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

Panelists:



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



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



Hamed Afzal — Counsel, Akin Gump



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



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



Dr Scott Levy — CEO, Bedford Row Capital



Zafar Mustafaev — CEO, Uzbek Leasing International

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

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

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

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



Abdulkader Thomas

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

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

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

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

Abdulkader Thomas is group CEO of SHAPE Knowledge Services.

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

Dr Scott Levy is CEO of Bedford Row Capital.



Madina Kalimullina

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

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

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

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

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

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



Dr Scott Levy

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

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<p>ZIASINFOS Self-employed</p> <p>“Good forum for introduction to a hitherto unknown potential market and development opportunities for Islamic finance.”</p>	
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