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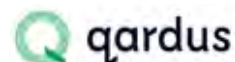


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Battle of the best

Islamic fintech start-ups have had a hard year which makes all the victories – no matter how big or small – so much sweeter. While harsh operating conditions have forced a few to shutter, many have proven their resilience and are soldiering on strongly.

It is in this backdrop we are delighted to publish the 2022 edition of the IFN Financial Innovation Report. In this issue, we evaluate the most significant trials and triumphs of the global Islamic fintech sector over the last year. We also hear from the Islamic fintech founders and CEOs about their market projections and challenges they face in scaling up in the seminal annual Islamic Fintech CEO & Founder Survey. And we have curated several articles from market leaders on key trends across some of the most important verticals.

Several fintech verticals stood out this year including digital or challenger banking, blockchain and cryptocurrencies (there have been more talks about Islamic metaverses!), while the P2P finance and crowdfunding space continues to grow from strength to strength.

It has been a roller coaster of a year! And as shared by market leaders in their articles in this report, it would be an interesting one next year as the sector continues to mature.

Most sincerely,



Vineeta Tan
Managing Editor



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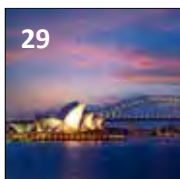
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Islamic fintech in 2022: Survival of the fittest?

Funding faltered. Licenses pulled. Companies shut down. The global fintech scene, including within the Shariah fintech realm, over the last 12 months seemed grim. Yet, there are a few bright spots reminding us that the prospects for digital financial services which respect Muslim sensitivities are still strong.

Islamic fintech start-ups have not been insulated from the macroeconomic shocks which have shaken the global fintech community. Funding has plunged significantly to a nine-quarter low to US\$74.5 billion in the third quarter of 2022, a 34% drop quarter-on-quarter, according to CB Insights.

“

This is also a show of consolidation where companies without strong fundamentals are weeded out. Start-up failure rates are high, up to 90%, and Islamic fintech is no different

”

While one may rationalize the decline as a readjustment of the markets following record-high investments in 2021, none can deny the fact that the threat of a global recession exacerbated

by surging interest rates, ballooning inflation and the ongoing Russian invasion of Ukraine have spooked investors.

Data from CB Insights suggests that the pressure has forced more fintech start-ups to bow out in the July–August 2022 period than any other quarter over the last 12 months. A handful of fintech start-ups operating in accordance with Shariah principles also fell victim to harsh economic conditions including some in the UK, Central Asia as well as Southeast Asia including MuslimPay in Malaysia and Berkah Fintek Syariah in Indonesia.

Driving the early demise of these start-ups is mostly the lack of funding, an essential lifeline.

“Several have closed down or are in the process of exiting the market which perhaps reflects the very challenging market conditions. Yet, this is also a show of consolidation where companies without strong fundamentals are weeded out. Start-up failure rates are high, up to 90%, and Islamic fintech is no different,” one Halal fintech start-up CEO explained to IFN Fintech.

Stronger demand

Yet, investor reticence should not be automatically construed as a lack of demand for Halal digital financial services. Demand is plentiful, and it is growing year-on-year based on the increasing number of enquiries received, Islamic fintech start-ups tell IFN Fintech.

“

Investors, particularly venture capital (VC) firms which are agnostic in their investments, are more comfortable writing bigger cheques to back promising Islamic fintech start-ups.

”

In fact, while unforgiving market conditions have pushed some players out, the commercial opportunities of Shariah fintech are nonetheless luring new players into the market. The IFN Islamic Fintech Landscape has identified 338 start-ups across 12 verticals globally, as at the 15th October 2022, up from 262 a year ago. The 29% growth is supported by new entrants such as in Malaysia where the number of Islamic P2P providers (including on a window basis) have grown eightfold and where its central bank also licensed two Islamic digital banks. In Saudi Arabia, more fintech start-ups are seeking official Shariah compliance assurance including Buy Now Pay Later (BNPL) platform LDUN and supply chain finance platform Lamaa while the Saudi Central Bank licensed at least 10 payment fintech companies.

Concurrently, existing players are steadily expanding their geographical footprint to capture opportunities in new markets. For example, Saudi-based Islamic BNPL platform Tamara **forayed** into the UAE; payment fintech Cashew, headquartered in the UAE, **has begun putting** in place building blocks to expand into Saudi Arabia; Southeast Asia's Islamic crowdfunding platform Ethis opened its doors in Oman; while Bahraini Islamic cryptocurrency trading platform CoinMENA **secured licenses** to operate in Egypt, the UAE and the EU.

And although investors have become more selective in whom they invest in, the funding pipeline has not dried up. Investors, particularly venture capital (VC) firms which are agnostic in their investments, are more comfortable writing bigger cheques to back promising Islamic fintech start-ups.

We see this in crypto trading platform Rain **raising** US\$110 million in Series B funding; Islamic robo-advisor Wahed **landing** a US\$50 million Series B deal; Pakistan-based Abhi **raising** US\$17 million in Series A funding; Jordan's Iiwwa **securing** US\$18.5 million in pre-Series B funding; Uzbek Islamic fintech start-up IMAN **closing** a US\$1 million seed round, and launching its US\$3 million post-seed round;

Indonesia's ALAMI **concluding** its pre-Series B round for an undisclosed amount, building its confidence to tap the market again next year for up to US\$80 million; while Canada's Manzil **attracting** CA\$2.44 million (US\$1.95 million) in seed funding.

Investors willing to put (more of) their money into Islamic fintech start-ups are a huge win for the industry as it signals rising familiarity, and confidence, of conventional investors in Islamic fintech.

“We need Islamic fintech champions; successful start-ups who can demand the attention of investors and clients at a regional or international level because this will help the sector as a whole and shine the spotlight on Halal fintech and on what it can do. This then would ease the path for all of us when it comes to seeking funding or penetrating the market,” said one founder.

Bigger ambitions

Another sign of a maturing sector is the fact that more Islamic fintech start-ups are assuming a broader mandate than what they initially set out to do. Across different markets, we are seeing fintech start-ups offering Halal products pivoting to become providers of more comprehensive services. For some, this is a growth strategy; for others, it is a survival strategy.

UK-based Kestrl, for example, started out as a Halal personal finance money app, and has added software-as-a-service (SaaS) provider to its repertoire. In August, the consumer app **signed a deal** with Malaysia's Bank Islam to develop and implement personal finance management features for the bank's new digital bank. By taking on SaaS, Kestrl has essentially expanded its target market base from retail consumers to include institutions.

Household names such as Wahed from the US and ALAMI from Indonesia on the other hand are priming themselves to become full-suite Islamic fintech platforms.

Wahed in September this year **launched** an equity crowdfunding platform, another step toward the Islamic robo-advisor's ultimate ambition to become a one-stop shop for digital Islamic financial services following its acquisition of Islamic digital banking start-up Niyah in December 2020. P2P platform ALAMI early this year obtained a digital mobile banking license for the Islamic rural bank it acquired in 2021; fueled by its latest funding, the start-up will focus on building its digital banking capabilities. Conventional SME digital financing platform Funding Societies, which began offering Islamic trade finance in Malaysia, is also laying the blocks for a digital banking proposition — in June, it acquired CardUp, marking its entry into the payments and remittance space; in April, its Indonesian arm invested in an Indonesian bank and it is also **working on** making a stronger Islamic fintech play.

Digital bank rush

Fintech start-ups are not the only ones gunning for digital banking glamor. Incumbent banks, from Asia to the Middle East, are also scrambling to have skin in the game as they feel the heat from customers demanding for more sophisticated digital services.



In Malaysia, Bank Islam shed its image of digital inertia as the country's oldest Islamic bank with the **rollout** of the country's first cloud-native digital bank, Be U, after constant engagement with the regulator, paving the way for others to follow suit. Al Rajhi Bank Malaysia is close to launching its stand-alone digital bank as well — IFN Fintech learned that the Islamic bank has completed building the architecture (in an impressive 10 months) and is waiting for clearance before officially launching sometime this year.

These new digital outfits materialized in the backdrop of Bank Negara Malaysia (BNM) granting five digital bank licenses, including two for fully-fledged Islamic digital banks. While the jury is still out on how these challenger banks will fare, industry observers agree that the entry of these licensed virtual banks has pushed incumbents out of their comfort zone and compelled them to take digital banking seriously.

In Saudi Arabia, the government in February **approved** its third digital bank, D360 Bank, a fully-fledged Islamic bank backed by the Saudi sovereign wealth fund. D360 Bank will join Saudi Digital Bank to serve the Muslim market with Halal products. Kuwait is closer to welcoming its first Islamic digital bank as Bahrain-based Ahli United Bank (AUB) will **convert** its Kuwaiti subsidiary into a fully digital bank as requested by the Central Bank of Kuwait as Kuwait Finance House has completed its acquisition of AUB in October.

Robust regulation rollout

Another theme for 2022 is regulations.

Islamic fintech CEOs and founders consistently ranked the lack of enabling regulations as their biggest barrier to scale up, after

funding, as per the annual IFN Islamic Fintech CEO & Founder survey. Policymakers in key Islamic financial jurisdictions are trying to change that.

“

While the jury is still out on how these challenger banks will fare, industry observers agree that the entry of these licensed virtual banks has pushed incumbents out of their comfort zone

”

In Malaysia, BNM **released** a discussion paper on licensing digital insurers and Takaful operators (DITO) as well as an **exposure draft** on cloud technology risk assessment. The DITO framework is the central bank's effort to complement its digital bank initiative. Securities Commission Malaysia on the other hand **proposed** a regulatory framework on managing technology risks by capital market entities.

As part of its efforts to clamp down on illegal digital investments and online lending, the Indonesian Financial Services Authority



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or Otoritas Jasa Keuangan (OJK) issued anti-money laundering and terrorism financing prevention guidelines for crowdfunding platforms after releasing new crowdfunding rules (which accommodate Islamic platforms) to support its existing regulations. Year-to-date, OJK has shut down at least 494 illegal online lending sites and 50 digital investment platforms.

State Bank of Pakistan began formally regulating digital banks with the **release** of a new digital bank framework, under which it received 20 applications. Securities and Exchange Commission of Pakistan (SECP) **confirmed** it is amending its regulations on non-banking finance companies to provide a framework for P2P financing and it is developing rules for micro and digital-only insurers. SECP also **published** a concept note on digital asset management companies as part of its push for a “completely digital asset management ecosystem” comprising mutual fund distribution platforms, digital investment advisors and digital asset management firms.

“

*Start-up
founders find solace in knowing that
there are meaningful positive changes in
the industry*

”

The Saudi Central Bank has updated its rules for debt crowdfunding activities to be more comprehensive. This comes as the government **unveiled** a new fintech strategy to more than double the size of its fintech community by 2025 and to raise the share of digital payment transactions to 70%.

Capital Market Authority of Oman revealed to IFN Fintech that is working on a framework for digital assets, which it hopes to launch before the end of the year.

Kuwait's central bank **formulated** new digital bank guidelines, with a view of licensing its first digital bank before the end of 2022. AUB could very well be it, but telecommunications company Zain in 2019 also entered into a partnership with Boubayan Bank to build an Islamic digital bank.

Central Bank of Bahrain, one of the most progressive advocates for digital financial services in the region, **expanded** the scope of financing models in its rulebook to include “new and innovative” consumer financing business

models, paving the way for technology-mediated solutions including BNPL platforms.

Meanwhile, in Iran, the central bank **inaugurated** its regulatory sandbox as part of its plans to overhaul the Islamic Republic's fully Islamic banking industry.

The UK, one of the largest Islamic fintech markets in the world by number of start-ups, **engineered** the Alternative Finance Order 2022, which adopted changes to recognize fintech businesses while taking into consideration the unique challenges Islamic fintech start-ups face, particularly for P2P platforms and home purchase plan providers.

Rainbow after the storm

It has been a turbulent year to say the least.

Around this time last year, the industry was fairly optimistic about the sector's growth as the world adjusted to the COVID-19 pandemic, which has catalyzed digital innovations in the global financial industry. 2021 became the ground for unprecedented digital transformations and this has set the scene for investors and regulators to pump in more resources to develop the right start-ups and infrastructure.

Barely into the first quarter of 2022, however, Russia invaded Ukraine and this set off a domino chain of reactions on the global economy compounded by ongoing local geopolitical developments. With hardly any time to breathe after being strangled by the pandemic, global supply chains were squeezed yet again sending food and energy prices soaring. Inflation continued to spike, and many lamented the cost-of-living crisis as a global recession looms.

And while Islamic fintech start-ups find it harder to court funding as investors are more careful with how they spend their dollar due to the economic conditions, start-up founders find solace in knowing that there are meaningful positive changes in the industry. They are reassured by the regulators' efforts to create a conducive environment for fintech activities; they are hopeful that investors are warming up to the idea of Islamic fintech; they are delighted by the increasing demand for Halal digital financial services; and they are thankful for the challenges thrown at them which allowed them to test their ideas, products and strategies under pressure to devise a better game plan. In our survey of Islamic fintech CEOs and founders, most are, surprisingly, optimistic about the growth projection of the industry, despite being battered by market conditions.

After all, in the words of German philosopher Friedrich Nietzsche: “What doesn't kill you, makes you stronger.” ☺



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IFN Fintech Survey 2022

From July to September 2022, over 200 Islamic fintech founders and CEOs were invited to share their forecasts and observations on the Islamic fintech industry as part of the annual Islamic Fintech CEO and Founder Survey. Responses came in from Europe, Southeast Asia, the Middle East, North America and Africa.

Key highlights:



- A majority of Islamic fintech leaders (92%) are optimistic, if not highly optimistic, about the growth opportunities for Islamic fintech despite challenging macroeconomic conditions, which some believe, have created new prospects for Halal digital financial and investment services.



- Malaysia maintains lead as most conducive Islamic fintech ecosystem; how other jurisdictions, particularly the UAE and Indonesia, have closed the gap significantly indicating growing maturity of the global Shariah fintech landscape.



- Access to funding remains the biggest challenge faced by Islamic fintech start-ups in scaling up, exacerbated by difficult market conditions driven by geopolitical upheaval, followed by regulatory barriers and a lack of Islamic finance literacy.



- Over two-thirds of start-ups surveyed intend to raise funding over the next 12 months.



- About 35% are seeking funding of at least US\$5 million over the next year to fuel their expansion strategy.



- A majority (78%) believe investors hold Islamic fintech businesses in a positive light.

(Cautious) optimism runs high

Despite the world teetering on the edge of a recession amid persistent severe macroeconomic challenges, founders and CEOs of Islamic fintech companies are surprisingly bullish about the growth trajectory of their verticals, although this is not without concerns.

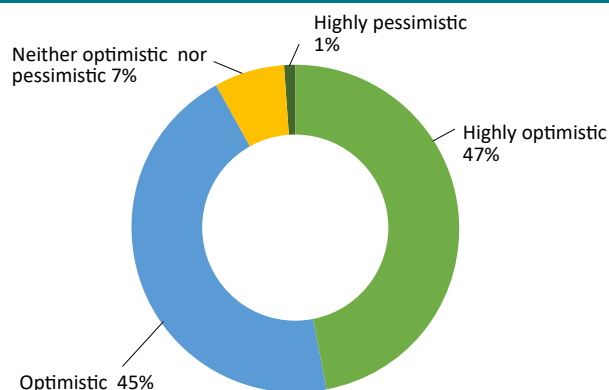
The lion's share (47%) are highly optimistic while 45% are positive that their sectors would continue to grow during the 2022/23 period. The sentiments are in line with industry projections — the global fintech market is expected to be worth US\$332.5 billion by 2028, from US\$112.5 billion last year, demonstrating a compound annual growth rate of 19.8% during the forecast period, according to Vantage Market Research.

The projections come amid record-high inflation and multiple financial crises in emerging and developing markets, which have forced the hands of central banks across the world to simultaneously raise interest rates, with a degree of synchronicity not seen in the last 50 years, according to the World Bank. Analysts believe rates will continue to hike well into 2023, but it may not be enough to tame global inflation back to pre-pandemic levels.

"Unless supply disruptions and labor-market pressures subside, those interest-rate increases could leave the global core inflation rate (excluding energy) at about 5% in 2023 — nearly double the five-year average before the pandemic," a World Bank study found.

"Global growth is slowing sharply, with further slowing likely as more countries fall into recession. My deep concern is that these trends will persist, with long-lasting consequences that are devastating for people in emerging market and developing economies," said World Bank Group President David Malpass. While still cautiously bullish, none of the respondents are disillusioned about the challenges that lie ahead, given a global economic downturn, trade disagreements and logistical challenges.

Chart 1: How optimistic are you on the growth of your sector over the next 12 months?



"Despite the ongoing challenges presented by the Ukraine conflict, we have a positive market outlook as the global economy exits the extremely difficult last two years," opined one UK-based director.

A fellow UK-based peer echoed a similar sentiment. "Every year is challenging in its own right. The challenge of the next 12–18 months is demonstrating product–market fit and setting the foundations for scaling up across market share, products and geographies."

"The next 24 months, the outlook for Islamic fintech is slight gradual growth in the GCC and ASEAN countries, but there is huge growth expected in Africa. Consumer and investor sentiments are still wait and see, and of caution," observed one Islamic fintech founder based in Malaysia.

An Australia-based practitioner shared: "The general outlook is to consolidate and apply survival mode at the moment, [and] meanwhile push for more innovation and productivity in order to battle the bear market and have access to funding opportunities that will help in the continuous growth of our business and the ethics we are eager to broadcast."





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SURVEY RESULTS

Most conducive Islamic fintech ecosystems — Indonesia edges forward

Last year, Malaysia was the clear winner when it came to being the most preferred destination for Islamic fintech, far outperforming its peers by a large margin — almost 40% of the survey respondents in 2021 singled out Malaysia as the most conducive Islamic fintech ecosystem, ahead of the UAE by almost 25 percentage points.

This year, however, the playing field has become more leveled. Malaysia still leads with a 24% market share, closely followed by the UAE at 20%, while Indonesia rose (12%) up in the rankings from fifth in 2021 to third, displacing the UK to fourth at 10%, followed by Saudi Arabia (9%).

The closing of the gap between last year's forerunner with its peers is good news as it suggests the industry is maturing as a global collective.

These top five ecosystems in the last 12 months each achieved notable progress. Malaysia, for example, issued its much-anticipated digital bank licenses, two of which would comply fully with Islamic principles, as well as released digital Takaful and insurance guidelines; the UAE formed the Dubai Virtual Assets Regulatory Authority to regulate businesses relating to virtual assets; Indonesia introduced more stringent P2P finance laws to weed out unhealthy players; the UK proposed changes to the Alternative Finance Order to broaden its scope with a view of benefiting P2P platforms; while Saudi Arabia issued new crowdfunding rules and licensed digital banks.

The rankings are largely in line with current standings. The top five preferred Islamic fintech destinations of CEOs and founders are indeed currently the top five largest markets for Islamic fintech by headquarters. As at the 20th October 2022, the IFN Islamic Fintech Landscape identified 51 Islamic fintech service providers in Indonesia, 49 in Malaysia, 41 in the UK, 32 in the UAE and 27 in Saudi Arabia.

Funding remains the biggest challenge

Access to capital remains the most difficult challenge to navigate for most Islamic fintech start-ups. Thirty-eight percent of respondents identified funding as their biggest hurdle to scaling up, followed by regulatory barriers and low Islamic finance literacy. And this year may be even more challenging due to weak macroeconomic conditions.

"Equity markets continue to be an issue but our biggest cause for concern is access to capital to grow," said a CEO of a Halal digital investment management company.

A Malaysian fintech start-up agreed. "It would be a tough market as the economy slows down and funding dries up. However, it is also refining our business model and building our fundamentals right."

This optimism to take advantage of slow market conditions is also seen in other regions. In Nigeria, one start-up admitted that its major challenge would be the lack of funding due to the spillover effect of a looming recession in the US and the Russia-Ukraine war slowing markets down; however, it

Chart 2: Most conducive and supportive Islamic fintech ecosystems

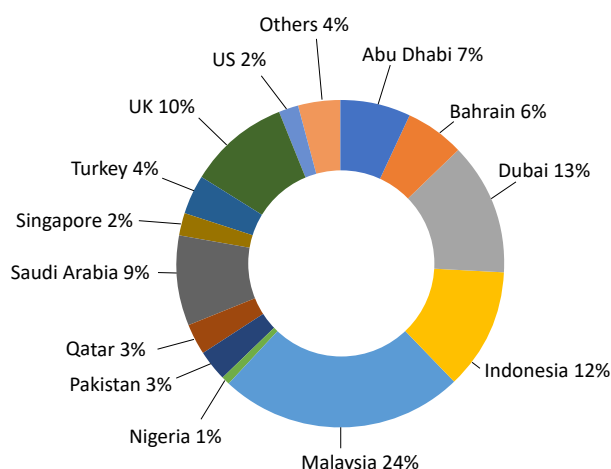


Chart 3: Biggest challenges Islamic fintech face in scaling up

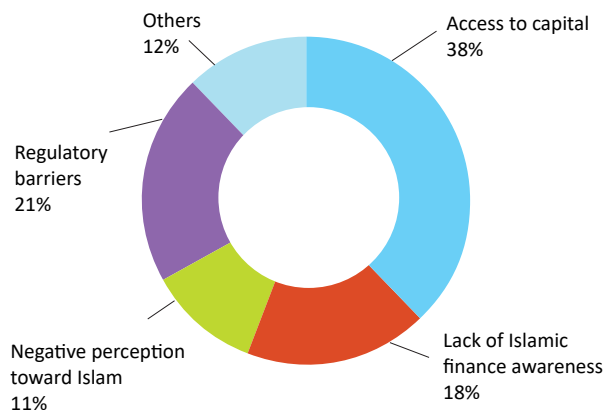
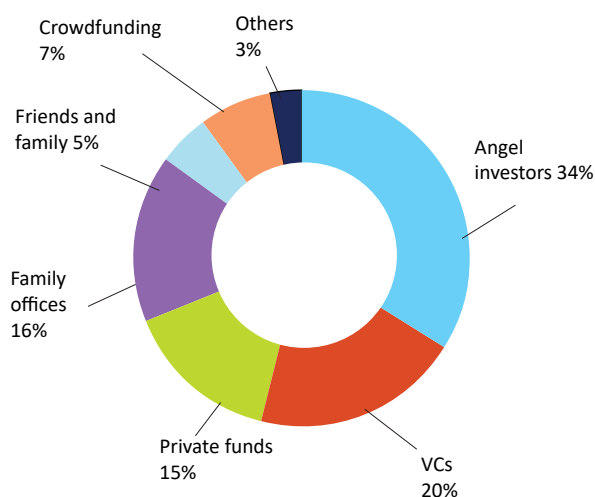


Chart 4: Types of investors sought by Islamic fintech start-ups



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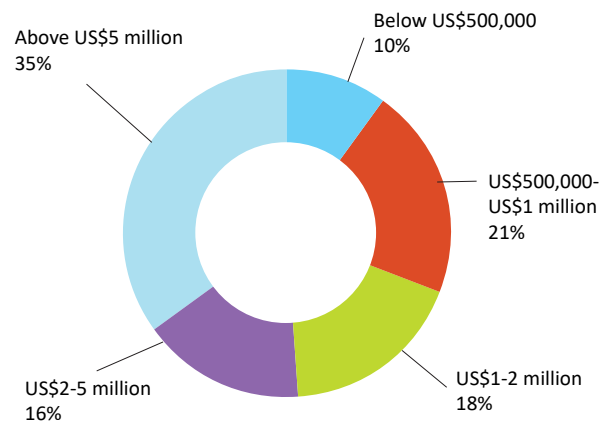
continues to see tremendous growth potential due to the infancy of the market.

Nonetheless, it must be noted that several notable funding rounds were closed in the last 12 months, reflecting the strong funding undercurrent for Islamic fintech service providers among investors, particularly conventional or agnostic investors. Bahrain-based Halal cryptocurrency exchange RAIN raised US\$75 million while the UAE's Tabby closed US\$50 million in the second half of 2021. In Indonesia, ALAMI closed its pre-series B round while Ethis Indonesia raised US\$3 million.

Despite perceived difficulty in accessing funding, over 71% of start-ups surveyed intend to raise capital over the next 12 months, with about 12% withholding from tapping the market. Almost 78% believe investors hold Islamic fintech businesses in a positive regard, fueling their confidence.

Founders and CEOs expressed a greater preference for angel investors (34%) over venture capital (VC) firms (20%) and family offices (16%). Despite business angels typically forking out much smaller-sized investments relative to VCs (US\$25,000–100,000 versus millions in average), there are advantages to business angels over VCs that are more alluring to start-ups. For example, angel investments typically take place on a shorter timescale due to more relaxed due diligence processes unlike VCs which wrangle with relative bureaucratic inertia and fund economics, and angels tend to

Chart 5: Target funding amount of Islamic fintech start-ups over next 12 months



also provide better terms and are more open to more flexible deal structures.

Only 9% of start-ups surveyed are looking for single investors to fulfill their funding needs while the rest are looking for multiple investors, as expected based on respondents' preference for angels. In terms of funding ticket size, 35% of those seeking for funding over the next year are eyeing at least US\$5 million, followed by the US\$500,000-1 million range (21%) and the US\$1-2 million range (18%). (2)

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ISLAMIC CORPORATION FOR THE DEVELOPMENT OF THE PRIVATE SECTOR

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The Islamic Corporation for the Development of the Private Sector (ICD) is a multilateral organization affiliated with the Islamic Development Bank (IsDB). Its authorized capital stands at US\$4 billion, of which US\$2 billion is available for subscription. Its shareholders consist of the IsDB, 55 member countries and five public financial institutions. Headquartered in Jeddah, the ICD was established by the IsDB Board of Governors during its 24th annual meeting held in Jeddah in Rajab 1420H (November 1999).

The mandate of the ICD is to support the economic development of its member countries by providing financial assistance to private sector projects in accordance with the principles of Shariah, aimed at creating employment opportunities and enhancing their export potential. Furthermore, the ICD has the mandate of mobilizing additional resources for projects and encouraging the development of Islamic finance. It also attracts co-financiers for its projects and

provides advice to governments and private sector groups on policies aimed at encouraging the establishment, expansion and modernization of private enterprises, the development of capital markets, best management practices and the enhancement of the role of the market economy. The ICD's operations complement the activities of the IsDB in member countries and also those of national financial institutions. (2)

Website:
icd-ps.org

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Facebook: icdps
YouTube: ICDPS_TV



BNPL concerns underline importance of Islamic financing

The country's move to regulate the Buy Now Pay Later (BNPL) facility has been a hot topic in recent months.

The rampant proliferation of non-bank BNPL providers is indeed a cause for concern as more Malaysians are saddled with debts causing a rise in bankrupts especially among the young adults.

But it would not be fair to blame the BNPL players for the surge in household debts as the root cause is often pointed at consumers' irresponsible credit card usage. The credit card facility is a common BNPL instrument.

Statistics showed that Malaysia's household debt rose to RM1.38 trillion (US\$308.74 billion) as at the end of 2021, from RM1.27 trillion (US\$284.13 billion) in 2020.

What is concerning about BNPL, which is normally interest-free, short-term financing, is that approvals are loosely given based on basic credit information of the consumers without a thorough assessment of their ability to service the installment payments.

Tightening of the BNPL framework would hopefully address rising debts.

The enactment of the Consumer Credit Act (CCA), which is expected to be presented in the second quarter of 2023, will serve as a preemptive approach after observing the trend, risk and potential impacts on consumers' financial position.

The CCA will be administered by the Consumer Credit Monitoring Board, which is led by the Ministry of Finance.

There is an ideal alternative to the conventional BNPL for these non-bank credit providers to consider.

Shariah financing is not under the purview of the CCA as its principles are in accordance with Shariah (Islamic law).

Islamic banking in Malaysia is strictly regulated as it is governed by the Shariah Advisory Council of Bank Negara Malaysia.

This is a Shariah committee that essentially ensures all Islamic personal financing in Malaysia adhere to the Shariah principles which exclude all of the following practices:

- **Haram** — Businesses that include gambling, alcohol, tobacco, pornography and more
- **Riba** — Income made from interest-bearing loans
- **Gharar** — Speculative or risky sales where the value is dubious or uncertain, and
- **Zulm** — Activities and practices that are exploitative, oppressive or cruel.

As Islamic finance emphasizes partnership and risk-sharing, it could be very useful in vastly bridging the access to financing for the poor and small businesses on a global scale, especially since non-Muslims are not prohibited from using Islamic financial services.



*Khairul Nisa Ismail
CEO of Sedania
As Salam Capital*

Overall, economic growth would be fostered as a decrease in poverty would be complemented by budding small businesses getting better opportunities to simultaneously grow, increase output and generate jobs.

Moreover, the further adoption of Islamic finance and its principles helps to strengthen financial stability as it avoids leverage and speculative financial products, two factors which brought upon the financial collapse of various banking systems across the world during the global financial crisis in 2008.

Recognizing the growing importance of Islamic finance, Sedania As Salam Capital (SASC) wants to play a huge role in helping financial service institutions (FSIs) move into this segment, backed by SASC's strong track record in empowering Islamic financing and fulfilling its principles. Its notable accomplishments within the fintech spectrum encompassed pioneering As-Sidq, Malaysia's only Shariah compliant digital Islamic financing platform which to date has served the Tawarruq needs of over 80 financial services institutions.

Assidq.com launched in 2019, becoming the first online Islamic financial marketplace in Malaysia that facilitated customers' Islamic financial needs through personalized profile checks, approvals and disbursements.

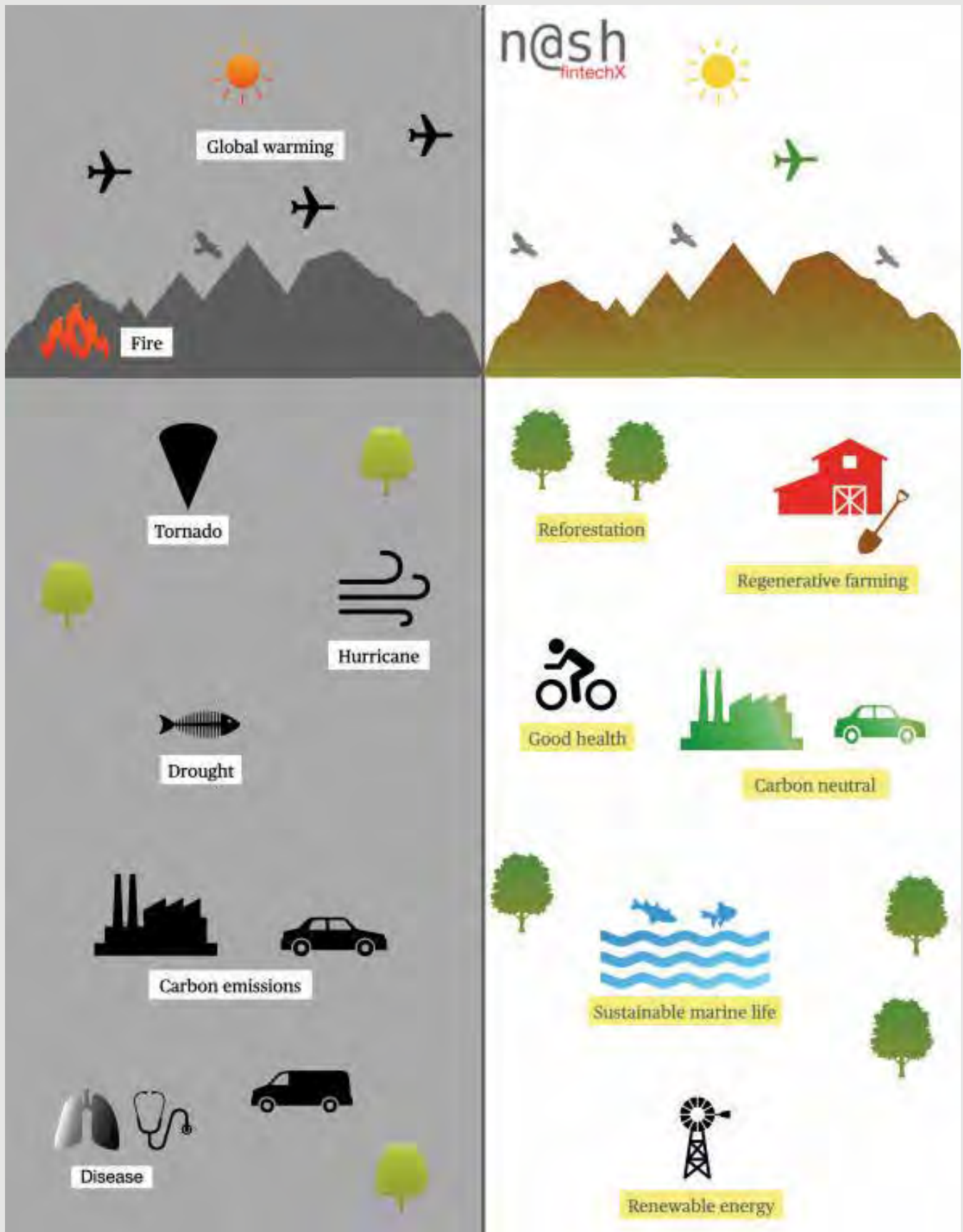
That is not all. We are also a strong proponent of financial inclusivity and unfortunately BNPL does not address the underbanked or unbanked segments, as those who want to enjoy the BNPL facilities need to own a credit card.

However, the following question remains: how many of these underbanked or unbanked segments own a credit card? Not many.

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As such, we are able to help financial service institutions to tap into these segments via our GoHalal Financing Programme (GHP) which addresses the urgent demand for financing, especially for those impacted by the COVID-19 pandemic.

SASC's GHP is an ideal solution, which enhances and improves the financing ecosystem for consumers, particularly amid the rapid digitalization of the financial services industry.

The GHP was launched by SASC in 2021, with Grab and JCL Credit among its prominent partners to date. The program offers Shariah compliant financing that would facilitate an Islamic financing environment by equipping community credit companies with the necessary procedures and required tools to provide more convenient and secure access to financing for the Malaysian community.

The one-of-its-kind GHP has key Shariah compliant features such as Shariah advisory services by Afsha Shariah Advisory and the As-Sidq Digital Trading Platform using digital commodities for real-time transaction and processing, key features crucial in upholding Shariah principles for microfinancing. Subsequently, its capabilities were further strengthened through the incorporation of 'E-mandate' (automated recurring collection platform) in collaboration with Curlec, while also adding Takaful protection to the program by partnering with FWD Takaful.

As key clients Grab and JCL Credit continue to record an increasing average daily number of transactions via the GHP platform which has simultaneously grown over the same period, one of SASC's huge goals going forward is to vastly accelerate the Islamic cash financing agenda. This would be supported by its constantly improving technological expertise, which includes a reliable credit scoring mechanism that accurately captures

data on historical repayment track records and background checks to determine the amount of financing available to any given individual.

Besides continuously expanding the GHP's reach and promoting Islamic financing, SASC also aims to more effectively utilize strategic partnerships with internationally recognized technology players to create the most conducive fintech ecosystem which caters to the needs of financial services institutions and consumers.

SASC's notable technology partners include Crealogix and Mambu, both who already operate seamlessly using digital solutions within new types of digital banking environments. These partnerships provide SASC with the required capabilities to ably support the development of digital banking infrastructures and enhance convenience for customers to secure financing.

While technology-driven SASC has the capabilities to empower Islamic financing toward circumventing risky BNPL schemes, it is also vital that Shariah-financing agencies understand the importance of having robust standard operating procedures (SOPs) in place, to avoid similar conundrums of the past which plagued conventional financial institutions.

From a credit risk perspective, Islamic finance institutions can be exposed badly by defaults on loans as they are prohibited from charging any interest or imposing penalties. During this period, capital is trapped and cannot be utilized to generate income from other avenues.

To better mitigate this risk, SOPs which ensure better collateralization and more insightful pricing of contracts are needed, such as making it mandatory to use in-depth data analysis methods to evaluate the risk profile of customers.

Additionally, Islamic financing institutions need to be wary about operational risks such as failures in internal controls involving processes, people and systems, as well as Shariah non-compliance which may damage their reputation. In this case, SOPs need to be crafted with a view toward creating reliable reporting procedures which provide reasonable assurance of the soundness of operations and maintain strong governance standards.

More importantly, having a dedicated Shariah advisory council to advise and assist the Islamic financial institutions in implementing Islamic financial products is key to maintaining the strict adherence to its principles.

Essentially, the issue surrounding BNPL has brought to light the credit risks associated with it but on the other hand highlights the importance of Islamic financing, which we can further optimize and offer innovative as well as diversified financing products to (almost) all walks of life. (3)



ESG considerations as a fintech

Background

Founded in 1998, DDCAP Group (DDCAP) is an industry-leading market intermediary and financial system solutions provider, connecting the global Islamic marketplace responsibly via its proprietary system, ETHOS Asset Facilitation Platform (ETHOS AFP). DDCAP aspires to be a best-in-class, responsible and sustainable fintech and supports awareness of the business and ethical case for responsible finance. With its headquarters in London, DDCAP's representative offices in the Dubai International Financial Centre, Manama and Kuala Lumpur provide a global footprint and enable the company to connect into ESG initiatives not only in Europe but also across the GCC and Southeast Asia.

Alongside its core offering, DDCAP frequently explores investment opportunities with early-stage Islamic market-focused businesses that have exceptional fintech strategies. DDCAP's management is of the opinion that Islamic fintech SMEs like itself, and those within the wider Halal economy, have great potential to embed sustainable and responsible practices across the wider industry and considers such investments as a natural complement to its own ESG initiatives and industry goals.

Through DDCAP's Sustainable and Responsible Actions (SRA) Programme, by which ESG considerations are addressed, DDCAP has made the public commitment to endeavor to develop a more sustainable, equitable and prosperous world and supports the view that those in business must adopt strategies to deliver not only financial results but also social and environmental outcomes. To further support this initiative, DDCAP became a service provider signatory to the UN Principles for Responsible Investment in 2016 and a stakeholder endorser of the UN Principles for Responsible Banking in 2020.

ESG considerations

There has been a significant global awakening to the ESG agenda in recent years and, consequently, conversations have become more focused around how businesses can intervene to address an ever-increasing number of issues. Within this dialogue are unique considerations for the potentially energy-intensive businesses of fintechs, as the digital world counts for 3% of total global emissions (this being more than the global aviation industry). Such considerations have been central to the ongoing development of DDCAP's automated platform, ETHOS AFP, to ensure that ESG principles are embedded across its functionality.

In 2021, DDCAP committed additional resources from its existing SRA governance structure to build upon its environmental achievements to date and develop a more formalized environmental policy to support both its daily commercial activities and internal operations. As part of this initiative, DDCAP achieved the following:

- Engaging a third-party service provider to assist in measuring its environmental footprint and in setting plans to monitor and reduce this footprint and improve ESG performance generally



- Forming an eco-partnership with a tree-focused charity to provide not only staff volunteering opportunities but also, through its carbon-offset program, the ability to offset its carbon footprint through the development of urban greenspaces in underprivileged areas and improving urban air quality
- Committing to renewable energy where possible. For example, DDCAP's London office uses only renewable energy and its hosted servers are supported through energy generated 100% from renewable sources, and
- Reviewing the carbon efficiency of the DDCAP websites as well as reviewing email etiquette and in-box maintenance policies to reduce preventable emissions.

Conclusion

DDCAP has 25 years of experience in championing best practice and as part of its commitments made and achievements to date, DDCAP recognizes that it must continue these proactive steps to ensure that it continues its sustainability journey. For emerging fintech companies, they can leverage their own ability to respond to these issues by partnering with appropriately validated ESG-focused initiatives, whose services and actions align with their individual Shariah and responsible practices and can be shared with other participant firms practising within our wider industry to create capacity and scale. Together, existing leaders and new market entrants can support the broader Islamic finance industry to make the transition to a more ESG-focused way of business. ☺



Islamic fintech: Alternative financing for SMEs

SMEs play a vital role in developed and developing countries and are major contributors to job creation and growth. According to the World Bank, they represent about 90% of businesses and more than 50% of employment worldwide. However, access to finance is still a key constraint to SME growth. The International Finance Corporation (IFC) estimates that 65 million firms, or 40% of formal MSMEs in developing countries for example, have an unmet financing need of US\$5.2 trillion every year, which is equivalent to 1.4 times the current level of global MSME lending.

Traditionally, banks have been unable to fill this funding gap for a variety of reasons ranging from regulatory constraints to inefficient customer journeys that make access to financing for SMEs through traditional methods long and complex. This has led to the emergence of alternative finance providers (peer-to-peer (P2P) lending, crowdfunding and other fintech start-ups) that were quick to develop products and processes that made access to finance quicker and easier for SMEs.

P2P lending and crowdfunding platforms use their technology to seamlessly match SMEs looking for financing with investors (individual or institutional) who are looking to generate returns by funding them.

In the Islamic finance space, even though the US\$2.2 trillion global Islamic finance industry is expected to continue to grow

at double-digit rates, the nascent Islamic fintech ecosystem is only just starting to have an impact on the industry as a whole. As the COVID-19 pandemic has accelerated the adoption of digital financial solutions by consumer and businesses, Islamic fintech platforms are starting to focus more and more on the underserved SME market.

Funding SMEs that were financially excluded due to a lack of Shariah compliant business financing options plays a vital role in driving financial inclusion and prosperity. Financial inclusion is positioned prominently as an enabler of other development goals in the 2030 UN SDGs. The ethical and Shariah compliant screening criteria used by Islamic fintechs also ensure that the business activities and use of proceeds of the SMEs are ethical. Investors are hence able to generate financial returns, while also making a strong social impact.

Table 1: Islamic FinTechs that provide SME debt financing

Qardus	United Kingdom	Expansion and working capital	Financial Conduct Authority
Liwwa	Jordan	Term/Merchant/Factoring/Working capital	N/A
Lendo	Saudi Arabia	Invoice	Saudi Arabian Monetary Agency
Themar	Saudi Arabia	Purchase financing	Saudi Arabian Monetary Agency
Raqamyah Platform	Saudi Arabia	Working capital/POS finance	Saudi Arabian Monetary Agency
Forus Financial	Saudi Arabia	Working capital/Invoice/POS finance	Saudi Arabian Monetary Agency
Beehive	Saudi Arabia/UAE	Term finance/Working capital	Dubai Financial Service Authority
Funding Sooq	Saudi Arabia/UAE	Business loans	Dubai Financial Service Authority
Kapital Boost	Singapore	Asset purchase/Invoice	Financial Services Authority
Alami Sharia	Indonesia	Invoice/Purchase order/Community based	Financial Services Authority
Investree	Indonesia	Online seller/ Invoice financing	Financial Services Authority
Ammana Fintek Syaria	Indonesia	Business capital	Financial Services Authority
Papitupi Syariah	Indonesia	Various	Financial Services Authority
Qazwa	Indonesia	Supply chain financing	Financial Services Authority
Dana Syariah	Indonesia	Construction	Financial Services Authority
Blossom Finance	Indonesia	Microfinance	Ministry of Cooperatives
MoneySave	Malaysia	Various	Securities Commission Malaysia
MicroLeap	Malaysia	Various	Securities Commission Malaysia
Capsphere	Malaysia	Term/Contract/Invoice	Securities Commission Malaysia
Capbay	Malaysia	Supply chain financing	Securities Commission Malaysia
Nusa Capital	Malaysia	Growth finance	Securities Commission of Malaysia
Funding Societies	South East Asia	Various	Monetary Authority of Singapore
Ethis	South East Asia	Supply chain financing	Securities Commission Malaysia

Note: The Islamic fintechs highlighted in Table 1 are either P2P or crowdfunding (equity- and/or debt-based) platforms.

Source: Qardus



There are around four million Muslims in the UK and 25 million in Europe. Qardus was the first to offer UK SMEs innovative Shariah compliant working capital financing solutions to help them grow. The UK has a long-established track record in the P2P and crowdfunding space since 2005 and has by far the largest market share in Europe. This sector is regulated by the Financial Conduct Authority.

In the Middle East, North Africa, Afghanistan and Pakistan region, the average share of SMEs in total bank lending is about 7%, and as low as 2% in certain GCC countries according to the IMF. Liwwa, founded, in 2013 was the first to establish an SME lending marketplace in Jordan, whereas Beehive from the UAE was the first P2P lending platform to be regulated by the Dubai Financial Services Authority in 2014. Both simultaneously offer conventional and Islamic financing options for SMEs on their platforms. In Saudi Arabia on the other hand, Shariah compliant crowdfunding platforms launched from the regulatory sandbox of the Saudi Central Bank (SAMA) and only recently started obtaining licenses after successfully passing the trial phase. SAMA currently lists nine permitted debt crowdfunding platforms on its site of which some offer Shariah compliant SME financing.

In Southeast Asia, there is a US\$320 billion SME funding gap according to the IFC, with 51% of SMEs in the region remaining largely underserved. Indonesia in particular, a country with the largest Muslim population in the world, presents a substantial opportunity for Shariah compliant fintechs as the penetration of Islamic banking is still surprisingly low at about 7% of the

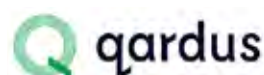
banking system (McKinsey). A number of P2P and crowdfunding platforms such as Funding Societies, Ethis and Alami Sharia are stepping in to meet the demand. Malaysia on the other hand, a country with a 37% Islamic finance penetration rate by the end of 2020 (Reuters), currently has 11 registered P2P operators of which a number of them offer Shariah compliant business finance alongside conventional business finance.

Going forward

For this sector to flourish in the long run, a number of challenges have to be addressed. The challenges range from access to credit data in developing countries to the availability of Shariah compliant institutional funding lines to help crowdfunding platforms scale. In areas where the crowdfunding experience is relatively new such as Saudi Arabia, it remains to be seen how these platforms would perform in adverse economic conditions, including the recovery mechanisms in place on behalf of investors when SMEs default. Ensuring the fair treatment of debtors as well as creditors will go a long way to establishing trust in this sector. This is especially important given that P2P and crowdfunding arrangements are not protected by deposit guarantee schemes. (2)

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Meeting the unique needs in Islamic wealth management

The world's first solution incorporating the concept of Islamic charitable endowment such as the Waqf Private Client Foundation ensures Labuan IBFC's pole position.

With its complete suite of Islamic wealth management structures and solutions, effective regulatory standards, a Shariah Supervisory Council (SSC) and facilitative business environment, Labuan IBFC is well-placed to cater to the needs of the global Islamic wealth management industry.

Solutions such as private foundations, Waqf foundations, Islamic trusts and private trust companies as well as an entire raft of Islamic fund management vehicles definitely facilitate the wealth management needs of a growing Islamic Ummah.

Underpinning these innovative structures is Labuan IBFC's comprehensive infrastructure with dedicated legislation, Shariah governance and fiscal incentives for Shariah compliant financial transactions, providing a facilitative and flexible framework for industry players.

This in turn creates a facilitative base from which industry practitioners are able to create innovative solutions to meet customized demands and preferences, especially in order to meet the expectations of ultra-high-net-worth individuals (UHNWIs).

In Labuan IBFC, Shariah compliance is endorsed by the Labuan Financial Services Authority (Labuan FSA)'s SSC comprising leading global Shariah scholars and practitioners. This is a key point as unlike other similar bodies in other jurisdictions, Labuan IBFC's SSC takes on a supervisory role, not merely advisory, and hence SSC rulings are able to be used as a reference in the court of law.

In promoting the growth of Islamic wealth management, Labuan IBFC also offers a conducive environment for global Islamic banking and re-Takaful players to operate. In fact, Labuan IBFC is one of the few common law jurisdictions that offer clients a choice of common law trusts and civil law foundations embedded with Shariah compliant solutions.

Labuan Islamic trust and Labuan Islamic foundation have attractive features which wealthy families, individuals and non-profit organizations can use for various purposes including wealth creation and accumulation, succession planning, asset protection, enhanced confidentiality, asset consolidation and management, family investment planning and heirship planning.

In recent years, Labuan IBFC has further expanded the horizon of possibilities in Islamic wealth management through its private client Waqf foundations which have attracted interest from founders in Asia Pacific such as Singapore, as well as Jordan and Saudi Arabia from the Middle East.

The Labuan International Waqf Foundation is an Islamic private foundation which creates a unique solution which allows for an endowment via the principles of Waqf to be incorporated into a private foundation allowing a substantive addition to the standard private client Islamic foundation.

Waqf as we know benefits not only the Muslim Ummah, but mankind in general and is distinct from pure charitable giving, as it only allows for the benefits of the Waqf asset to flow to the designated beneficiaries while the asset itself must remain sustainable and independently managed to ensure it continues into perpetuity, with God's grace.

Indeed, Labuan IBFC is the first jurisdiction in the world to introduce the ability to utilize the concept of Waqf in wealth preservation and management using contemporary and internationally recognized foundation laws.

The distinct advantage of establishing a Waqf using a foundation as the legal structure is it offers the founder (Waqif) legal certainty, thus allowing proper control and management of the Waqf in accordance with the founder's wishes based on the Shariah principles on Waqf and provides for greater transparency, organized structure and thus, sustainability in the management of Waqf assets.

The founder may establish different kinds of Waqf according to customized preferences and needs such as self-dedicated Waqf, charitable Waqf, joint Waqf and family Waqf. Thus not only is there an option of a standard Waqf foundation, Labuan FSA has also envisioned various modalities of this structure to meet the expectations of UHNWIs.

The unprecedented growth of the Islamic finance industry

The Islamic financial industry has seen an unprecedented pace of growth and development in the past 30 years. The industry has also been evolving to meet the changing needs of the modern economy, especially now as players venture into new frontiers to bring greater value to the economy, society and environment.

In Islamic finance specifically, Labuan FSA is committed to continually working in tandem with the market to further develop its Shariah compliant offerings in order to spearhead innovation and acceptability of Islamic financial solutions, including but not limited to developments in Islamic wealth management. The new frontier of Islamic fintech is an area to watch out for, with a business-friendly regulator which adheres to international standards of compliance from prudential, Shariah and international standards of governance as well as transparency. ☺





Do we need Islamic venture funds?

This is a straightforward question that does not have a straightforward answer. Let's analyze this issue from two different played-out roles — the one of an investor, and the one of an investee.

The investee (the target company) needs money to grow, mature and deliver value to its shareholders. The source of funds is of secondary importance. Presumably, if we accept that at least the fiat currencies are Shariah compliant, then most funds are compatible with Shariah. As was proven by Indonesia's Alami Sharia during its numerous funding rounds, the company does not become less Islamic when it receives infusions of conventional money.

This week, Wahed Invest received US\$50 million in investments from Wa'ed Ventures, the venture capital arm of Saudi Aramco, as well as several family offices and soccer player Paul Pogba. The investors are not strictly Shariah compliant but they still drove the value of this Islamic start-up to US\$300 million.

So, it is clear that Islamic venture funds are not essential to the Islamic economy. As late Chinese leader Deng Xiaoping once said: "Buguan hei mao bai mao, zhao dao laoshu jiu shi hao mao — No matter if it is a white cat or a black cat, as long as it can catch mice, it is a good cat."

Now, let's turn to the Shariah compliant investors. Most of them are rather conservative and prefer to keep their money in sovereign Sukuk and real estate projects. But the Islamic investment

landscape is changing — the new generations of ethical investors are getting interested in private equity, venture capital and crypto assets. By definition, such investors cannot participate in conventional funds as their investment strategies are not regulated by Shariah. So, Islamic funds must exist to cater to these investors. Such funds may invest in conventional projects, as long as they do not contradict the Islamic law. Malaysia's Shariah compliant venture capital firm Ficus Capital does just that — it invested last year in Eclimo, an electric vehicle manufacturer.

So, it is clear that Islamic venture funds are essential to the Islamic economy.

To make sure that we cover the entire investment universe that caters to Islamic start-ups, I should point out the existence of formally conventional funds that structure their funding activities in a Shariah compliant manner. Exactly such a *modus operandi* was declared by Abu Dhabi-based Shorooq Partners's Nahda Fund I that widely uses Murabahah and Ijarah arrangements but does not have a Shariah board.

Some final thoughts. The Islamic economy is witnessing a strong 'new economy pull effect' — it is going to be driven not by massive Sukuk issuances but by a plethora of Islamic start-ups. Their insatiable thirst for growth funds will provide the necessary push for the development of the Islamic venture capital industry.

Dr Vladimir Malenko is the director of FairFinance. He can be contacted at malenko@youxiainvestments.com. (📧)

Instant payment revolutionizing Islamic finance industry

The Islamic finance industry is maximizing the use of technology to create platforms that will allow users to reap the benefits of financial services. Thus, most Shariah compliant fintech companies are penetrating the Islamic finance industry to help individuals in more ways than one. Owing to this, people in the Middle East and Africa can save, pay and transact money for different causes by using mobile applications. MOHIT SHRIVASTAVA explains how instant payment is changing the landscape of online payments in the Middle East and Africa.

The penetration of instant payment methods is further increasing the dependency on the same. This in turn is helping the Islamic economy to thrive in the best possible way. According to Future Market Insights, the instant payment market is expected to register a staggering double-digit compound annual growth rate of 18.1% by garnering a market value of US\$126.4 billion by 2032. The growth of instant payment can also be attributed to most government authorities emphasizing on cashless economies along with the increasing use of cloud-based services that make instant payment secure.

Islamic fintechs — shaping the landscape of instant payment

Islamic fintech start-ups are booming in the Middle East and Africa. This has led to the launch of various methods of online payments along with an opportunity to try and test the outcome of different online payment facilities. With the innovation of different online payment methods by Islamic fintechs, the dependency on the same is expected to increase. Owing to the rapid disruption fintech companies are causing, most people from Middle Eastern and African countries are showing interest in using these services.

For instance, HAKBAH, an Islamic fintech, is not only offering an alternative for financial savings but is also providing a one-stop solution for savings groups to initiate, manage, join and pay instantly using the mobile application. Through this, the company is increasing the chances of financial inclusion of individuals, thus closing the gender gap in savings. Moreover, with the facility of instant payment available on the mobile application, not only will sending and receiving money become easier but also all the transactions will be recorded, thereby gaining the trust of consumers.

E-commerce sites — attracting consumers to use instant payment

Most instant payment companies are focusing on attracting users to make online payment. This has led to collaboration between e-commerce sites and instant payment companies. The digital shift for online payment will not only ensure that the money is received but also help the buyers and sellers to keep track of the details of the transactions. In addition, most e-commerce companies are offering attractive discounts on purchases in order to attract consumers to make online payment.

For instance, in August 2022, Paytabs Egypt partnered with Waffarha, a digital savings platform, to introduce digital payment solutions. Through this collaboration, the company



is focusing on offering prime deals on various products at affordable prices to consumers. The products can be purchased using online instant payment methods that are backed by cutting-edge technology. Owing to the collaboration, buyers and sellers are expected to benefit. Sellers can reach a wider audience due to the availability of instant payment methods whereas on the other hand buyers can gain exceptional deals depending on the products they purchase.

Conclusion

Instant payment is not only promising a smart payment future in the Middle East and Africa but is already delivering on the same. With more Islamic fintech companies entering the Middle Eastern and African markets, online payment gateways are expected to increase. This in turn is expected to increase the revenue of small and medium-scale Islamic enterprises.

The amalgamation of e-commerce websites, attractive deals and instant payment is strengthening the use of instant payment in the region. With established players eager to invest in fintech start-ups, the instant payment system is expected to undergo dynamic changes. Furthermore, the convenience of online shopping, along with having a record of online transactions, is shaping the future of instant payment in the Middle East and Africa.

With the penetration of technology in nearly all parts of the Middle East and Africa, the reliance on the same is expected to multiply in the upcoming years. Moving ahead, end-user industries and consumers are expected to use instant payment gateways on a larger scale in the Middle East and Africa. ☺

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Challenges of Islamic crowdfunding in Indonesia

Islamic crowdfunding in Indonesia is growing to suit the needs of transactions in accordance with Islamic law. The Indonesian population, which is predominantly Muslim, is a market opportunity for the pioneers of online crowdfunding platforms. Islamic crowdfunding that applies Shariah principles has the ability to synergize financing and business sustainability. Risk-sharing between investors and business people can minimize financing risk and emphasize ethics and universal values, not only for short-term profits but can also be an ideal filter for sustainable business. DR AHMAD RAFIKI and DR RAHMATINA A KASRI write.

In short, Shariah-based crowdfunding can be donation-based, such as Zakat and Waqf; reward-based; asset-based; and equity-based. With the potential of the internet users in Indonesia reaching 204.7 million users in January 2022 as well as an internet penetration rate of 73.7% of the overall population, this makes the responses toward Islamic crowdfunding expectedly positive.

Moreover, according to Bank Indonesia, the circulated quantity of electronic money increased by 49.06% year-on-year (y-o-y) in 2021, reaching US\$20 billion and expected to increase further by 17.13% y-o-y to US\$24 billion in 2022. Meanwhile, the value of digital banking transactions is expected to climb 24.83% y-o-y to US\$3.4 trillion in 2022. These facts contribute to a strong basis of the development of Islamic crowdfunding in Indonesia.

It is understood that Islamic crowdfunding brings the following effects; i) access to capital, meaning that this would

be an alternative financing for businessmen or entrepreneurs to run and develop the business especially for SMEs, ii) improving the welfare of business owners (especially the SMEs) through the increase of capital and the value of the business, so that they are able to create opportunities, not only for businesses but also the property sector which can offer affordable housing for the community — the 62 million SMEs in Indonesia are important as they contribute to more the 57% of GDP and absorb more than 97% of employment, and iii) economic growth — the distribution of funds to businesses would open chances for economic growth in many ways.

Moreover, Islamic crowdfunding would be a platform to create and develop start-ups. However, there are challenges that need to be faced in the current unpredictable business environment:

1. Low literacy of Islamic crowdfunding

This relates to public awareness and knowledge. The awareness should be focused and could be done through 78,156 of the total number of education Islamic-based institutions (from pre-school to university level) which include 27,327 boarding schools in Indonesia. It is significant to implement such literacy initiatives successfully in these institutions so that individuals with extensive knowledge will be more confident in making correct decisions and not be influenced by other people's opinions. In other words, knowledge influences an individual's attitude in action. Thus, appropriate and widespread knowledge and understanding can encourage donors, users or investors.

2. Limited financial instruments

A variety of alternative products and services of Islamic crowdfunding should be offered. Some innovative breakthroughs which are Shariah compliant must be introduced upon analyzing the needs of potential consumers. Creativity in services is crucial to sustain the demand.

3. Users' trust

Trust plays an important role in many social interactions and economy activities such as crowdfunding which involves uncertainty and dependence. This is because the parties in every financial transaction need a sense of safety, especially for funders who entrust their funds to third parties for fundraising. Trust management is one of the efforts in maintaining the loyalty of funders significantly and boosting the fundraising performance. Moreover, the trust influences the attitude of individuals toward participating in Islamic crowdfunding. Thus, creating and increasing user's trust must be initiated through intense collaboration among stakeholders.

4. Quality of the project's presentation and campaign

This focuses on the role of Islamic crowdfunding companies that should be meticulous and careful in delivering the messages related to Islamic crowdfunding. The first impression on the best content is required to attract participants as well as convince them of the benefits of the schemes, especially the millennials

or young people who are attracted by creative and valuable things.

5. Regulation


Policymakers and regulators should focus on the growth of this segment and create a strong legal framework for example due to the potential number of start-up companies that will use Islamic crowdfunding platforms. The proposed framework must be integrated with other financial instruments. The legal, Shariah, operational and risk aspects must be strictly regulated and the rules on fair competition should be enforced. Lastly, the need for an active supervisory body in Islamic crowdfunding is vital to ensure the progress of Islamic crowdfunding aligns with the aim of maximizing Maslahah.

6. Lack of quality human resources

Despite being a Muslim-majority country, Islamic economics and finance as an education subject was only introduced in the 2000s. As such, particularly for new and 'frontier' areas such as Islamic crowdfunding, there are very limited human resources. Even though there are currently around 800 undergraduate programs in Islamic economics/finance, most of them have low accreditation. Moreover, the curriculum mostly focuses on 'traditional' subjects such as Islamic banking and Islamic law. Thus, this is a big challenge to strengthen the industry.

Despite the impressive breakthroughs by the pioneers and potential Islamic crowdfunding companies such as Alami, Ethis, etc, which have been recognized, Islamic crowdfunding platforms must be included and integrated in comprehensive systems of the Islamic financial industry. The existence of Islamic crowdfunding is expected to be the next game changer that brings solutions to various stakeholders particularly the SMEs as the backbone of the country's economy. ☺

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IFN Islamic Finance news

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Established in 2004, **Islamic Finance news** covers all realms of Islamic finance, providing professionals around the globe with a vehicle to educate and understand the market, the players, the individuals and perhaps more importantly, the benefits over and comparisons with the conventional banking system.

Australia's emerging Islamic finance sector to be enabled by next-gen financial technologies

While Australia's Islamic finance industry is still in its infancy, there is a clear opportunity for tech-focused banks and financial service providers to capture a growing and engaged consumer base, with 3.2% of the Australian population identifying as Muslim. PAUL APOLONY writes.

As Australia's Muslim population grows, so too does the market for Islamic finance. With the country's first official Shariah compliant bank, Islamic Bank Australia, granted a restricted authorized deposit-taking institute license by the Australian Prudential Regulatory Authority in early July 2022, the scene is now set for the Islamic finance industry to begin to make its mark in Australia.

Technology is poised to play a pivotal role in the future of Islamic finance in Australia, with the nascent industry not reliant on the complex digital transformation strategies that many conventional banks have undergone (or are undergoing). Rather, the Australian Islamic finance industry has a unique opportunity to be 'born in the cloud', with next-generation (next-gen) technologies at the core from the very beginning.

Shariah compliant fintechs enhancing financial inclusion One of the key benefits of digital banking, besides speed, convenience and lower cost, is the capacity for technology to improve financial inclusion. Now, in a country such as Australia, where close to 100% of adults hold a bank account (that is, are considered 'formally banked'), this may not seem a critical issue. However, it is important to understand that owning a bank account does not mean a consumer has access to all of the financial products and services they need and want. The kind of financial inclusion that can be enabled by innovative digital financial technologies results in consumers having simple and affordable access to banking products and services that meet their needs and align with their individual ideologies.

As we have seen in conventional financial services industries around the world, the introduction of digital banking technologies has made financial services accessible to a whole new audience of consumers, some who have never had access to the formal economy before. Whether it is mobile payment technologies or the ability to open a bank account via a smartphone, digital banking technology has been instrumental in changing the financial services landscape globally.

In the Islamic finance space, digital financial technologies can open up access to Shariah compliant banking products and services that would otherwise not be available. In Australia, where Islamic banking has been extremely limited up until now, these new tech-enabled Shariah compliant providers are enabling access to appropriate, relevant and in-demand products and services to a growing audience of Muslim consumers.

Gen Z and millennial consumers seek ethical banking options Interestingly, it is not just consumers who identify as Muslim

who are showing interest in Shariah compliant financial services. Worldwide, younger generations are increasingly demanding that their banks behave ethically, either via responsible investments, meaningful environmental initiatives or other ways of 'doing good'.

In many regions, this focus on ethical banking has resulted in Gen Z and millennial consumers turning away from traditional bricks-and-mortar banks toward neobanks and challenger banks that promise to deliver ethical financial services with the convenience and simplicity enabled by digital banking technology.

As the focus on ethical banking grows, Islamic finance is beginning to be seen as a viable financial alternative to conventional banks, not just for Muslim consumers, but for ethically-minded consumers from a range of backgrounds. In Australia, as awareness around what Islamic finance is and what it enables grows, we expect to see increasing interest in these services from outside the Muslim population.

Australia's Islamic fintech industry expected to grow In regions with high Muslim populations such as the UK, Asia and the Middle East, there has been a surge in new fintech innovation dedicated to providing Shariah compliant financial services and overhauling the somewhat antiquated traditional Islamic financial services industry, with the global Shariah compliant fintech industry estimated to be worth upwards of US\$128 billion by 2025.

We can expect to see a number of new Australian Islamic fintechs launching — or existing global fintechs launching Australian operations — to capitalize on the growing Muslim population and the increasing interest in Islamic finance as an ethical financial alternative. With new players entering the market bringing competition and burgeoning consumer interest, the Australian Islamic finance industry is expected to experience rapid and sustained growth within a relatively short time frame.

Technology is the cornerstone on which the Australian Islamic finance industry will be built. At this crucial early stage of the industry's development, it is vital that banks and financial providers considering the Islamic market recognize the Shariah compliant technology options available, and envisage how they can capitalize on the opportunities that technology like cloud, artificial intelligence, machine learning and data analytics can enable. ☺

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Islamic DeFi: An opportunity to bring ethics and faith into the cryptoverse

Cryptoassets are key to the future of finance

Crypto has moved from the fringe of fintech to become one of the fastest-growing sectors in finance. Venture capital funds invested over US\$30 billion into crypto investments in 2021. The total value of global crypto-related mergers and acquisitions increased from about US\$1.1 billion in 2020 to some US\$55 billion in 2021 although the total crypto market cap remains smaller than the US\$3 trillion-plus Islamic finance sector at around US\$1.85 trillion^[1]. Within crypto, the decentralized finance (DeFi) sector is still comparatively small at around US\$200 billion of 'total value locked' in smart-contract-based protocols worldwide, leaving vast potential growth ahead.

How much of this venture funding was explicitly for Islamic or Halal crypto projects? Stats are hard to find but I estimate it is less than US\$10 million, despite the US\$3 trillion-plus evidence of Shariah-sensitive finance demand. As an active angel investor and start-up advisor, I have been on both sides of the fundraising table and there are still many challenges when it comes to funding for the Halal tech sector and on top of these, crypto investing is even more risky with a much higher incidence of poor governance, scams or failed projects, making it a minefield for investors especially on projects where sometimes founders and scholars bizarrely remain anonymous.

After 25 years in finance and markets, I genuinely believe that — for the first time in the centuries since interest-based, centralized banking was introduced — blockchain and the associated cryptocurrency technology offers humankind a real prospect of taking finance closer to the communities it is meant to serve with a new decentralized approach, but what exactly is DeFi?

DeFi 101: Cryptocurrencies are critical

It is ironic that central banking — core to almost every capitalist economy in the world — is actually a key pillar of Marxism/communism. Simplistically, it is a state-run monopoly in the business of money that persists even though the decentralized private sector tends to be much better at delivering innovation, efficiency, quality and economic value/wealth creation. Bitcoin is the first and still most decentralized (and hence neutral) cryptocurrency whose value is completely immune to monetary abuse, devaluation and political weaponization. Currently, institutional bitcoin trading volumes account for 99% of transactions over US\$100,000 and it remains the cryptoverse equivalent of gold or a 'reserve asset' that will continue to appreciate over the long term while the fiat money inevitably devalues.

Cryptocurrencies are critical to the functioning of any DeFi ecosystem as it allows financial settlement to occur directly within a set of financial 'smart' contracts with immense efficiency, cost, transparency, audit and compliance benefits. With respect



to Shariah, some scholars have noted that technology of cryptocurrencies/coins/tokens and their associated blockchains are intrinsically Shariah-neutral but the source of a coin's value needs to be fully assessed to ensure a token is Halal or Haram given the prevalence of interest-based lending in the cryptoverse. This is a view I personally support — one Fatwa does not fit all.

2021 was the year the crypto finally became institutional as inflows hit US\$9.2 billion to push the crypto assets under management to US\$62.5 billion. Indeed, the CEO of DBS Bank, a US\$700 billion Singaporean centralised finance (CeFi) titan, recently shared his belief that: "Bitcoin will continue to grow as a meaningful store of value in a similar vein to gold." It is important to note that cryptocurrencies are equally useful in both CeFi and DeFi which explain why many of the world's largest banks have collectively invested US\$3 billion into crypto and blockchain technologies. Emerging market leader Standard Chartered leads the pack with US\$380 million invested and is joined by CeFi powerhouses JPMorgan, Goldman Sachs, Santander and Citibank among others, all investing hundreds of millions each. Where are the Islamic Banks?

DeFi is a true use-case of blockchain, smart contracts and cryptocurrency technologies

Blockchain technology is specifically suited for Islamic finance which is ideally asset-backed, although in substance current practices tend to fall short of the ideal given customer demand. Islamic business principles around transparency, fairness and the binding contractual agreement between parties fit perfectly with this new technology. In addition, DeFi crucially relies on smart-contract technology to enable peer-to-peer trustless financial activity and can economically liberate individuals to become entrepreneurs, investors or even collectively their own 'bank'.

^[1] <https://coinmarketcap.com/> 20/03/2022

Smart contracts can incorporate the entire financing structure, contract, underwriting risk and compliance processes into the ledger of second-generation blockchain solutions. The various nominal contracts used in Islamic finance (for example Ijarah, Mudarabah, Salam and Murabahah) can also be automated through smart-contract logic together with the relevant tokenized assets.

Regulations and processes involving know-your-customer, anti-money laundering and consumer protection can be codified into smart contracts. As such, it is entirely feasible in the future to have an Islamic 'decentralized bank' operating profitably in the metaverse that is funded, owned and collectively run by their communities allowing people to transact with no intermediaries and no discrimination.

However, while crypto exchanges report growing transaction volumes of tens of billions of dollars every day, millions of Halal-sensitive Muslims remain shut out of this ecosystem because of the fear and confusion of cryptocurrency being prohibited or 'Haram' given the wide diversity of opinion among scholars.

The Islamic crypto economy has barely begun

Currently, it is observed that no Islamic bank is yet offering crypto assets to retail customers — which may make sense given the high-risk aversion and current profitability of their existing business. Nonetheless, various crypto and DeFi platforms are emerging to attract the younger stakeholders of billion-plus of Halal-sensitive consumers as well as those looking for a more ethical approach. Halal crypto will ensure that the community will be a part of this new high-growth economy that will create many new jobs and businesses globally. As such, it is important to remove the confusion and friction around the 'Haram' perception of crypto in some quarters so that Muslims can enter this space with a clear conscience.

While still very immature, DeFi platforms hold huge promise. The most prominent Islamic platform is currently MRHB DeFi^[2] ('Marhaba') which raised over US\$5 million^[3] from the community in December 2021 to build an entire, eight-product Halal cryptoverse that includes non-interested based lending, non-fungible token market and crypto income products. The telegram community has over 45,000 of mostly millennials and Gen Z members across five languages and has a Shariah governance board that has a key role in the design of the products and not just certification. MRHB may potentially (in future) apply a decentralized governance model to give token holders direct power to determine the direction and conduct of the ecosystem and enable more autonomous decision-making. (Disclosure: Acreditus Partners, founded by the author, is a strategic shareholder of MRHB.)

Shariah governance is challenging in this fast-growing space with only a handful of scholars currently fluent in crypto. Perhaps to

reduce this bottleneck, maybe it is best in the future if Shariah compliance can be devolved to a decentralized body of scholars who through the use of specialized Shariah governance tokens can ensure the Halal integrity of the platform. This perhaps befits a faith that has multiple schools of Shariah jurisprudence and no centralized institutional authority to dictate compliance and hence is itself somewhat decentralized (with the strengths and weaknesses this entails).

Can DeFi drive greater financial empowerment for everyone?

The benefits of DeFi extend far beyond Islamic finance. Following the 2008 global crisis and then the COVID-19 pandemic, there is a widespread perception that the centralized financial system is failing the needs of the '99%'. Financing of the economy seems far more lucrative than the real economy and money printing is driving yet more inequality. Economic growth is still greatly dependent on Riba/interest-based, debt-fueled consumption rather than productive investment and 'stagflation' (low growth and high inflation) is a distinct possibility. Given this sorry state of affairs, one can argue that our centralized finance is already failing younger and lower income populations worldwide and many Muslim communities in particular are particularly vulnerable to exclusion.

At its ideal, DeFi will allow communities to build multiple self-sustaining ecosystems that allow individuals to better manage their own financing, wealth and assets without centralized institutions sitting in the middle, slowing the process and extracting fees. More specifically, it allows the more socially conscious to build a more accessible, fairer and ethical or Halal crypto platform that is governed according to their community values. DeFi ecosystems can better support the needs of local communities versus the one-size-fits-all macro policies to really devolve economic and entrepreneurial wealth creation to the lowest levels of society. Crucially, decentralization is also one way to prevent racial and religious discrimination in financial access.

Clearly, this is just the beginning of ethical and Halal DeFi and there are still many risks in such an infant technology. However, with over three trillion dollars of assets in the Islamic finance sector, there is room for many Halal crypto platforms focused on this community and ensure they are not left behind. The focus on Halal ethics has generated significant interest from those who remain excluded due to [justifiable] fear and cynicism and — if done right — Islamic DeFi can bring the mainstream population safely into the cryptoverse.

Khalid Howladar is the chairman of MRHB DeFi, partner and founder of Acreditus Partners and head of credit/Sukuk at RJ Fleming & Co. (📧)

This article was first published in IFN Fintech in March 2022.

^[2] MRHB DeFi currently has a community numbering 50,000 over various channels of which 1,000+ invested in the various funding rounds typically reserved for VCs and HNWI's. The token launch was on 22 December 2021 more information here [CoinMarketCap](#) and is listed on [LBank](#) and [PancakeSwap](#)

^[3] <https://www.globenewswire.com/news-release/2021/12/31/2359462/0/en/MRHB-DeFi-Closes-Successful-USD5-5M-Fundraise-with-IDO-and-Announces-5-Million-Pool-of-MRHB-Token-Rewards-for-Liquidity-Providers.html>

The importance of digital Islamic finance in Lebanon in light of the financial and monetary crisis

Digital transformation is playing a major role in changing the banking business model. Islamic banks are not immune to these developments, as they are part of the local and global financial and monetary systems. Rather, Islamic banks in Lebanon have become a safe haven for customers and investors in light of the financial and monetary crisis since 2019, where most customers lost their deposits and are no longer able to benefit from traditional banking services. DR HAWRAA SBEYTI explores.

Turning to Islamic banking services in a digital way has become a duty and is significant to secure even the necessities of daily life in Lebanon, such as electricity and water. The importance of Islamic banks has emerged, especially after they have proven their worth and the robustness of their foundation was not affected by the winds of the global financial crisis in 2008. As a result, it attracted the attention of the whole world and increased interest in Islamic finance from international financial institutions.

Islamic banks in Lebanon, Al Baraka Bank and Al Qard Al Hassan, have benefited from financial technology solutions, either by adopting affiliated regulatory innovation laboratories or through partnership and cooperation between banks and financial technology companies.

Al Qard Al Hassan Foundation, the only Islamic financial institution in Lebanon, has provided soft digital financings to customers for the purchase and installation of alternative solar energy systems due to the energy and electricity financing crisis caused by the stifling cash crisis that Lebanon is currently experiencing. Islamic banks followed their own strategy for digital transformation by using solutions that suit their objectives and help customers overcome the financial crisis, at least partially.

The most prominent digital channels activated in Islamic banks are online banking services (internet banking), smartphone applications (mobile banking), banking services through social networking sites (social media), digital customer acquisition services and credit and apps.

Digital finance

In the context of the strategy of Islamic banks for innovation and development of Islamic products and the use of smartphone applications as well as the internet, Islamic banks have allowed prequalified and approved customers to obtain financing digitally. The customer will be able to complete all the necessary steps and procedures through the bank's smartphone application, and obtain financing on the same day without the need to visit the bank, or manually signing any document.

The following are Islamic digital finance models provided by Islamic banks in Lebanon:

Express Finance

Abu Dhabi Islamic Bank's digital personal finance service under Express Finance is provided through a smartphone application. This service provides eligible customers with immediate access to personal financing. Customers can obtain approval for financing within 30 minutes, and the Express Finance service provides the opportunity to obtain personal financing amounting to AED250,000 (US\$68,050.5) and AED100,000 (US\$27,220.2) respectively.

e-Murabahah

Electronic Murabahah (e-Murabahah) provided by Mawarid Finance Company is considered the first in the UAE using Murabahah online that is compatible with the provisions of Islamic Shariah, where the customer and seller complete the Murabahah process online without their physical presence (Al Marzouki 2019 p. 272).

Digital banks and branches

With the aim of simplifying banking operations and improving the experience and expertise of customers, Islamic banks have followed the approach and strategy of digitization, by employing modern technologies in banking operations, in order to achieve a competitive advantage and to complete all banking transactions with ease electronically and personally. Therefore, some Islamic banks have taken the initiative to establish fully digital banks.

Digital branches of Islamic banks enable customers to obtain banking services at any time such as cash withdrawals and cardless deposits. The branches also have a self-service banking platform which enables the following: checkbooks can be printed, immediate issuance of cards, opening various accounts, providing finance, updating customers' personal data and communicating with a customer service employee via a video call for assistance if needed. These branches offer comprehensive self-services, and they are not entirely digital but rather hybrid: only two or three employees are there to help out until people become accustomed to the digital services.

The digital branches of Islamic banks in Lebanon are:

- Bank Insha — the first interest-free digital Islamic bank in Europe, headquartered in Berlin, and affiliated with Al Baraka International Group in Germany. The Insha mobile application provides customers in Europe with interest-free digital banking services that enable new users to subscribe to the services in eight minutes. It provides savings, donations and Zakat accounts.
- Bahrain Islamic Bank — its first integrated digital branch allows customers to carry out transactions without bankers' assistance.
- Gulf International Bank — it has the largest branch of digital banking services, Meem, in Riyadh.
- Kuwait Finance House — its digital branch, 'KFH go', the first of its kind in Kuwait, provides many of the regular branch banking services through new and modern devices. ☺

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Malaysian Islamic Fintech Initiative

Malaysia is widely acknowledged as one of the most promising Islamic fintech jurisdictions in the world. Its merits are undeniable: it boasts one of the most sophisticated Islamic fintech regulatory architectures globally, it has a tried-and-tested, successful topdown approach, and it houses a vibrantly creative Islamic finance community. The key is to harness this potential and translate it into tangible rewards to spur the national economy and benefit the global Islamic finance industry.

This ambition is aligned with the Malaysian government's Shared Prosperity Vision 2030 (SPV2030), which highlights Islamic finance and the digital economy as Key Economic Growth Activities to achieve its national commitment of elevating the country to become a nation of sustainable growth. This constant drive for innovation will also ensure fair and equitable distribution across income groups, ethnicities, regions and supply chains.

The Malaysian Islamic Fintech Initiative is a product of this ambition. Organized by Islamic Finance news and supported by Malaysia Digital Economy Corporation (MDEC), the Malaysian Islamic Fintech Initiative is the country's leading industry-driven, high-level engagement series aiming to craft the national agenda on Islamic fintech, provide guidance and direction to the stakeholders and mobilize meaningful, actionable outcomes to develop the Islamic fintech ecosystem. With the input and support of regulators, government agencies, fintech start-ups, Islamic finance institutions and stakeholders from the third sector and investment community, a series of recommendations and action plans have been formed, contributing to the formulation of a high-level framework for Malaysia's Islamic fintech industry.

Finding funding success

The Malaysian government has identified Islamic fintech as a strategic avenue to further bolster its global Islamic economic standing and as a source of economic growth. There is much to gain from developing this area. However, establishing a vibrant supportive ecosystem is a collaborative exercise involving many moving components, with funding as an instrumental factor of success for any start-ups.

The importance of a robust funding mechanism was highlighted during the first two dialogues under the Malaysian Islamic Fintech Initiative. A survey with 200 Islamic fintech start-up CEOs and founders from across the world conducted by IFN Fintech in June 2021 found that funding remains the biggest hurdle faced by Islamic fintech start-ups, a persistent concern that was also highlighted by the start-ups in 2020.

To address this perennial issue, the third instalment of the Malaysian Islamic Fintech Initiative focused on mobilizing funding for Islamic fintech start-ups, who find it twice as hard to secure funding due to a myriad of factors including a lack of Islamic finance awareness and understanding from investors. These prevent Islamic fintech start-ups to grow and scale up to serve the financial inclusion agenda. The closed-door dialogue was participated by international and domestic players. (P)

DIALOGUE 1

Building Malaysia's Proposition

- Crafted 10 strategic recommendations to position Malaysia as a regional Islamic fintech hub
- Identified Malaysia's unique selling proposition and potential areas of leverage

DIALOGUE 2

Islamic Fintech & Digital Financial Inclusion

- Designed nine action plans for Malaysia to create a niche in being a leader in driving digital financial inclusion through Islamic fintech

DIALOGUE 3

Mobilizing Funding for Islamic Fintech

- Identified four key priorities and six strategic recommendations to facilitate an Islamic fintech funding ecosystem

PRINCIPAL FINDINGS

1

Malaysia is a promising emerging ASEAN fintech start-up ecosystem

2

Start-ups need to create and amplify brand story

3

Investors still unclear about differences between Islamic and conventional finance

4

Scarcity of Islamic Investment capital remains a hurdle

5

There is more than one source of funding

6

Access to human capital as important as access to funding

Mobilizing funding for Islamic fintech start-ups

RECOMMENDATIONS

1

Establish Islamic fintech incubation and acceleration programs

2

Generate awareness and amplify success stories

3

Capitalize on ESG alignment

4

Involve conventional players

5

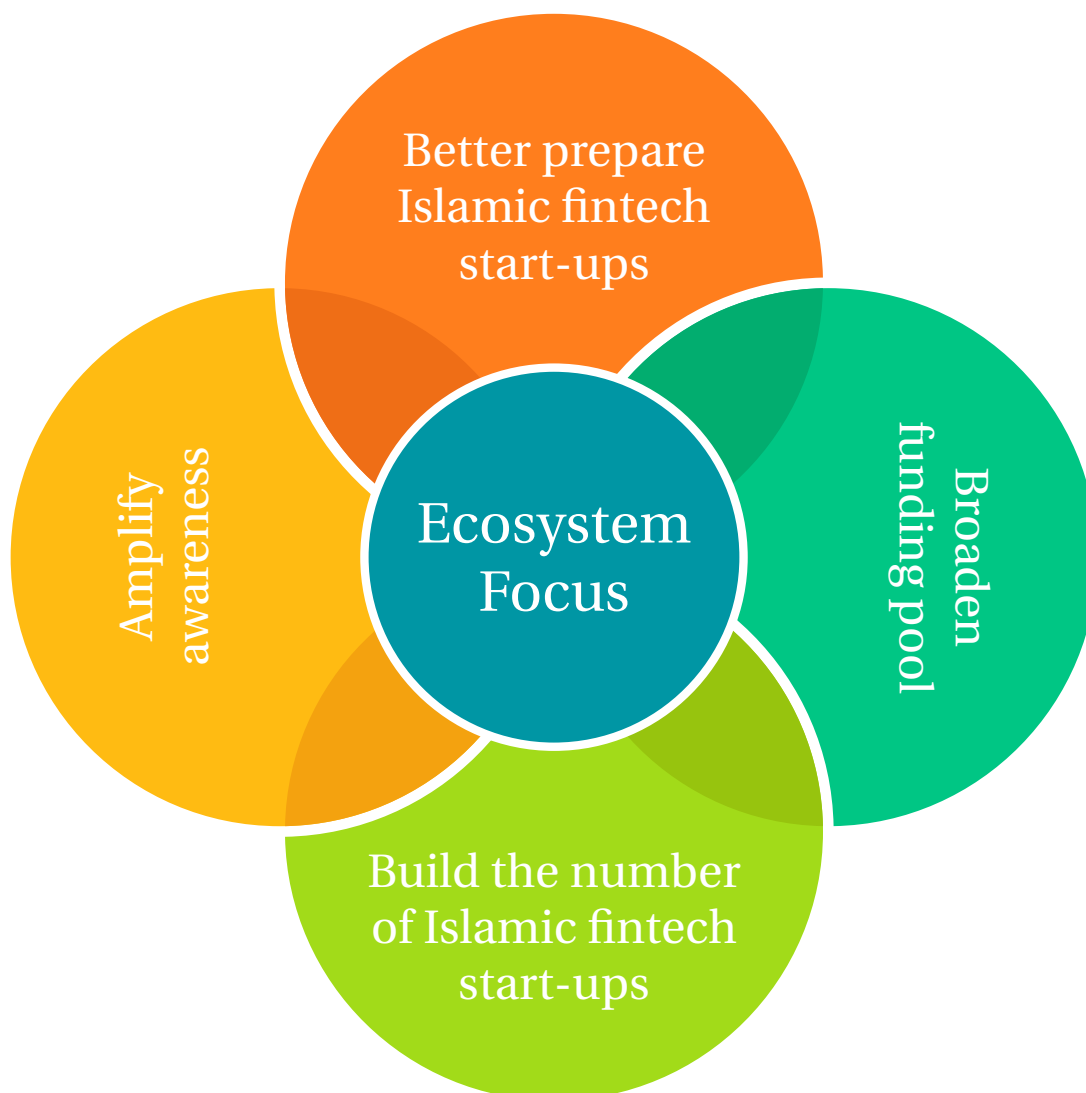
Expand alternative funding options

6

Build up talent pool

Mobilizing funding
for Islamic fintech start-ups

STRATEGIC PRIORITIES



“

How do we move to the global rankings not just in terms of emerging start-up ecosystem, but also the main global start-up ecosystem?

”

WHAT SHOULD WE FOCUS ON?

Ecosystem enablers and participants need to design and implement initiatives that would enhance the supply of capital and support start-ups scale up in an effective manner through a multi-pronged approach



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THE CLIENT

BASED: MIDDLE EAST | VERTICAL: ROBO ADVISORS | SEEKING: US\$4 MILLION

A multi-award-winning Islamic digital wealth manager, building an entire eco-system with a huge range of products and services.

The goal is to create the world's first 100% Islamic-compliant one-stop-app of the best financial products and services delivered through mobile technology reaching a global market.

"Muslims represent about a quarter of the world's population...yet, at the same time, less than 1% of global financial assets are Shariah-compliant."

Overview

The company is 100% digital and made for mobile.

The company's first digital product is wealth management. Built for a rapidly growing market looking to invest in sharia-compliant funds.

Designed to be effortless to use. Simply select your account type, confirm your risk personality and invest in pre-built managed portfolios.

Most people sign up in under 8 minutes.

Not just one product

1. Islamic Pensions:

Building on asset management capabilities and relationships the first in a range of pension products to suit consumers and their life goals for retirement.

2. Islamic Term Deposits:

Bridging the gap between high-quality attractive rate deposits to a retail global market.

3. Zakat group savings

Zakat saving pots for everyone to contribute to allowing many to make a positive global influence on charitable causes.

4. Global Remittance / FX

Send money globally and instantly at the best FX rates. No more high FX and transfer fees or waiting.

5. SMART property loans

Combining intelligent AI, consumer behaviour data and consumer psychology to lend on property investments.

6. Sukuk global marketplace

One-stop-shop to find and purchase the highest quality Sukuk.

Raising to supercharge growth

Your investment will help the company hit key miles stone by June 2023.

These milestones are minimums and The Company aims to greatly exceed.

USERS

60K

AUM

\$300 million*

Revenue run rate

\$4M

RPU p/m

\$6.5

* *statista.com (average global AUM per customer in a Robo Advisor US\$ 5,139 in 2021)*

To expand our offering

Current

Features:

Balanced Sharia Portfolios
Goal Based investing
Mobile & web application

Q3 2022

Features:

SDG scoring
Global Open Banking
(Data and Payments)
100% Sukuk Portfolios
Rounding (automatic
micro savings)

After Q3 2022

Features:

Pensions
Sharia Term Deposit
Sukuk Market Place
Instant Money Transfers
Zakat Savings Pools
Purification

Aided by Open Banking, driven by proprietary technology

Expand Globally

Current:

Bahrain CBB license
Sandbox complete and applying for full license expected Q2 2022

Phase 1:

EU (Passport Irish license)
UK
KSA
UAE
Malaysia

Phase 2:

Remaining MENA
Indonesia
India
Nigeria

Accepting global customers (excluding US)*

* Can accept all customers from any region (except US) but can only directly market in regions with a regulatory license

Technology

The company has built 95%* of its software inhouse

As well as their market-leading mobile application, they have built their core asset management systems from scratch.

Unlike other Robo Advisors, they own the full technology stack, giving them the flexibility to react to changes in customer behaviour and demands. Rolling out new functionality is a matter of hours and days not weeks and months.

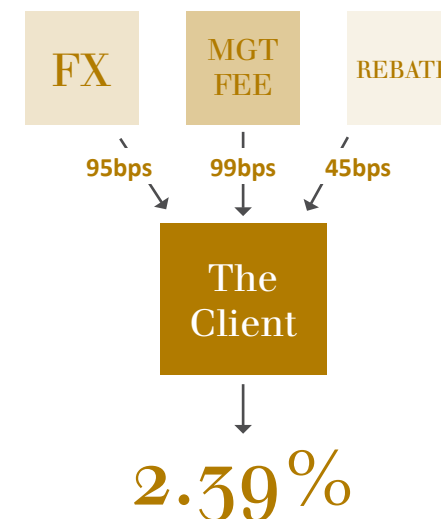
Their technology is highly extensible, allowing them to operate in multiple currencies, connect to multiple payment networks and introduce new financial products easily. They run under multiple AWS available zones; cloud hosting gives them the ability to scale quickly with demand.

Available on both iOS and android.

* The company uses Onfido for independent digital identity confirmation and screening

A More Profitable Model

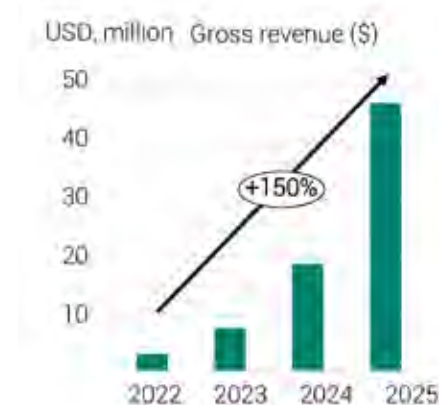
An investment of EURO 10,000 managed for one year by The Client would produce the following gross revenue. The average robo advisor collects only 0.26% gross per year for the same amount invested.*



Financial Projections

	2022	2023	2024	2025
	Forecast	Forecast	Forecast	Forecast
USERS	30,000	75,000	187,500	468,750
AUM \$	150,000,000	375,000,000	937,500,000	2,343,750,000
Gross revenue \$*	3,000,000	7,500,000	18,750,000	46,875,000

*Based on an average of 2% of AUM





PITCHDECK

THE CLIENT

BASED: EUROPE | VERTICAL: TRADING & INVESTMENT | SEEKING: GBP750,000

This 'product' is a transparent, digital marketplace for the Islamic finance industry.

It is the first market-wide, innovative, fintech solution specifically for the Islamic finance industry.

Overview

The company has developed an innovative, market-wide, fintech platform, focused on improving, simplifying and unifying the asset and liability management process (the conducting of deposit and financing transactions) across the Islamic finance industry. By allowing access to the whole market, participants can be sure of transparency and competitive pricing.

The product allows banks to connect with their counterparts and clients via a central platform, ensuring that transactions are managed efficiently throughout their lifecycle, while always ensuring Shariah compliance. With three core modules: Master Documentation & KYC Management, Trade Execution and Post Trade Management, all Islamic deposit and financing products can be transacted in real time, through one secure, shared platform.

Current state

The Islamic finance industry is sometimes deemed to be inefficient, making it difficult for the end customer to find competitive rates of return.

The industry is largely untouched by technological innovation, with a reliance on costly, manual, documentation-driven processes, which have changed little since inception.

The ever-evolving nature of the industry, coupled with the significant growth seen over the years makes it ripe for disruption.

Solution

The product provides access to all market participants (be they banks or their clients) via one central, secure, digital platform, delivering true price transparency to the end customer.

All Islamic deposit and financing products can be transacted in real time, without compromising on Shariah compliance.

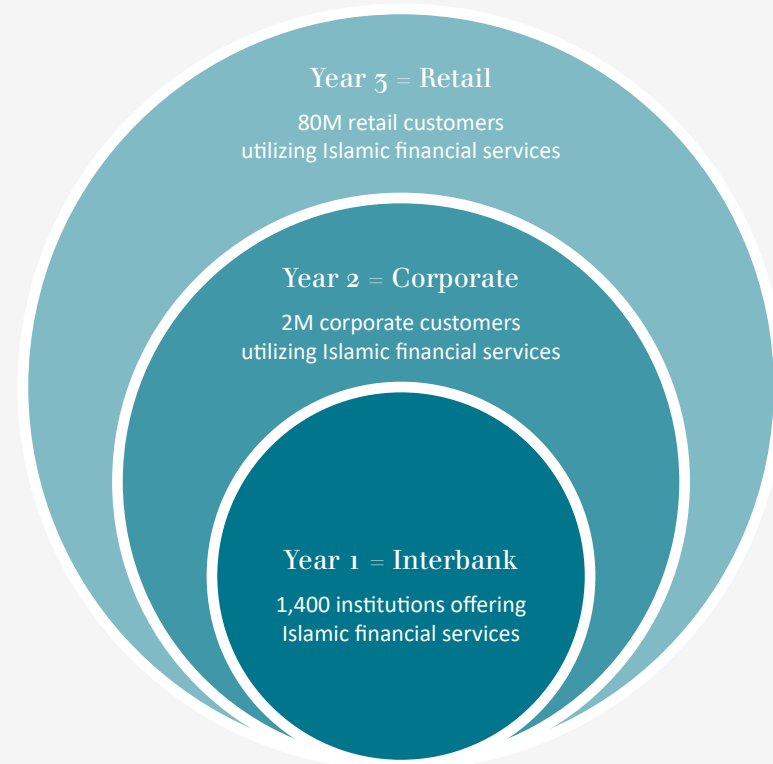
The product unifies processes across the entire transaction lifecycle, creating efficiency in all areas: agreement negotiation, KYC [know your customer] management, trade execution and post-trade processing.

Target Market

US\$1.56 trillion

Shariah compliant banking assets*

Initial target areas are the **Middle East & Southeast Asia**, followed by **North Africa**



*According to the Islamic Financial Services Industry Stability Report 2019

The company markets the product platform to the interbank market, with plans to include corporate and retail clients over time.

Future development plans post-successful rollout of the above include:

- 1) Development of a stand-alone Islamic benchmark rate
- 2) Islamic syndicated financing, and
- 3) Islamic finance clearing house.

Transparency

Access to all market participants in one place

Shariah compliant

Full, detailed audit trails always available, at all times

Reduced costs

Automated processes replace stand-alone legacy systems

Reduced risk

Efficient price discovery with no data duplication across systems

Security

Hosted on the enterprise-grade Microsoft Azure cloud service

STP-ready

API connectivity options allow for rapid integration

Progress to date

Significant progress has been achieved by the team over the last two years:

- The company formed an experienced management team and advisory board
- Business plan developed
- Technology development partner identified and contracted

- Pre-seed funding successfully raised (circa GBP150,000)
- Platform developed and tested
- Secure information technology infrastructure built out
- Positive business development and marketing efforts undertaken, and
- The first client has signed, and user testing is being undertaken.

Investment opportunity

After a successful pre-seed raise and substantial progress against plan, the company is inviting investors to participate in a seed round of GBP750,000 which will enable the company to grow the business at speed.

It is proposed that new shares will be issued comprising 15% of the company's issued share capital, giving a post-money valuation of GBP5 million. For UK private investors, the company has EIS advance assurance from HMRC, which brings extensive tax benefits to the investor. The funds raised will be used to support the company's growth through to profitability.

Exit opportunity

The exit strategy for investors from Year 4-5 of live operations onwards is likely to be through an industry sale of the company (in whole or part), or opportunities for a secondary market sale of individual shareholdings.

Projections

Est. Revenue (US\$)

Year 1 = US\$500,000

Year 2 = US\$1,900,000

Year 3 = US\$5,500,000

Year 4 = US\$9,100,000

Year 5 = US\$13,400,000

Est. Transactions

Year 1 = 27,000

Year 2 = 150,000

Year 3 = 780,000

Year 4 = 1,500,000

Year 5 = 2,400,000

Revenue streams:

- Subscription fee
- Per transaction fee
- Per user fee
- Documentation management fee

Investment opportunity

Potential Returns

If the business develops as planned the company should be profitable in year 3 of live operations.

- Dividends may be payable to investors from year 3 and grow year on year in line with profitability
- Year 5 valuation on GBP0.75m initial investment = GBP9m (gain of GBP8.25m) based on conservative ARR multiple of 6
- Exit strategy from year 5 available through: Industry Sale, Secondary Market Sale, IPO

Post Funding (GBP)	Post Money Valuation	Year 5 Estimated Revenue	ARR Valuation*
Existing Shareholders	4,250,000		50,842,066
New Investors	750,000		8,972,129
Total	5,000,000	9,969,032	59,814,195

*Valuation based on 6 * annual recurring revenue

Key Financials

Cashflow (GBP)							
	Pre External Investment	Start Up Period	Year 1	Year 2	Year 3	Year 4	Year 5
Starting Balance	0	0	770,378	313,542	705	1,022,622	3,963,408
Directors Loan	35,706						
External Investment		905,133	0				
Cash Movement	(35,706)	(134,755)	(456,836)	(312,838)	1,021,918	2,940,786	4,581,603
Ending Balance	0	770,378	313,542	705	1,022,622	3,963,408	8,545,011

P&L Summary (GBP)						
	Start Up Period	Year 1	Year 2	Year 3	Year 4	Year 5
Total Expense	134,755	674,944	1,300,198	1,801,706	2,120,742	2,290,726
Gross Income	-	368,995	1,462,757	4,111,386	6,785,642	9,969,032
Net Income	-	262,909	1,042,215	3,553,965	6,094,508	9,118,729
Profit / Loss	(134,755)	(412,035)	(257,984)	1,752,259	3,973,765	6,828,003

PITCHDECK

THE CLIENT

BASED: EUROPE | VERTICAL: PEER-2-PEER FINANCE | SEEKING: £1.2 MILLION

Globally, 35% of SMEs in Islamic (OIC) countries are deterred from borrowing due to a lack of Islamic finance options. Rising demand for Islamic financing amongst SMEs. Over 600,000 SMEs in the UK alone are financially excluded due to the lack of financial products that conform to their ethics and values. This results in a £15 billion opportunity in the UK alone. Globally the Islamic finance market is worth £1.6 trillion (+14% YoY).

This platform is FCA approved and launched in July 2020. Total SME financing on the platform to date exceeds £1 million with a strong pipeline and a zero-default rate on the portfolio. Over 1,500 registered investors with a £4,500 average investment are on the platform. The company is raising £1.2 million to scale the business and accelerate the product roadmap (£1 million is already committed). The company is currently negotiating a £10 million institutional funding line to accelerate SME financing across the UK.

Vision

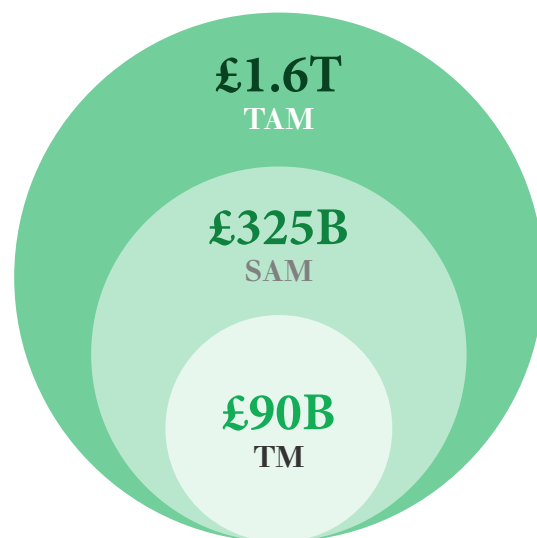
Currently an Ethical & Shariah-compliant SME financing platform, the vision is to become a pre-eminent Islamic SME challenger bank globally.

How we get there

	1 Our Current Model	1 Seed Round - Next Steps	1 Islamic SME Challenger Bank
Products	<ul style="list-style-type: none"> Shariah-compliant working capital financing 	<ul style="list-style-type: none"> Scale working capital financing New products (incl. Revenue-based financing) 	<ul style="list-style-type: none"> Establish our position as a leading Islamic SME challenger bank in the UK and abroad
Investor base	<ul style="list-style-type: none"> HNWIs, sophisticated & retail investors 	<ul style="list-style-type: none"> HNWIs, sophisticated & retail investors £10m funding line (institutional) 	<ul style="list-style-type: none"> Lower funding costs as a bank More stable source of funding
Market	<ul style="list-style-type: none"> UK focus 	<ul style="list-style-type: none"> Dominate the UK market Consider selected markets in Europe 	<ul style="list-style-type: none"> Expand in select Islamic (OIC) countries
Operating model	<ul style="list-style-type: none"> FCA approved crowdfunding platform 	<ul style="list-style-type: none"> Deepen role across value chain Alternative finance platform with institutional investor backing 	<ul style="list-style-type: none"> Further extend presence in value chain Consider applying for banking license or Acquiring a bank in select market
Core focus	<ul style="list-style-type: none"> Focus on ecosystem creation and building customer base 	<ul style="list-style-type: none"> Focus on volume & revenue boost 	<ul style="list-style-type: none"> Focus on profitability

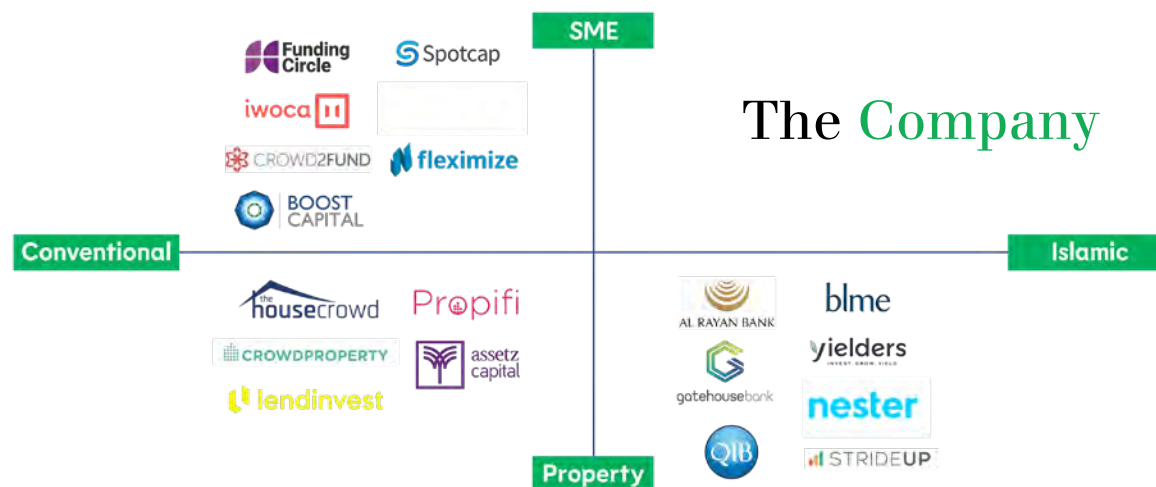
Global market size

- Over 25 million Muslims in Europe
- Over 1.8 billion Muslims globally
- 74% of young Muslims want banks that align with their religious beliefs - Mambu
- Islamic finance global market to reach £3 trillion by 2023 - Reuters
- OIC countries expected to grow at CAGR of 6.2% outperforming global average of 5.8%



- **TAM**
Islamic finance market
- **SAM**
Shariah-compliant business financing
- **Target Market**
Online Shariah-compliant business financing

Market positioning



The Business Model

SMEs
2-7%
Single origination fee

Investors
3-4%
per annum / profit mark-up spread

The company promotes financial inclusion!

We are financing SMEs regardless of government backed loan schemes starting @ 1.4%

- Funded during the pandemic
- Average rate of 14% p.a.
- High social impact SMEs
- Zero default rate
- Total SME financing to date: £1,033,738
- Total SME repayments to date: £306,981
- Average tenor of 26 months
- 14 Offers



PITCHDECK

THE CLIENT

BASED: AFRICA | VERTICAL: CROWDFUNDING | SEEKING: US\$1 MILLION

The company is an ESG driven online real estate platform offering alternative, ethical, sustainable and transparent real estate solutions for individuals and SMEs across the value chain

The Problem

There are challenges renting an apartment in Africa today.

- Finding an apartment is difficult
- Selection is gender and ethnicity biased
- Upfront payment of 1-2 years
- Payment is manual

The Solution

The company's digital platform offers an alternative rental solution to individuals and SMEs with flexible payment plans

- Convenience
- Non-debt based model
- Transparency
- Insurance
- Vetted tenants
- Automated rental collection

Why Now

60% of workforce are millennials

50% of the population is less than 30

50% are disenfranchised from interest based financial products due to religious beliefs

127% increase in adoption of digital transactions over past 12 months

72% of the adult population have experienced an episode of liquidity distress over past 12 months

Market Size

Africa – **300 million** households – **US\$126 billion** annual rental value

Nigeria – **45 million** households – **US\$9 billion** annual rental value

Current Traction

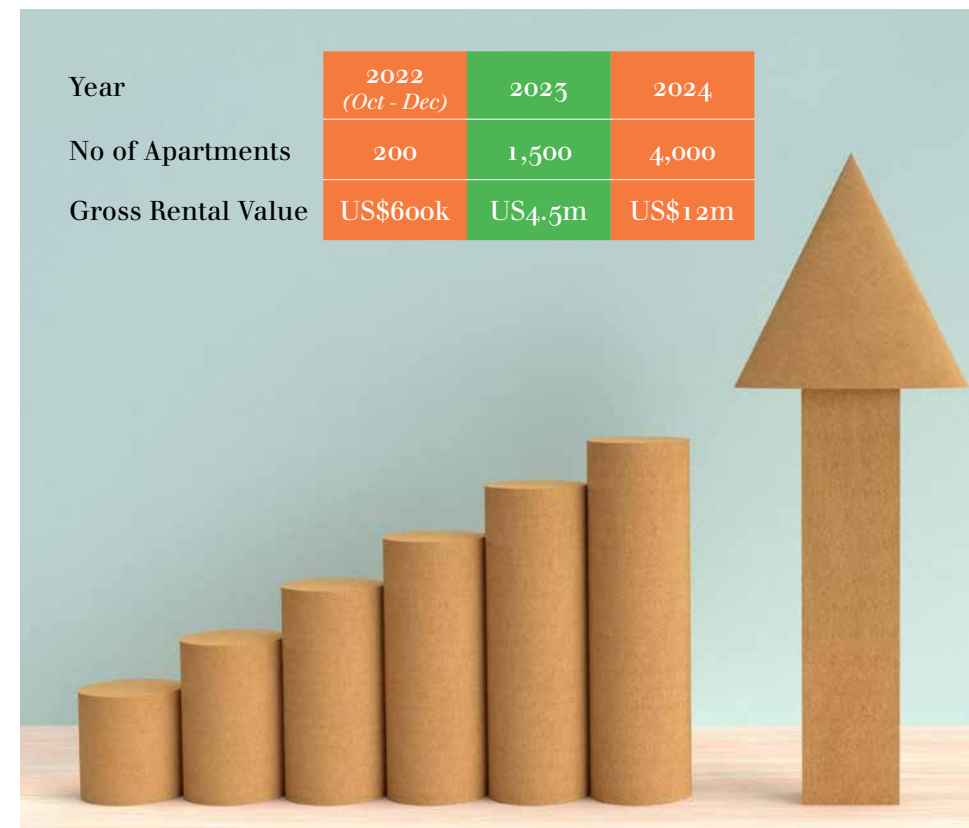
1,700 pre-assessed households on the waiting list

US\$5.1 million total pipeline value

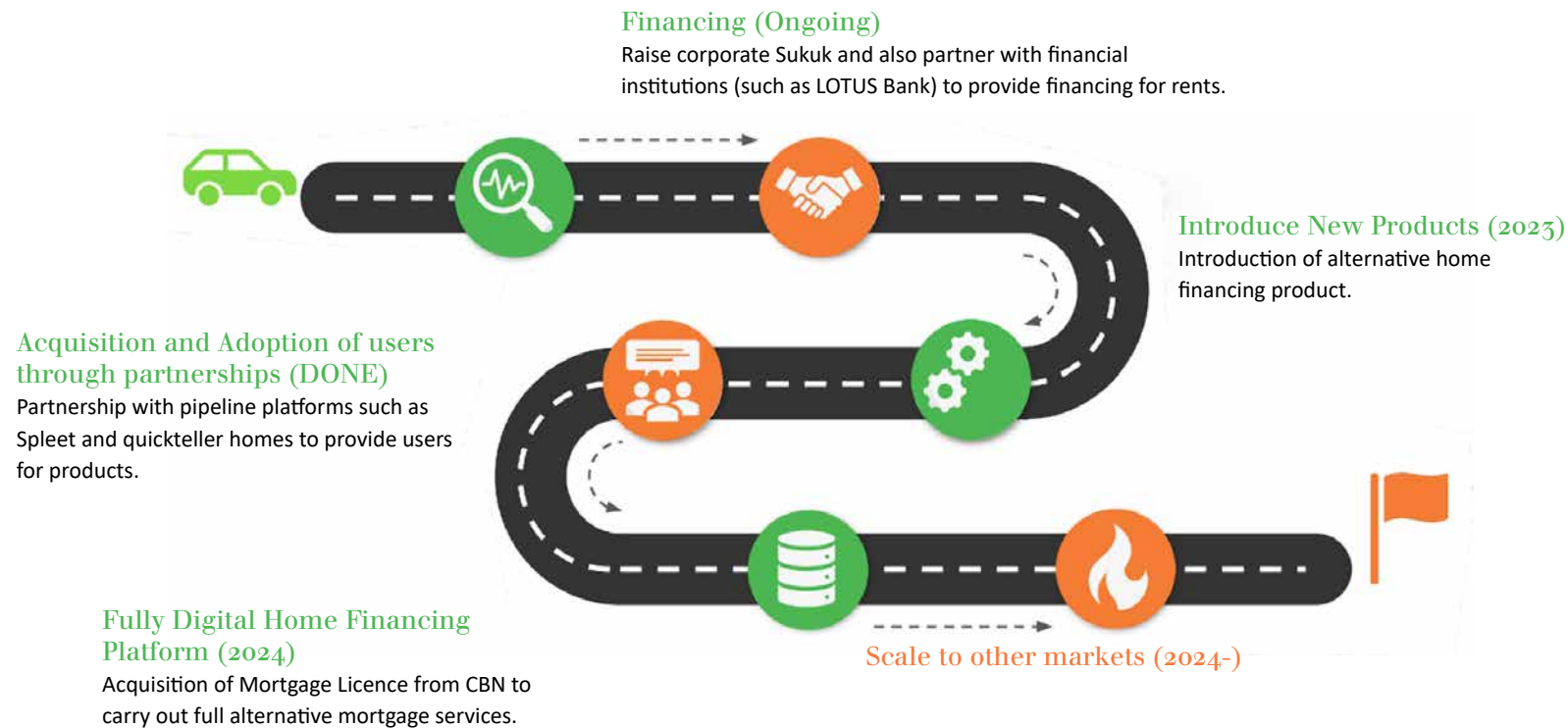
Revenue Model

Rental margins: **26% - 29%**

Projections



Adoption Strategy



Competitive Advantage

Non Debt Based Model - Our monthly rolling lease model does not burden the renter with debt and is also aligned with the vast majority of the Nigerian population that cannot access conventional finance products due to their religious beliefs.

Collaborative Model - Our strategic partnerships with key verified customer pipeline platforms such as CREAM and popular listing platforms such as Buyetlive give us access to a robust database of both renters as well as properties to match them with.

Commercial Rentals - Our flexible rental solution is available to SME's for commercial use. We believe this would have a huge impact as it would free up capital to drive business growth.

Team diversity - Our founders extensive experience across both the real estate and technology space provides us with the needed knowledge and network to deliver scalable solutions in a complex market.

PITCHDECK

THE CLIENT

BASED: EUROPE | VERTICAL: CHALLENGER BANKING | SEEKING: £2.5 MILLION

The company is creating the first Islamic and ethical digital banking platform that caters to the needs of the Muslim community, creating a fresh banking experience that's ethical and transparent.

The company does not deal with any industries that are unethical. The company is creating a fresh banking experience. Focusing on three main pillars of:

- **Ethical Banking:** Open and transparent with banking operations.
- **Islamic Banking:** All products follow Shariah law in Islamic finance. All products are certified by an Islamic Scholar
- **Innovative Banking:** Leveraging the power of technology, creating a fresh banking experience

Purpose, Vision, Mission and Values

Purpose

Why does the company exist?

Take care of society and complement your lifestyle through financial services

Mission

How do they get there?

Stay true to the Beliefs of their Customers and re-imagine how they think about Banking

Vision

Where are they going?

Create the most Ethical and Socially Responsible Banking Experience on the Planet!

Values

Who they will always be

Ethical, Intuitive, Innovative, Disruptive, Flexible, Refreshing

Marketplace

Financial Market Place

- Insurance
- Pensions
- Wealth Management
- Personal Financial Management
- Loyalty Scheme
- Home purchase products-Mortgages and crowdfunding
- Utility switching service
- Cross-border remittances
- Multi-currency wallets

Lifestyle Marketplace

- Retailer offers exclusive to the company
- Ability to book flights and hotels from within the mobile application
- Loyalty points on spending and saving
- Social payments- Facebook, WhatsApp and SMS

Launch Product

The company will launch initially with a Pre-Paid Card powered by Mastercard as an MVP. Following on from this the company will start building their marketplace which has remittances, open banking, and pensions to launch with, followed by other products and services.

Progress

The company has made significant progress and is on track to launch in Q4 2022.

Their progress to date:

- Card designed and approved by Mastercard
- The core banking platform is ready for use
- Key Marketplace partners have been secured
- Development works completed
- Currently going through testing and development

Revenue Model

The company has various revenue streams which will both attract customers and increase revenue.

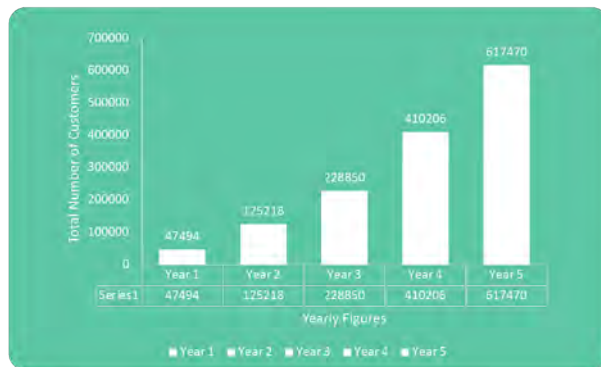
Interchange

Interchange is at 0.2% of card transactions which is passed on to the company from their PSP provider

Commission

The company will have commission revenue from any third-party services they provide using the company's platform

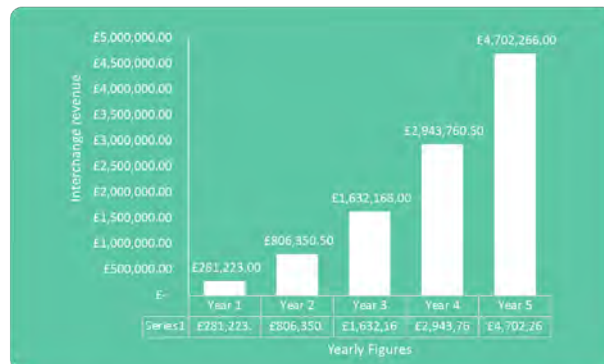
Customer Growth



This graph shows the total number of active customers

Over the next 5 years we anticipate a customer increase of 110%. These figures show the actual number of active accounts over 5 years.

Interchange Revenue



The current Mastercard Interchange fees is 0.20%. These figures are based on an interchange revenue per customer being at £9.00 per annum

Interchange revenue is calculated based on the customer average spend on the card. The company is expecting the total interchange revenue to over £10 million at the end of year 5 resulting in an increase of 1572% over 5 years.

Marketplace

The company is building a marketplace with different financial products such as remittances, insurance, and pensions

Investment Required

The company is raising £2.5 million seed round which will help develop a strong product roadmap, grow the team and increase and grow the customer base.

The company is in the process of applying for EIS and SEIS which will give investors tax relief.

Investment Utilisation

Technology – 30%

As a digital bank, technology is a major asset to the business. By investing in their technology, the company will create a world-class banking experience. They will also be launching some exciting products and services which will cater to their customers and help them manage their finances.

Staff and Operations – 40%

The company will recruit industry experts who will support them in their growth plans and develop the freshest banking experience. The company will also invest heavily in its operations so it can create a seamless experience for its customers, suppliers, and employees.

Marketing – 30%

The company has an aggressive marketing plan which will see them attract and retain customers. The marketing plan includes a wide range of marketing sources including web, social media, influencers, local billboard advertisements, and events.

ALTERNATIVE FINANCE

BLOCKCHAIN & CRYPTOCURRENCIES

CROWDFUNDING

ISLAMIC ENABLERS

ALTERNATIVE FINANCE

570easi, Abhi*, Affordplan*, Agel, Airapay, AlRaedah Finance*, AMAAN, Bedaya*, Cashew Payments, Creditfix*, Crowdtolive, Defynance*, Duha Syariah*, Duittech International*, Finja*, FinZey Finance*, Ghesta, HAL Capital*, HariGaji*, hoolah*, iFin Services WLL, Lamaa*, Liberis*, KalPay*, Klarna*, Kresya*, Manzil, Mobilima*, Money3*, Muawin, Mudaraba Financial Company, MyTM*, NowPay, Offa*, OneShaf*, Oraan*, Orpheus*, Ovamba Finance*, Postpay*, Primadollar, Primary Finance Ltd, QISST PAY, QisstPay*, Rubapay*, SAHALA*, Sezzle*, Shookru*, Solfeh*, Spotii*, Split, Splitit*, StrideUp, Sulfah*, Supply@Me Capital, SyarQ, tabby*, Tamam*, Tamara, Tanadi*, TFX Islamic, Wayhome*

BLOCKCHAIN & CRYPTOCURRENCIES

Algorand*, Ateon*, AZ Internet, Belt Road Block Chain*, Biokkoin*, Bitbarg*, Bloccmint, Caizcoin, DoonehApp*, Ekofolio, Finterra, Grainer, IBF Net*, IslamiCoin, Islamic Coin, Incrypto, iSunOne, Jibrel Network, Kuknos*, Marhaba*, Muslim Coins, Nimbus*, OneGram, Phi*, Qiam*, Qitmeer, Rain, Ripple*, Sidra Bank*, Takadao*, Tezos, Thaler Tech, Umma Finance*, Wakaful*, Wethaq, Zamzam A Token For Good

CROWDFUNDING

Al-Ihsan*, AmalSoleh*, Amarth*, Asy-Syirkah, BenihBaik*, Bizhare*, Digizakat*, Ekdes, Eureca*, Evermos*, Feeling Blessed*, Fundorun*, Fursa Capital, Global Sadaqah, Hijrah, IAP Integrated, IndiaZakat.com*, InvesProperti.id, Islamic Fundraising, Kandang.in*, kerjasama.com, KitaBisa*, Launch Good*, MADCash*, Manafa, Mehrabane*, MercyCrowd*, Nayifat, Provesty*, Pusat Pungutan Zakat*, Qardus, Rahmah*, Sadaqah Ummah Crowdfunding, Sahlah*, Shafiq*, Social Banking*, Stake, Sukuuk, Ta3meed, Tawakul, UpEffect, URUN-RI*, Vestora*, Wahed, WahedX*, Yahshud*, Yields, Zakat Kita*, ZakatPedia*

ISLAMIC ENABLERS

Albaraka Garaj, ConexCap, ConexCap Ventures, FIKRA, FINX22, Goodforce Labs*, Ground One Ventures, Mountain Partners*

CHALLENGER BANKING

CHALLENGER BANKING

Aladin*, Alif, Algbra*, Bank Jago, Fair*, Fardows*, Hijra*, Insha, Islamic Bank Australia*, Jingle Pay, Kestrl, Lintel Financial Solutions, Medina Digital Finance*, Meem, Mizen*, Moneemint, NeuXP*, Niyah, Nomo*, Pahela Money*, Rizq, Seibank, Tayyab, withHalal*, Zand*

ROBO ADVISERS

ROBO ADVISERS

Aghaz Investments, Algebra, Cocoa Invest, Ethica Invest*, Sarwa, StashAway, Tamra Capital*, Taqwa Invest*, Wahed Invest, Wealthface*, Wealth Simple*

DATA & ANALYTICS

DATA & ANALYTICS

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

TRADING & INVESTMENT

TRADING & INVESTMENT

AAM Commodities*, Able Ace Raakin, Al-Ebreiz Global Capital Berhad*, Amal Invest*, Ansaar*, Aqarchain*, Aurexo, Bareksa*, Bedford Row Capital, Bursa Suq Al Sila, Candle*, CoinMENA, Connectif Technologies, Cowrywise*, DDCap, EIGER Trading Advisors, ESE Capital, Ethical Equity*, Finispia, Finamaze*, FundEx, Hakbah, Haseed Invest*, HelloGold, Iman, Inabl*, Inaia, Invest Sharia*, IFG Islamic Finance Guru, Islamically, KANZ*, Kapital Grow, Musaffa*, Minted, MoneyFellows, MyRizq*, Nester, Nakla*, Pangea Connect*, Penfold*, PosGold Syariah*, Quantum Metal*, Raiz*, Sedania As Salam Capital, Shoraka Suyula Platform*, Sustain Exchange*, Tamasia*, Thndr, Waqfinty, Yalla.ng*, zoya

P2P FINANCE

P2P FINANCE

ALAMI Sharia, Ammana Fintek Syariah*, Beehive, biniyog.io*, Blossom*, CapBay*, Capsphere, Crowd, Dana Syariah, Easi Up*, Ethis, Forus, Funding Souq*, Funding Societies, Goolive*, HalalSky*, Investree*, IFarmer*, Jumahpay, Kapital Boost, LBS Urun Dana*, Liwwa*, Lendo, MicroLeap, MoneySave*, Nusa Kapital, Papitupi Syariah, Qazwa, Raqamyah, Seed Out, Sukuk Capital*, Themar*, WeFundMatch*, WeGro*, YallaGive, Zakatify

TAKATECH

TAKATECH

Grab Insure, Qoala*, PolicyStreet*, Reem Takaful, Senang*, TuneProtect, VSure.life*, YukTakaful*

PERSONAL FINANCE MANAGEMENT

PERSONAL FINANCE MANAGEMENT

Boost*, eHibah*, Halofina*, IslamiChain, MyAhmed*, My Wassiyah, Nagad Islamic*, Noor (Robi Axiata), Sobat Syariah*, Tontine Trust, Usepod*

PAYMENT, REMITTANCE & FX

PAYMENT, REMITTANCE & FX

AlinmaPay, Alneo, Amazon Payment Services*, BitPay*, Digipay*, Duihapse*, Etijar*, FlexxPay, GoPayz*, Haball*, Hala, IDPay*, Jawwal Pay, Kinesis*, LinkAja Syariah, Mah Card*, MCash, Menapay, MonamiTech*, Moneyar, MoneyMatch*, MyMy*, NakitBasit, NowMoney*, OVO*, PayHalal, Pay.Ir*, PayPing*, PayRad*, PayTren*, PayZakat, Poolam*, Sepordeh, Siddiq Malaysia*, SnapNPay*, Touch 'n Go*, TEEK TAKA, Tulus*, WorldRemit*, ZinkPay, Zipay*