the smart contract initializes the security deposit deductions or creates the ownership transfer process with the help of predefined rule sets initiated at the time of writing the lease contract at the beginning — for example concerning reinstatement — or returns it to the tenant at the end of the lease period. Smart contracts can include capabilities for third-party decision-making, such as an independent expert/surveyor to determine the reinstatement costs that are due.

### Challenges and opportunities

The implementation of Ijarah contracts on a blockchain network has some challenges including a lack of understanding of the new technology, less available resources, expensive to implement, an unwillingness to change established industry practices and legacy systems, as well as potential legal constraints in some jurisdictions.

At the same time, there are exciting benefits to adopting blockchain technology and an increasing number of start-ups are aiming to facilitate the creation and operation of smart contracts. These are often sold as 'smart contracts as a service'. These companies will make it quicker and easier for transacting parties to utilize the benefits that smart contracts can offer, and likely will drive the uptake of their use.

Smart contracts can provide the building blocks for a whole new way of conducting commercial real estate business. ☺

**Noman ul Haq** is the chief technology officer at Ijara Management Company, a subsidiary of the Islamic Corporation for the Development of the Private Sector. He can be contacted at [nomanhaq@hotmail.com](mailto:nomanhaq@hotmail.com).



## Challenging the challengers

The world of fintech and technology in general is known for accelerated growth and rapid development. Nevertheless, the last few months have been a perfect storm of news and announcements in the Islamic digital banking sector in the UK. It began in July with the launch of Nomo, a fully licensed UK digital bank under the brand of the Bank of London and the Middle East (BLME), an existing fully Shariah compliant bank already operating in the UK. Following swiftly on was the announcement by Alif Bank, an established Central Asian challenger bank licensed in Tajikistan, that it will be opening an office in the UK in August. Nomo and Alif Bank now join other Islamic digital banks such as Kestrl, Lintel, Moneemint, Niyah and Rizq in the UK market. This plethora of digital banks puts the UK at the forefront of Islamic digital banking.

**The pitch to consumers by a digital or challenger bank is that it seeks to disrupt the established banking system and leverage technology to offer better and improved services to consumers and offer a solution to the underbanked who cannot access traditional banking services. If we consider the established banks to be the gatekeepers of the conventional banking system, then they have already been challenged. Thus, the established banking system in the UK has already been disrupted and challenged at the start of the millennium by the entry of Islamic banks such as for example Al Rayan and BLME.**

It would not be fair to do a straightforward comparison between the established Islamic banks and the Islamic digital banks, given that the two groups would have different growth strategies, target users and existing client base. The one exception to that in my opinion would be Nomo, since it operates under the brand of BLME and there will inevitably be individuals who will bank with both.

The focus of most of the UK Islamic banks has been predominantly on providing banking facilities for investment in particular into real estate assets. Less focus has been placed on

operating a full retail offering to individual consumers in the UK with the exception of Al Rayan. Therefore, there is a gap in the retail consumer market, which the Islamic digital banks could exploit by providing a Shariah compliant equivalent to a Revolut or Monzo. The Muslim population in the UK is quite a young demographic, a trend which is reflected across Western Europe. It is commonly the younger demographic who would have most familiarity with using apps to manage all aspects of their day-to-day lives, including access to financial services.

Environmental, social and governance (ESG) and sustainability benchmarks are some of the criteria that consumers and investors use to measure financial services. The 'ethical' and 'share risk' aspects of Islamic finance could therefore help Islamic digital banks when they come to grow their customer base, especially with access to Shariah compliant ESG investments offered through an app or a bricks-and-mortar institution. ☺

**Lingxi Wang** is the senior associate at Foot Anstey. He can be contacted at [lingxi.wang@footanstey.com](mailto:lingxi.wang@footanstey.com).



## Crowdfunding: Alternative funding for those in need

The tightening of traditional credit driven in large part by the COVID-19 pandemic has propelled stakeholders across the world to turn to alternative funding sources including crowdfunding. JEVITHA MUTHUSAMY brings you an overview of the crowdfunding sector in the past 12 months.

### Overview

In crowdfunding, there are generally four types of models, namely donation, rewards, equity and debt. In donation crowdfunding, donors donate to a non-profit project or a social development initiative while in rewards crowdfunding donors contribute money against a reward after completion of a project. Under equity crowdfunding, investors provide cash in exchange for equity to become shareholders, thus sharing both profit and loss. Meanwhile in debt crowdfunding, lenders in return for a financing will expect principal repayment and profit.

Market research published by Technavio expects the crowdfunding market to grow by US\$124.35 billion during the 2020–24 period, progressing at a cumulative average growth rate of almost 18% during the forecasted period. Meanwhile, the market in the Asia Pacific region was valued at US\$30.25 billion in 2019 and it is anticipated to grow to US\$86.61 billion during 2024, while the peer-to-peer (P2P) lending segment could account for the largest crowdfunding market share.

To date, there are 39 Shariah compliant crowdfunding and P2P companies based in Malaysia, Indonesia, Bangladesh, Saudi Arabia, the UK and the US, according to IFN Fintech

The Islamic crowdfunding sector has shown promising progress over the last 12 months with new supportive regulations, initiatives and partnerships.

### Regulations and standards

The National Shariah Board of the Indonesia Ulama Council in January 2021 announced its intention to issue nine Fatwas this year. The Fatwa on the capital market includes exchange-traded funds and crowdfunding securities.

Meanwhile, Otoritas Jasa Keuangan (OJK) launched securities crowdfunding allowing SMEs to tap the capital market for funding.

The Saudi Central Bank in the same month published new regulations for practicing debt crowdfunding activities within the Kingdom which includes provisions for licensing companies involved in debt crowdfunding.

In December 2020, OJK appointed the Association of Indonesian Crowdfunding Services (ALUDI) as the official association to oversee equity crowdfunding companies.

One of the requirements for prospective crowdfunding service providers looking to obtain licensing from OJK is to become an ALUDI member.

Meanwhile in the same month, a standard on Islamic crowdfunding governance was discussed by an AAOIFI working group, with a preliminary study already presented to the AAOIFI

Governance and Ethics Board and is expected to be introduced by the end of 2021.

In November 2020, OJK stated that regulations to facilitate the issuance of Sukuk through equity crowdfunding are in the final stage and expected to be completed before the end of 2020.

### Latest developments

In February 2021, Malaysia's Islamic multibank investment platform IAP Integrated formed an alliance with equity crowdfunding platform Ata Plus to diversify the avenues for funding available for companies looking to raise funds through either platform.

Meanwhile in the same month, Global Sadaqah raised RM450,000 (US\$110,897) through Islamic equity crowdfunding platform Ethis Malaysia via a flash fundraising campaign.

Over in the UK, Sadaqah–Ummah Crowdfunding launched its new global crowdfunding platform of the same name in January 2021 which allows users to diversify Sadaqah into various charitable campaigns.

In Indonesia, Bizhare first announced its intention to adopt a securities crowdfunding model in January 2021 to offer Sukuk and bonds as part of its growth strategy.

The platform subsequently launched its secondary market service on the 1st February 2021, allowing investors to carry out bids and offer transactions safely.

Over in Malaysia, P2P financing platform CapBay in January 2021 raised US\$20 million in a Series A funding round supported by Singapore-based venture capital firm KK Fund.

Prior to that, the platform partnered with Kenanga Investment Bank in November 2020 to establish Malaysia's first Islamic supply chain finance fintech, to be launched in the first quarter of 2021.

Over in Indonesia, P2P lender Pintek is in the process of securing approval from OJK to develop a Shariah compliant product, planned for launch in 2021.

The Capital Market Authority of Saudi Arabia in November 2020 extended an ExPermit to Osool & Bakheet Investment Company to establish an equity crowdfunding platform targeting SMEs.

Ethis Group in September 2019 launched its first Shariah compliant equity crowdfunding platform in Malaysia, focusing on SMEs and the agricultural sector during its first year.

There are also plans to have property and Waqf investment assets listed on its platform in 2021. (P)



## The role of data science in the innovation of new Islamic financial products

Using digital data smartly has become the trend to gain a competitive advantage. In this article, **PROF DR ABDERRAZAK BELABES** explains, through a practical example, how Islamic banks can innovate new products by exploiting the opportunities offered by data science meticulously, away from the big data hype.

**Data science, as taught in most engineering faculties, makes it possible to analyze and process data from multiple sources and for various applications to draw inferences, combining topics of mathematics, statistics, information technology and expertise in the field of application. While collecting large amounts of data and retrieving it are tasks that can be automated, this is not the case when it comes to interpreting this information.**

Extracting value from big data is a mission that requires human intervention: that is the role of the data scientist. Despite the progress made, this is a field of application under construction that has not yet reached the stage of maturity to merit the label of science.

In specialized circles, as noted in the Cambridge dictionary, the word 'big data' refers to "very large sets of data that are produced by people using the internet, and that can only be stored, understood and used with the help of special tools and methods". They have three types of origin: (1) data collected by companies, (2) the so-called self-generated data; and (3) open data, ie those that everyone can access, use and share.

The information drawn from the big data is, very often, new information for the company, to which it did not have access until now. The utilization of the information makes it possible to answer questions that had never been asked before, and to transform it into opportunities for the company. This is where the new innovation opportunities reside.

In the digital era, data innovation has become a crucial issue for enterprises regardless of their size or sector of activity. The ability to transform data into information and then knowledge is essential to design new products and services that can be adopted by the markets.

Enterprises wishing to innovate must develop interactions and collaborations beyond the borders of their organization. This open mode of innovation involves finding, selecting, combining and integrating a wide variety of resources.

The value created by the collection of digital data is not automatically guaranteed; it is somewhere, ready to emerge for those who know how to use it wisely. Big data offers the possibility of accelerating the identification of value by detecting innovations with the highest potential, from an unlimited reservoir of data, classified into four categories of 'business-oriented' knowledge.

The first category — 'I know what I know' — represents a low-volume, low-variety class of data. This category simply makes it possible to question the data available to the company, from which it can only offer continuous improvements on existing products or services.

The second category — 'I don't know what I know' — is a class of data with high volume and low variety. On this basis, data scientists who often work in groups ask themselves the question: What data could we create? This category is necessarily limited in potential in the sense that it pushes the company to question itself to determine everything it knows without knowing it!

The third category — 'I know what I don't know' — is the low-volume, high-variety data class. In this case, data scientists ask themselves: What data could we access that we do not capture? This category is close to the zone of current uncertainties in which companies are trying to find the nugget that will make the heyday of their profit and loss statement.

The fourth category — 'I don't know what I don't know' — is the high-volume, high-variety data class. What other innovations might be possible? This is where all the material predisposed to big data-based innovations can be found.

One of the interesting facets of data innovation that fall into this fourth category is to detect opportunities for the innovation of Islamic financial products on social networks. This type of study responds to increasingly strong demand to very quickly detect new consumption trends that could represent opportunities for strategic development in terms of innovation competitiveness. It is about identifying information that will help create new financial products through in-depth analysis of social media comments. This identification is carried out through a monitoring platform using social application programming interfaces offered by the various social networks, which make it possible to retrieve the necessary data.

In this way, it is possible to retrieve consumer mentions on financial products (classification of conversations, evolution of the volume of conversations, sentiment analysis graph, most active periods, distribution by medium, distribution by genre, etc). Expertise analysis makes it possible to understand the content, read what is said, analyze the verbal and non-verbal (videos) and thus detect insights that refer to innovation to improve existing products or create new ones.

Analysis at the global financial market level is necessary to understand and detect insight innovation beyond the field of Islamic finance. Based on the results of such in-depth studies, Islamic banks can offer applications to virtually test new products. ☺

**Dr Abderrazak Belabes** is a full professor and senior researcher at the Institute of Islamic Economics, King Abdulaziz University, Jeddah, Saudi Arabia. He can be contacted at [abelabes@kau.edu.sa](mailto:abelabes@kau.edu.sa).

## FIKRA: Closing the inclusion gap in the Malaysian Islamic capital market

The digital economy has been part of Malaysia's national development plan over the last three decades. The establishment of the Multimedia Super Corridor in 1996 under the Sixth Malaysia Plan marked a pioneering leadership drive toward developing a digital economy.

Fast forward to today, the Malaysian 2021 Digital Economy Blueprint underscores digitization as integral to the country's vision of becoming a regional leader in the digital economy, reinforcing inclusive, responsible and sustainable socioeconomic development.

To ensure the blueprint is expediently implemented, Islamic finance has been identified as a key catalyst in creating an enabling environment and scaling up investment in the digital economy.

Accordingly, the Securities Commission Malaysia (SC) as the capital market regulator had as early as 2014 outlined a holistic digital agenda aimed at strategically meeting the needs of the underserved, creating a more vibrant investment environment and safeguarding investor trust and confidence (Figure 1).

The digital agenda has spurred the development of innovative digital products, further easing market access to the Bottom 40 group and MSMEs.

The COVID-19 pandemic hastened the adoption of these offerings, with the equity crowdfunding (ECF) and peer-to-peer (P2P) financing markets witnessing an exceptional uptake by MSMEs and retail investors, as reported in the SC's 2020 annual report.

Total capital raised via ECF in 2020 jumped 457% to RM127.73 million (US\$30.71 million) (2019: RM22.92 million (US\$5.51 million)), while capital raised via P2P financing grew 20% to RM503.31 million (US\$121 million) (2019: RM418.64 million (US\$100.64 million)).

Capitalizing on the positive momentum and targeting greater fintech growth in the Islamic capital market (ICM), the SC and the UN Capital Development Fund (UNCDF) jointly launched the Islamic Fintech Accelerator Programme (FIKRA) in May 2021.

Figure 2: FIKRA key challenge areas



**New Islamic capital markets offerings**  
Ideas on new Shariah products or services for ICM that can be deliver the value propositions of Islamic finance.

Source: UNCDF

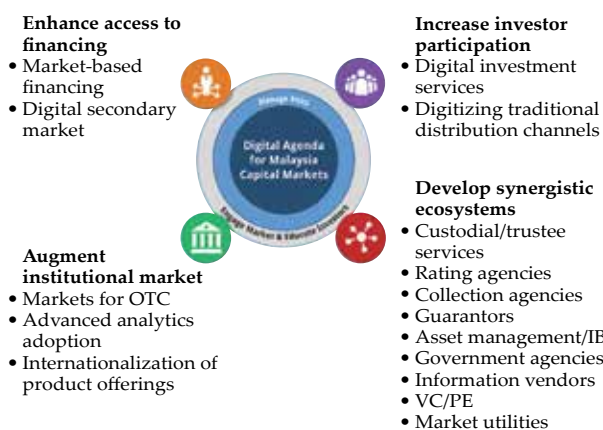


**Access to Islamic capital markets**  
Solutions to increase of awareness & relevance of ICM in addressing financing gaps, sustainability agenda and inclusion for mass retail & MSME segments.



**Islamic capital market - Social finance integration**  
Tech solutions to integrate traditional Islamic social finance instruments into capital market.

Figure 1: SC's holistic digital agenda



OTC = over-the-counter; IB = investment banking;  
VC = venture capital; PE = private equity

Source: SC

FIKRA provides a collaborative platform to connect innovative start-ups with the relevant stakeholders — the SC, UNCDF mentors, industry experts and investors. The goal is to build a vibrant and well-supported Islamic fintech ecosystem, one that nurtures talents, funds innovation, commercializes ideas and solutions and creates jobs and opportunities.

FIKRA kicked off its pilot year by inviting a first cohort of start-ups to present novel ideas or solutions in three identified key challenge areas: new ICM offerings, ICM accessibility and ICM social finance integration (Figure 2).

The SC's strategy of focusing on the ICM is fitting as it constituted 65.85% of the overall Malaysian capital market in 2020. The decision to partner with the UNCDF amid the current crisis is commendable. The UNCDF's expertise in running various 'innovation challenges' through its Financial Innovation Lab, which addresses the needs of the low and middle income segments, coupled with its broad network and unique facilities would allow the SC to meet the objectives of its digital agenda faster.

Although FIKRA is still at a nascent stage and its first end-product will be showcased only in October this year at the SC x SC Fintech Conference, the initiative attests to the commitment and political will of the regulator in closing the digital inclusion gap. FIKRA's success will send a strong signal to the global community that the Malaysian ICM will benefit from both traditional market players and the underserved segment in line with the higher objectives of Shariah. (2)

**Siew Suet Ming** is the chief rating officer at RAM Ratings. She can be contacted at [suetming@ram.com.my](mailto:suetming@ram.com.my).



## 2021: The pool of capital for Shariah compliant tech companies is increasing

Over the years, many Islamic finance practitioners kept appealing for the emergence of Shariah compliant venture capital (VC) and private equity (PE) funds to support Islamic tech. Largely, it has not happened — the number of active Shariah compliant funds is still under 1% of their conventional equivalents.

**Over the years, many Islamic finance practitioners kept appealing for the emergence of Shariah compliant venture capital (VC) and private equity (PE) funds to support Islamic tech. Largely, it has not happened — the number of active Shariah compliant funds is still under 1% of their conventional equivalents.**

On the other hand, we all know the time-proven expression by Dan Xiaoping: “It doesn’t matter whether a cat is black or white, as long as it catches mice.” Rephrasing — it does not matter whether the fund is Shariah compliant or conventional, as long as it promotes the development of the Islamic economy.

Last week witnessed yet another revolutionary equity investment round by ALAMI, the premier Indonesian peer-to-peer lending company, which raised US\$17.5 million. And guess what? Just like all previous ALAMI rounds, almost all of the funds came from conventional sources.

So, we applaud the growth of the overall PE market in the first half of 2021 — by 21.9% (data by PwC) and the VC market — by a whopping 149.9% (data by FactSet Research Systems). The money for good Islamic tech projects is widely available.

This year was significant for the number of new funders for Islamic tech — Employees Provident Fund (Malaysia), Ethos Invest (UK), Watheeq Financial Services (Saudi Arabia) and Yas Liquidity Fund (US-UAE) — to name a few key players. At least two more players in the GCC are about to make similar announcements in October.

Still, there is a new trend that may prove significant for the Islamic VC markets — the emergence of the ‘solo VCs’ — VC funds featuring a single large physical investor. These funds are easier to operate — no general partners relations officers, no general partners meetings, etc. And needless to say, the investment policies of such VC funds are largely shaped by their single general partner’s investment preferences and attitudes.

It is an open secret in Silicon Valley that this group of investors is willing to offer founders better terms and higher prices than the traditional VCs in exchange for a chance to back fast-growing start-ups. Another advantage of solo VCs: they make deals quicker than regular VC firms.

Basu Trivedi provided the definition of ‘solo capitalists’ as the next evolution from super angels, where the brand of the fund is linked to the individual (there is no investment team) and the solo general partner raises larger, US\$50 million-plus funds.

The current leading solo VCs include Harry Stebbings, Oren Zeev, Lachy Groom and others. But the idea is now floating around the GCC family offices, so I am confident that we will see some new funds largely backed by the Gulf sheikhs and high-net-worth individuals with Shariah compliant investment priorities as early as 2022. (👉)

**Dr Vladimir Malenko** is the director of FairFinance. He can be contacted at [vm@fairfn.com](mailto:vm@fairfn.com).



# World Islamic Fintech Awards 2020:

## Rainbow after the storm



The year 2020 has been a greatly challenging year for most. Yet despite the unprecedented pressures from the global COVID-19 pandemic, Islamic fintech start-ups from across the world are soldiering on — with a handful being left behind, and many finding opportunities amid chaos to advance their mission.

This tenacity is shown in the submissions received for the 2020 World Islamic Fintech Awards. A total of 94 submissions were received from across North America, the Middle East, Asia and Europe from start-ups in varying stages of growth.

Each submission was carefully vetted and processed by the independent Awards Board which deliberated and evaluated each submission based on a set of parameters including product innovation, impact, track record, market reach and viability, and time-to-market among others. Only categories which received more than three qualifying submissions were included in this year's awards.

The WIFA People's Choice Award was the only category voted by the public. Each individual was only allowed to vote once and only votes by verified email addresses were accepted.

Our heartiest congratulations to all winners of the 2020 World Islamic Fintech Awards on their most deserved win.

### Best Alternative Finance Fintech Provider

Winner: Manzil (Canada)

## MANZIL

Since the launch of the World Islamic Fintech Awards in 2018, the Best Alternative Finance Fintech Provider category has consistently been one of the most competitively fought categories. With nominees hailing from diverse geographies including North America, North and West Africa, Southeast Asia and South Asia as well as the Middle East, the lineup this year also featured a wide range of alternative digital financial service providers. From non-interest Shariah compliant buy-now-pay-later businesses to supply chain financiers, the Best Alternative Finance Fintech Provider of 2020 stood out from the rest due to its achievement, significance and impact.

Canada's Manzil, crowned the Most Promising Islamic Fintech Start-up of 2019, has lived up to expectations. The Islamic mortgage provider did not slow down after taking the coveted title and tirelessly soldiered on for a total of two years to bring

its product to market: a home financing solution that not only meets the religious obligations of Muslims but is also both ethically and financially attractive to Canadians at large due to its participatory nature. To date, Manzil is the only lender in Canada with open fixed rates and payment terms of up to 25 years.

In 2020, the start-up not only closed its first few mortgages and raised over CA\$1 million (US\$793,379), but it also introduced other Islamic financial products including a Halal prepaid card in partnership with neobank KOHO, car financing as well as an income mortgage fund. Starting out as a Halal mortgage provider, the start-up has performed above and beyond widening its product suite and laying the foundation toward its long-term goal: becoming an Islamic digital bank for Canadian Muslims. It is truly deserving of the Best Alternative Finance Fintech Provider 2020 title.

*This award recognizes non-mainstream digital platforms offering financing to individuals, SMEs and/or corporates.*

## Best Islamic Crowdfunding Finance Platform

**Winner: Global Sadaqah (Malaysia)**



COVID-19 has demonstrated the vulnerability and fragility of our global integrated economy, healthcare system and social safety net. But it has also created a perfect storm for digital Islamic social philanthropy to shine as an effective vehicle for social development and financial inclusion.

Kuala Lumpur-based Global Sadaqah exemplifies this. One of the earliest Islamic charity crowdfunding platforms around, Global Sadaqah about doubled the money raised through its platform in 2020 as compared to funds raised in the first two years of its inception: over RM720,000 (US\$177,969) from the RM1.5 million (US\$370,769) raised since launching its beta platform in July 2018 was crowdfunded in 2020 alone. It also managed to mobilized over RM500,000 (US\$121,000) from corporate institutions or partners such as the IsDB, Bank Islam, Alliance Islamic Bank and Kuwait Finance House.

While the amount may be relatively humble, Global Sadaqah brings home 2020's title of Best Islamic Crowdfunding Finance

Platform for embodying the twin spirits of crowdsourcing and Islamic finance: collective funding for good.

Contributing to its win is the start-up's commitment to sustainability and social development which was amplified in the challenging year of 2020: Global Sadaqah launched its Sustainable Charity Program, employing Qard Hasan, to match corporate social responsibility funds of financial institutions with verified beneficiaries in the form of loans which will be paid back in good faith without penalties nor interest.

The start-up is also expanding its range of services from retail crowdfunding to Zakat management for high-net-worth individuals, Wasiyyah and estate planning and provision of Qard Hasan microfinancing, as well as enhancing Zakat collection for state Zakat bodies among others.

*This award recognizes the most outstanding Islamic crowdfunding finance platform. It covers donation-based platforms, reward-based crowdfunding and equity crowdfunding.*

## Best Islamic Peer-to-Peer Finance Platform

**Winner: ALAMI Sharia (Indonesia)**



Once again, Indonesian peer-to-peer (P2P) players dominated the submissions in the Best Islamic Peer-to-Peer Finance Platform category, with some formidable rivals from the Middle East and South Asia. There were heavyweights which recorded immense growth in financing distribution; however, they were pipped to the post by relative newcomer ALAMI, which displayed great resilience, business fortitude, potential and an impressive track record to boot.

Licensed by the Financial Services Authority, the Islamic P2P platform focuses on Islamic invoice financing for SMEs and is one of the fastest-growing Islamic P2P start-ups in the Republic. Since it officially registered with the regulator in April 2019, the start-up aggressively fundraised, serving local SMEs, building partnerships and enhancing its product.

It closed its first year of operations disbursing IDR80.2 billion (US\$5.55 million), and more than doubled it in 2020 reaching over IDR200 billion (US\$13.85 million) by the third quarter of 2020 while maintaining a 0% non-performing financing ratio. In the span of one year, the start-up also grew its pool of registered funders to over 10,000.

Apart from encouraging credit growth, 2020 was also a year of strategic partnerships including with: Bank BNI and Bank Syariah

Mandiri, the latter of which was to distribute the National Economic Recovery fund to support SMEs affected by the COVID-19 pandemic.

While young, the start-up has a clear vision of becoming a platform that embodies both Shariah principles and social impact. This is evident by it not only adopting Shariah finance but also integrating Muslim-targeted features into its app such as the ability to access the Quran, prayer times and a Qibla locator. As far as delivering meaningful social impact, ALAMI is cognizant of the businesses it supports such as its partnership with aquaculture intelligence company eFishery to fund the latter's aquaculture farmers.

In 2020, the firm supported its expansion with a fresh round of financing including a seed round led by Golden Gate Ventures with the participation of regional investors Agaeti Ventures, RHL Ventures and Zelda Crown. The round was structured according to Shariah compliant principles, namely Akad Musharakah, one of the first venture capital funding rounds in Southeast Asia to be conducted as such. In the same year, it also implemented ISO27000:1, the international standard on information security management systems, building confidence in its platform.

For its encouraging growth numbers, attention to detail, business savviness and ability to execute its vision, ALAMI is the Best Islamic Peer-to-Peer Financing Platform of 2020.

*This award recognizes the most outstanding peer-to-peer financing platform with Shariah financing principles.*

## Best Islamic Trading and Investment Platform

**Winner: INAIA (Germany)**



Over the last two years, there has been an explosion in Islamic trading and investment platforms bringing the number of providers in this space to 22 as identified by the IFN Islamic Fintech Landscape. This vibrant space has captured the imagination of many and attracted new innovators, but the Best Islamic Trading and Investment Platform is not a new face, it is an established name making waves in the European market.

Founded in 2007, Germany-based INAIA continues to push the envelope when it comes to developing Shariah compliant financial products across the investment, financing and insurance spectrum for the Muslim minority. Over 13 years, the firm managed to expand its operations to also serve Muslim and ethical investors in Austria, Switzerland, France, Belgium, Luxembourg and the Netherlands.

Its INAIA Gold Dinar Savings Plan allows Muslims in Germany to invest in a Shariah compliant asset class that is certified according to ethical and sustainability standards in a completely

digital environment, from contracting and investment management to physical delivery across Europe.

INAIA has also collaborated with fund managers including Blackrock Asset Management, BNP Paribas and Comgest to act as a broker for Shariah funds. Its brokerage and advisory service includes a complete digital onboarding journey integrated with know-your-customer (KYC) processes and investment management tools.

Equipped with regulatory approval from BaFin or the German Federal Financial Supervisory Authority, INAIA is preparing to roll out its real estate financing solution; it also secured approval to offer Sukuk for retail real estate financing in Europe.

For its ability to meet an urgent need in the underserved European market and commitment to continuously expand its investment arsenal, all within a largely conventional finance-skewed regulatory environment, INAIA is 2020's Best Islamic Trading and Investment Platform.

*This award recognizes the best digital applications facilitating financial planning, budgeting and/or savings and/or investments based on Islamic principles.*

## Best Social Impact Firm

**Winner: TEEK TAKA (Bangladesh)**



The winner of the 2020 Best Social Impact Firm category is indeed impressive on many fronts. The start-up, TEEK TAKA, exemplifies how Islamic fintech can be deployed to support, uplift and empower vulnerable communities, in line with the UN Social Development Goals.

The Bangladeshi start-up is an ethical finance platform seeking to improve work conditions of blue-collar workers by incentivizing factories with access to cheaper and faster financing and also promoting greater transparency, collaboration and accountability in global supply chains. Its initial focus is the garments industry, but the platform can be accommodated to any sector seeking working capital.

Suppliers register on the platform and provide information on their compliance and commitment to labor standards, such as fair wages, health and safety, and employee welfare — all of which will be verified against international labor standards as well as necessary KYC and anti-money laundering checks. Once

these claims are verified, alongside necessary KYC checks, the supplier is given access to the platform where it can apply for Shariah compliant financing. Improved access to working capital enables suppliers to pay workers' wages, maintain health and safety measures and minimize business disruption.

The significance of such a platform becomes even more apparent in a year ravaged by a global pandemic which has exposed and amplified the structural inequalities faced by suppliers and garment workers as factories shutter businesses as the retail fashion market takes a brutal hit.

In 2020, the start-up, founded by Thaslima Begum, successfully piloted and launched its platform and onboarded over 200 factories. It also was selected by Cambridge University as an innovator for sustainable fashion, was a finalist of the She Loves Tech competition — the world's largest start-up competition for women leveraging technology for social impact — and was also selected to take part in the Youth Co:Lab regionals by UN Development Programme and Citi Foundation.

*This award recognizes the most innovative use of Islamic fintech to deliver social good.*



## Best Islamic Digital Bank

Winner: Kestrl (UK)



There may not be many fully-fledged Islamic digital banks yet; however, the space is indeed brimming with exciting start-ups laying the foundations to challenge traditional banking services with digital solutions. With many at rather early stages of development, one start-up stood out from the crowd by putting its money where its mouth is: it is backing its bold vision with concrete material progress, all within an impressive timeline.

The winner of the 2020 Best Islamic Digital Bank category is the UK's Kestrl, a mobile app enabling Muslims to budget, save and invest in line with their religious faith and values. The story behind Kestrl is not an unfamiliar one: it all started with a common dilemma faced by everyday practicing Muslims: not being able to readily bank and invest in the UK in a Shariah compliant manner. This was the case for the then-Cambridge MBA students Areeb Siddiqui and Daeng Termizi who both conducted a nationwide survey of Muslim banking habits as part of a research project and found the proposition compelling enough. It did not take long for the both of them to decide to combine their experiences in consulting and working in the local fintech scene as well as experience in the Malaysian Islamic banking industry to fill this market gap: within a year since setting up in November 2019, the duo formed a Malaysia-based

tech team, raised GBP135,000 (US\$186,080) in a pre-seed round and launched their app which leverages on open banking to allow users to plug in multiple bank accounts to facilitate budgeting, financial planning, savings as well as investing for long-term goals.

Worth noting is the collaborative spirit that Kestrl embodies: it is working with established UK Islamic banks as well as other Shariah fintech start-ups to better serve the UK Muslim market. With the banking incumbents, Kestrl is engaging younger and digitally savvy Muslims by becoming a digital front-end for the banks, providing users with access to their savings accounts and mortgages through the app and integrating them with Kestrl services. The start-up in 2020 also partnered with payment platform Contis to provide savings pots and debit card services. The start-up also established a marketplace, giving users options to invest in Shariah compliant asset classes through other fintech platforms such as Yields (for properties), Minted (gold) and Qardus (small businesses). While the start-up was fundraising, developing its platform and building a partnership with financial service providers, it also got admitted into the accelerator programs of the University of Cambridge and CMS Lega.

*This award recognizes the top start-up offering Shariah compliant digital banking services.*

## Best Islamic Robo-Advisory Platform

Winner: Wahed Invest (US)



The Best Islamic Robo-Advisory Platform of 2020 is no stranger — if anything, it has become the poster child for Islamic fintech. Wahed Invest, founded in New York, has become a global brand expanding its physical presence into the UK, Malaysia, Bahrain and Saudi while making its services accessible in some 130 countries.

Since its launch in 2017, the start-up has been unstoppable: it grew its business within an incredibly competitive industry by creating a niche which serves and uplifts a historically

disenfranchised community. Armed with low fees and minimum investment criteria as well as an easy-to-use platform, Wahed Invest appeals to the mass market across all income brackets, making it the largest Islamic robo-advisor by client count. From 4,000 clients just two years ago, the company has grown its client base to over 100,000 in 2020.

Its first-mover advantage to the Islamic digital investment space is paying off, and it is exciting to see what Wahed Invest will continue to achieve. What is certain is that this start-up is raising the standard for Islamic fintech entrepreneurs.

*This award recognizes the best digital portfolio management system providing algorithm-based and largely automated Islamic financial investment advice and decisions.*

## Best Islamic Financial Software Provider

**Winner: Path Solutions (Kuwait)**



The array of submissions received for the category of Best Islamic Financial Software Provider is indeed impressive. With contenders from the Middle East and South Asia to Central Asia and Southeast Asia, the decision was certainly not easy.

The 2020 Best Islamic Financial Software Provider title goes to heavyweight Path Solutions. Serving over 150 Islamic financial institutions across 40 countries, Path Solutions has built an empire over the last three decades. The success of the company is driven by, among others, its strong focus on research and development (R&D). Path Solutions consistently invests 25% of its revenue into R&D which is spearheaded by five of its R&D centers.

Its R&D investments are rewarding: its flagship iMAL Islamic core banking platform is widely used by Islamic finance institutions across four continents, but the company is not resting on its laurels. Path Solutions is currently focusing on offering financial software services that could play a key role as an enabler in enriching the customer's journey and tracking the value created throughout the financial ecosystem, to generate a better customer experience ecosystem.

The firm in 2020 launched its new Intelligent Digital initiative roadmap with the Path Digital and Path Intelligence platforms as well as an artificial intelligence-powered integrated governance, risk and compliance solution, built on a scalable intelligence platform to provide a single source of truth for an overall risk management and digital strategy.

In essence, the Path Digital suite is an open banking platform connecting digital banking channels to a bank's services and applications such as core banking, customer relationship management and payment systems to facilitate the bank in delivering a unified and seamless omnichannel user experience while Path Intelligence is a platform with the ability to integrate with any core banking system, enabling banks to harness data and analyze it intelligently using the Enterprise Data Lake, providing a significant competitive advantage to the banks by helping them transform their business to become analytically-focused and customer-centric.

The company's wide range of AAOIFI-certified solutions benefited the likes of Al Baraka Bank Sudan and Sterling Alternative Finance — the Shariah banking arm of Nigeria's Sterling Bank — in 2020.

*This award recognizes the best technology company offering technical solutions for financial service providers such as banking software, trading software and accounting software.*

## WIFA People's Choice Award

**Winner: Dana Syariah**



Commanding over one-third of the votes, Indonesia's Dana Syariah received the lion's share of the public's votes making it the winner of the 2020 WIFA People's Choice Award.

The popularity of Dana Syariah perhaps does not come as a surprise. Operating in the world's most populous Muslim nation as an Islamic P2P financing platform, Dana Syariah has made incredible gains in 2020. Despite COVID-19, the start-up managed to grow its business by 300% and expanded its user base.

In 2020, the licensed P2P financier distributed over IDR650 billion (US\$44.83 million) in funding, more than twice what it extended in 2018–19. Dana Syariah's phenomenal growth is fueled by its proactive marketing strategy and solid business proposition: the platform integrates several layers of risk mitigation including only funding properties with guaranteed buyers, funding recipients required to provide collateral in the form of productive real estate assets worth 120% of the total funding amount and the use of a Murabahah sales and purchase agreement.

*This award recognizes an Islamic fintech company which has made the deepest impression on the market as voted by our readers and the public.*

## Best Shariah Compliant Payment, Remittance and FX Platform

Winner: Alif Tech (Tajikistan)



Central Asia's Alif Tech takes home the Best Shariah Compliant Payment, Remittance and FX Platform 2020 crown. Islamic financial services in the CIS [Commonwealth of Independent States] region are still relatively nascent with sporadic activities, but Alif Tech addresses an urgent need in the market with its interest-free Shariah compliant payment and remittance platform, Alif Mobi. Currently operating in Tajikistan and Uzbekistan (with plans to expand into other neighboring markets), Alif Tech may have humble beginnings as a payment, remittance and FX [foreign exchange] platform, but it is operating with the future in mind, and that is to build a super app housing a holistic ecosystem of digitally-driven Shariah compliant financial and technological solutions.

The company has designed an app which allows users in Tajikistan and Uzbekistan to pay for utilities, enables migrant workers to remit money abroad directly to local payment cards or to its Alif Mobi e-wallet and provides installment financing plans for retail

purchases. It is worth noting that the remittance service and P2P transfer service within the e-wallet are commission-free.

In addition to these developments, the start-up in 2020 also secured several licenses: a data processing license from the Ministry for Development of Information Technologies and Communications of Uzbekistan and a license as a payment company from the Central Bank of Uzbekistan. It also obtained resident status at the IT Park in Uzbekistan, becoming the first foreign enterprise to be granted a permit.

Alif Tech has expanded its client pool to over 370,000 users with over 52,000 active users a month; and the digital wallet is proving to be popular among millennials and Gen Z with 60% of its users between the age of 18 and 34 years.

*This award recognizes companies offering alternative Shariah compliant payment solutions such as mobile payment, e-wallets, payment gateways, the transfer of money in real time between individuals and the exchange of currency.*

## Most Promising Islamic Fintech Start-up of the Year

Winner: Kestrl (UK)



It takes more than just a bold idea to make a fintech start-up promising. It takes vision, the right leaders to steer the ship, solid support to navigate choppy waters and focused execution to ensure success. And Kestrl from the UK has all of these, making it the Most Promising Islamic Fintech Start-up of the Year 2020. The start-up has identified a tremendous market opportunity in the greatly underserved UK market, produced a compelling business plan and mobilized a strategy built on robust technology as well as collaboration. This is the reason why the firm has been able to make rapid progress within a relatively short period of time.

Within the first 12 months of its launch, Kestrl has been able to raise funds, build a tech team and design, develop, test and launch its app. It has also secured the confidence of eminent Islamic

finance professionals such as Sultan Choudhury, former CEO of Al Rayan Bank; James Bagshawe, former CFO of Gatehouse Bank; and Oz Ahmed, CEO of HSBC Amanah, who are advising the start-up. Internal research by the management team identified a potential market of about 1.9 million Muslims in the UK holding a collective wealth of GBP390 billion (US\$537.57 billion); the start-up targets to acquire 10–25% of this market over the next five to 10 years. The start-up is looking to raise its next round this year, which will be used to support its growth: having launched its budgeting tool and marketplace, it is looking to roll out debit cards this year and home purchase financing in 2022. Judging on what it has achieved so far, Kestrl's future growth does indeed look promising.

*This award recognizes a fintech start-up that may not have a minimum viable product yet but whose idea demonstrates ingenuity, an ability to deliver sustainable impact to the community/Islamic financial sector and viability.*

## Islamic Fintech Company of the Year

Winner: Manzil (Canada)



It is interesting that the leading contenders for both the Most Promising Islamic Fintech Start-up of the Year and Islamic Fintech Company of the Year are from non-Muslim-majority countries. For its ability to deliver on its promises, dedication to innovation and commitment to serve the Muslim market of Canada, Manzil is the Islamic Fintech Company of the Year 2020. From closing several

funding rounds, and launching a range of financing and investment products in a market without dedicated Islamic financial regulations, Manzil is demonstrating great progress and signaling a promising evolution from being merely a Halal mortgage provider to becoming an Islamic challenger bank.

*This award honors an Islamic fintech company for its outstanding overall performance in product innovation, market reach and delivery of significant impact on society.*



## IFN Islamic Fintech Landscape breakdown by main headquarter as at the 22<sup>nd</sup> September 2021

|                | Alternative Finance | Blockchain & Cryptocurrencies | Challenger Banking | Crowdfunding | Data & Analytics | Islamic Enablers | P2P Finance | Payments, Remittance & FX | Personal Finance Management | Robo-advisory | Takatech | Trading & Investment | TOTAL |
|----------------|---------------------|-------------------------------|--------------------|--------------|------------------|------------------|-------------|---------------------------|-----------------------------|---------------|----------|----------------------|-------|
| Australia      |                     | 1                             |                    |              |                  |                  |             |                           |                             |               |          |                      | 1     |
| Bahrain        | 1                   | 2                             |                    |              |                  |                  |             |                           |                             | 1             |          |                      | 4     |
| Bangladesh     |                     |                               | 1                  | 1            |                  |                  |             | 1                         | 1                           |               |          |                      | 4     |
| Cameroon       | 1                   |                               |                    |              |                  |                  |             |                           |                             |               |          |                      | 1     |
| Canada         | 1                   |                               |                    | 1            | 2                |                  |             |                           |                             | 1             |          | 1                    | 6     |
| Cayman Islands |                     |                               |                    |              |                  |                  |             | 1                         |                             |               |          |                      | 1     |
| Egypt          | 1                   |                               |                    |              |                  |                  |             |                           |                             |               |          | 2                    | 3     |
| France         | 1                   | 1                             | 2                  |              |                  |                  | 1           |                           |                             |               |          |                      | 5     |
| Germany        |                     | 1                             | 1                  |              |                  |                  |             |                           |                             |               |          | 1                    | 3     |
| Hong Kong      |                     | 2                             |                    |              |                  |                  |             |                           |                             |               |          |                      | 2     |
| India          | 2                   | 1                             |                    |              |                  |                  |             |                           |                             | 1             |          | 1                    | 5     |
| Indonesia      | 4                   | 1                             | 2                  | 15           |                  |                  | 10          | 3                         | 1                           |               | 1        | 2                    | 39    |
| Iran           | 1                   | 2                             |                    | 3            |                  |                  |             | 10                        |                             |               |          | 1                    | 17    |
| Ireland        |                     | 1                             |                    |              |                  |                  |             |                           |                             |               |          |                      | 1     |
| Jordan         | 1                   |                               |                    |              |                  |                  |             |                           |                             |               |          |                      | 1     |
| Kenya          | 1                   |                               | 1                  |              |                  |                  |             |                           |                             |               |          |                      | 2     |
| Luxembourg     |                     | 1                             |                    |              |                  | 1                |             |                           |                             |               |          |                      | 2     |
| Malaysia       | 2                   | 2                             |                    | 3            |                  | 1                | 3           | 9                         | 1                           | 1             | 2        | 6                    | 30    |
| Nigeria        | 1                   |                               |                    |              |                  |                  |             | 1                         |                             |               |          | 2                    | 4     |
| Pakistan       | 6                   |                               |                    |              |                  |                  | 1           |                           |                             |               |          |                      | 7     |
| Palestine      |                     |                               |                    |              |                  |                  |             | 1                         |                             |               |          |                      | 1     |
| Qatar          |                     | 1                             |                    |              |                  |                  |             |                           |                             |               |          |                      | 1     |
| Russia         |                     |                               |                    |              |                  |                  |             | 1                         |                             |               |          |                      | 1     |
| Saudi Arabia   | 6                   | 1                             | 1                  | 4            |                  | 1                | 4           | 3                         |                             |               |          | 2                    | 22    |
| Singapore      | 2                   | 1                             |                    |              | 1                |                  | 1           |                           |                             |               |          | 1                    | 6     |
| South Africa   |                     |                               |                    | 1            |                  |                  |             |                           |                             |               |          |                      | 1     |
| Spain          |                     |                               |                    | 1            |                  |                  |             |                           |                             |               |          |                      | 1     |
| Sweden         | 1                   |                               |                    |              |                  |                  |             |                           |                             |               |          |                      | 1     |
| Switzerland    |                     | 1                             |                    |              | 1                |                  |             |                           |                             |               |          |                      | 2     |
| Tajikistan     |                     |                               | 1                  |              |                  |                  |             |                           |                             |               |          |                      | 1     |
| Turkey         |                     |                               |                    |              |                  | 1                |             | 2                         |                             |               |          |                      | 3     |
| UAE            | 4                   | 3                             | 3                  |              |                  | 1                | 3           | 5                         | 1                           | 2             | 1        | 3                    | 26    |
| UK             | 8                   | 1                             | 6                  | 6            | 1                | 2                | 3           | 1                         | 2                           |               |          | 10                   | 40    |
| US             | 2                   | 3                             | 2                  | 3            | 1                |                  | 2           |                           | 1                           | 2             |          | 2                    | 18    |
| Uzbekistan     |                     |                               |                    |              |                  |                  |             |                           |                             |               |          | 1                    | 1     |
| <b>TOTAL</b>   | <b>46</b>           | <b>25</b>                     | <b>20</b>          | <b>38</b>    | <b>6</b>         | <b>7</b>         | <b>28</b>   | <b>38</b>                 | <b>7</b>                    | <b>8</b>      | <b>4</b> | <b>35</b>            |       |

**ALTERNATIVE FINANCE**

570easi  
Abhi\*  
Affordplan\*  
AIRaedah Finance\*  
Berka Fintek Syariah\*

Bedaya\*  
Cashew Payments  
Credit Fix\*  
Crowdtolive

Duha Syariah\*  
Duittech International\*  
ePaysa\*  
Finja\*  
Ghesta

HAL Capital\*  
Hoolah  
IFIN Services WLL  
Liberis\*  
Klarna\*  
Manzil

Mobilima\*  
Muawin  
NowPay  
Oraan\*  
Ovamba Finance\*

Postpay\*  
Primadollar  
Primary Finance\*  
QisstPay\*  
SAHALA\*  
Sezzle\*

Solfah\*  
Spotii\*  
Split  
Splitit\*  
StrideUp  
Sulfah\*  
Supply@Me Capital

SyarQ  
tabby\*  
Tamam\*  
Tamara  
Tanadi\*  
TFX Islamic  
Wayhome\*

**BLOCKCHAIN & CRYPTOCURRENCIES**

AZ Internet  
Ateon\*  
Belt Road Block Chain\*  
Biokoin\*  
Bitbarg\*  
Blocmint  
Caizcoin

Donate Crypto Today\*  
Ekofolio  
Finterra  
Grainer  
IBF Net\*  
Incrypto  
iSunOne  
Jibrel Network

Kuknos\*  
Marhaba\*  
Nimbus\*  
Qitmeer  
OneGram  
Rain  
Ripple\*  
Thaler Tech  
Wethaq

**TAKATECH**

Grab Insure  
TuneProtect  
Reem Takaful  
YukTakaful\*

Aladin\*  
Alif  
Algbra\*  
Fair\*  
Fardows\*  
Hijra\*

Insha  
Jingle Pay  
Kestrl  
Lintel Financial Solutions  
Medina Digital Finance\*

Meem  
Mizen\*  
MoneeMint  
Niyah  
Nomo\*

Pahela Money\*  
Rizq  
Seibank  
Tayyab  
Zand\*

**CHALLENGER BANKING**

**CROWDFUNDING**

AmalSoleh\*  
Asy-Syirkah  
BenihBaik\*  
Digizakat\*  
Ekdes  
Eureeca\*  
Evermos\*

Feeling Blessed\*  
Fundorun\*  
Fursa Capital  
Global Sadaqah  
IAP Integrated  
Islamic Fundraising  
InvesProperti.id\*

Kandang.in\*  
kerjasama.com\*  
KitaBisa\*  
Launch Good\*  
Manafa  
Mehrabane\*  
MercyCrowd\*

Muslim Peduli\*  
Nayifat  
Nikstarter\*  
NuzakiCrowd\*  
Provesty\*  
Pusat Pungutan Zakat\*  
Qardus  
Sadaqah Ummah Crowdfunding

Sahlah\*  
Shafiq\*  
Social Banking\*  
Ta3meed  
Tawakul  
UpEffect  
WakafYuk\*  
Yielders  
ZakatPedia\*

**ISLAMIC ENABLERS**

Albaraka Garaj  
ConexCap Ventures  
FiNX22  
Goodforce Labs\*  
Ground One Ventures  
Mountain Partners\*

**DATA & ANALYTICS**

Arabesque\*  
Capnovum\*  
Finalytx  
IdealRatings\*  
MyFINB\*  
The Zeal Corporation

**PERSONAL FINANCE MANAGEMENT**

Halofina\*  
IslamiChain  
MyAhmed\*  
My Wassiyah  
Noor (Robi Axiata)  
Pewarisan\*  
Tontine Trust

**P2P FINANCE**

ALAMI Sharia  
Ammana Fintek Syariah\*  
Beehive  
Blossom\*  
Bsalam\*  
Crowd  
Dana Syariah

Easi Up\*  
Ethis  
Forus  
Funding Souq\*  
Goolive\*  
Halal Launcher\*

HalalSky\*  
Investree\*  
Izdihar\*  
JumahPay  
Kapital Boost  
Lendo

MicroLeap  
Nusa Kapital  
Papitupi Syariah  
Qazwa  
Raqamyah  
Seed Out

Themar\*  
WeFundMatch\*  
YallaGive  
Zakatify

**ROBO ADVISERS**

Aghaz Investments  
Algebra  
Cocoa Invest  
Ethica Invest\*  
Ethica Invest\*

Sarwa  
Taqwa Invest\*  
Wahed Invest  
Wealth Simple\*

**TRADING & INVESTMENT**

AAM Commodities\*  
AbleAceRaakin  
AmanaTrade\*  
Aqar Chain\*  
Aurexo

Bareksa\*  
Bedford Row Capital  
Bursa Suq Al Sila  
Candle\*  
CoinMENA  
Connectif Technologies

CowryWise\*  
DDCap  
EIGER Trading Advisors  
Finispia  
Hakbah  
Haseed Invest\*  
HelloGold

Iman  
Inabl\*  
Inaia  
Intro Crowd\*  
Invest Sharia\*  
Islamic Finance Guru

Islamicly  
Kapital Grow  
Minted  
MoneyFellows  
Nester  
Quantum Metal\*

Sedania As Salam Capital  
StashAway\*  
Sustain Exchange\*  
Tamasia\*  
Thndr  
Waqfinty  
zoya

**PAYMENT, REMITTANCE & FX**

AlinmaPay  
Alneo  
Amazon Payment Services\*  
BitPay\*  
Digipay\*  
Etijar\*

FlexxPay  
GoPayz\*  
Hala  
IDPay\*  
Iran Pay\*  
Jawwal Pay  
Kinesis\*

LinkAja Syariah  
Mah Card\*  
MCash  
Menapay  
MonamiTech\*  
Moneyar

MoneyMatch\*  
MuslimPay  
MyMy\*  
NakitBasit  
NowMoney\*  
OVO\*

PayHalal  
Pay.Ir\*  
PayPing\*  
PayRad\*  
PayTren\*  
PayZakat  
Poolam\*

SnapNPay\*  
TEEK TAKA  
Touch 'n Go\*  
Tulus\*  
WorldRemit\*  
ZinkPay