



## Land of Opportunity: Shariah Compliant Finance and Asset Management in Singapore

### Panelists:



**Vineeta Tan** — Managing Editor, Islamic Finance News (*Moderator*)



**Paul Bamber** — Head of Sales, Asia, Montreux Capital Management



**Roslan Ahmad** — Chief Representative, DDGI



**Sazali Baharom** — Country Manager, CIMB Islamic, Group Islamic Banking Division, Singapore, CIMB



**Scott Levy** — CEO, Bedford Row Capital



**Shaiful Kamarul Mohammed** — Senior Country Manager, Indonesia, The Islamic Corporation for the Insurance of Investment and Export Credit



**Zulkarnien Mohamad** — Head, Islamic Banking, Maybank Singapore

Islamic finance professionals have called for a review of Singapore’s Islamic banking guidelines enacted over a decade ago to better cater to changing market needs. This, market practitioners say, will facilitate the diversification of instruments to attract Shariah dollars into the island city, which is already brimming with untapped Islamic finance opportunities. VINEETA TAN reports.

Shariah compliant banking activities in Singapore are regulated under the Guidelines on the Application of Banking Regulations to Islamic Banking issued by the Monetary Authority of Singapore in 2010.

“The regulator has been very supportive so far — they’ve given their support in terms of launching new products, approvals and so on and so forth,” said Sazali Baharom, the Singapore country manager of CIMB Islamic, at IFN Singapore OnAir Roadshow 2021, adding: “I feel that because of the advancement of the industry and requirements of market players, it is probably timely to look at the guideline to introduce new structures.”



One structure Sazali highlighted was Wakalah, a structure adopted widely in other jurisdictions.

“This is important for Singapore because there are clients who tap Singaporean liquidity or offshore funding — so if we don’t have a variety of structures to cater to these new requirements, then potentially, we are not able to acquire these opportunities.”

Concurring with Sazali is Zulkarnien Mohamad, the head of Islamic banking at Maybank Singapore. “The regulator has been supportive, but we are still playing at the peripherals of the mainstream. Yes, we’ve seen progress from small to medium scale, but we’ve only seen a few landmark deals,” Zulkarnien noted. “We require structural transformation on the industry level for us to move the needle.”

Despite its relatively small Islamic finance market, Singapore’s latent potential to spur and support Islamic financial and banking transactions is widely acknowledged due to its established position as a leading finance and wealth management hub.

“Singapore is sandwiched between leading Islamic finance countries such as Indonesia, Malaysia and Brunei. Together, there is a combined Muslim population of 300 million that Singapore can serve and I believe Singapore is well placed to do so,” Shaiful Kamarul Mohammed, the Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC)’s senior country manager for Indonesia, opined. In fact, Singapore’s appeal is such that the ICIEC, which is part of the IsDB Group, is considering opening an office in the city to serve the needs and demands of its regional member countries such as Indonesia, Malaysia, Bangladesh, Pakistan and Brunei, Shaiful revealed.

There are nonetheless still gaps when it comes to Islamic finance.

“Singapore has got an interesting position as a hub — it is interesting that on the conventional side, Singapore is so

innovative including in the areas of fintech, finance and asset management. But the lack of Wakalah does not help build on the strength of asset management to expand the capabilities within Singapore,” commented Dr Scott Levy, CEO of London-based Bedford Row Capital, who also added that: “We are still at the beginning but there is a lot of talent and experience in Singapore. MAS [Monetary Authority of Singapore] not rushing to bring out specific Islamic finance legislation is actually good in my mind because it allows the industry to innovate.”

“We have no doubt about the infrastructure and connectivity of Singapore, even the local Islamic religious council is supportive of the government’s efforts for Islamic banking and finance,” Roslan Ahmad, the chief representative of DDGI, the Malaysian arm of UK’s DDCAP Group, echoed.

Roslan did however note that the real demand for Islamic finance in Singapore is from foreign players including from the Middle East, the US and Europe, instead of the domestic market. Only roughly 15% of Singapore’s 2.7 million population are Muslims, according to latest statistics.

One such international player is Montreux Capital Management which domiciled its Montreux Healthcare Fund in Singapore as a conventional fund but pursued Shariah compliance for the fund on the advice of its local partner.

“Singapore is naturally a fantastically regulated and well-groomed market and is a superb hub for the region; a number of countries can feed off Singapore for banking and finance,” Paul Bamber, Montreux Capital Management’s head of sales for Asia, shared. “Once we’ve received Shariah compliance on the fund, the first place we marketed the fund is Malaysia and we’ve seen a lot of success from that.” Bamber also confirmed that the firm is using Singapore as a springboard to get involved in Brunei and Indonesia.

*Watch the full proceedings of IFN Singapore OnAir Roadshow 2021 [here](#).*

Dr Scott Levy



The skyline of Singapore is cluttered with global financial services businesses which recognize that it is a hub for virtually all financial services for ASEAN. Why has Islamic finance been slow to develop when the largest markets of Malaysia and Indonesia are almost a golf-shot distance away?

The regulatory framework is relatively open for both product development and fintech companies. Still, Singapore lags other markets for domestic products (which are poorly served), international issuance and fintech start-ups.

This will not be solved by the industry coming together but by entrepreneurial activities. Perhaps, the best place to start would be around liquidity products; the market needs more capital to deploy to green projects, impact or environmental, social and governance projects, infrastructure and even short-term liquidity investments.

Singapore has the depth of skills and background; 2021 hopefully will see some progress made to capitalize on the market position.

*Dr Scott Levy is CEO of Bedford Row Capital.*

Our rough estimation suggests that the Islamic finance market size in Singapore is about 1% of the total size of Singapore's financial industry. Shariah compliant instruments form only marginal parts of Singapore's total financial asset size of SG\$1.5 trillion (US\$1.13 trillion), total banking loans of SG\$687 billion (US\$519 billion) (retail and business) and total assets under management of SG\$4 trillion (US\$3.01 trillion) — where Shariah compliant instruments represent SG\$128 billion (US\$96.7 billion) in retail investment funds, with total deposits of SG\$763 billion (US\$576.41 billion), a total local currency bond market share of SG\$503 billion (US\$379.99 billion), etc.

Zulkarnien Mohamad



We have seen progress of Islamic finance in Singapore from a small to a medium scale though it falls behind in landmark and large-scale deals. We are still playing at the peripherals of mainstream industries.

To value add and spur vibrancy, Singapore's Islamic finance industry requires structural transformation and coordinated efforts by market participants.

To move the needle, we think it is essential to have a regulatory focus on the Shariah compliant financial industry by formulating and integrating Islamic finance into Singapore's Financial Services Transformation Map to outline and track the industry's roadmap, strategies, program and enablers. Regulatory tax incentives/schemes for Islamic finance instruments, especially those with sustainability elements and from Shariah compliant/Halal sectors, and for Sukuk, are most welcomed as a boost to attract investor interest domestically and globally.

For demand-led and in-depth Shariah compliant solutions, industry providers have to put in an extra focus on innovating its products and services and adopting technology to offer competitive advantages. In addition, regular industry engagements will provide platforms to discuss ideas, opportunities, challenges and strategies for Islamic finance in Singapore.

Structured Islamic finance educational programs are vital for retail, business and institutional segments as our observations indicate low awareness among them. Closer collaborations between regulators, Islamic financial institutions, business associations and community associations to jointly promote Islamic finance are recommended. Last but not the least, on the demand side, open-mindedness, feedback and support from end-customers across the retail, SME, commercial, corporate and institution segments, as well as government-linked companies, associations and others, are much needed to allow Islamic finance providers and experts to share the benefits and values of alternative solutions and to facilitate and co-journey with clients to meet their financial goals.

These suggestions may transform the Islamic finance industry in Singapore to a higher level. Resources and time are needed and the journey has to begin now.

*Zulkarnien Nor Mohamad is the head of Islamic banking at Maybank Singapore.*

For me, the main takeaway points from the roadshow can be summarized in a small number of words: product, opportunity, professional advice and media coverage.

Paul Bamber



There is no doubt Singapore is a strong and experienced center for finance; the product availability is there and the need to expand into the Shariah space is an important and large opportunity.

Ensuring professional advice is available for investors to access product and media coverage to ensure the market is aware of the availability is crucial. The panel discussion showed the expertise is already strong and with the right media coverage, they and others can take the opportunities available to expand products in the market plus leverage this expertise into the region using Singapore as the base.

*Paul Bamber is the head of sales in Asia at Montreux Capital Management.*

Roslan Ahmad



Singapore, a well-known financial hub, has prepared itself to serve the Shariah compliant finance and investment industry, not just the minority Muslims in Singapore but more importantly the global players. The challenges faced by the players are, among others, the lack of education and promotion and the deficiency in the depth and breadth of the Shariah compliant products. The latter could be due to less motivation to innovate and moreover, marketing new products as conventional products and services is a more established method than the Shariah compliant method. It is hoped that more activities can be planned, especially to educate the players about Shariah compliant products and services while there should be more efforts to propagate Shariah compliant finance and investment as the first choice.

*Roslan Ahmad is the chief representative of DDGI.*