

# Staying positive for Islamic finance in Singapore

Singapore, being a secular modern and economically competitive country, places a non-preferential treatment toward Islamic finance, hence creating a level-playing field for the conventional. Islamic finance exists as a niche as the nation has a unique legislation catered to the affairs of the Muslim minority, ie the Administration of Muslim Law Act. The Act, along with the Constitution of the Republic of Singapore (para 152), has paved the way for authorities to “protect, safeguard, support, foster and promote” Islamic finance, where the economic interests of the Muslims are concerned. NORSURIA JANI and FAZRIHAN DURIAT explore.



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The hard truth is that doing Islamic finance within the same conventional regulatory framework without incentives turns out to be a lackadaisical attempt for this country. Islamic finance in Singapore had experienced significant shortfalls, such as the withdrawal of the only Takaful player, HSBC, in 2013; the concessionary tax rate lapses for Islamic finance arrangements during the same period; and the closure of the fully-fledged Islamic Bank of Asia in 2015. However, noteworthy progress has been noted in 2018 as shown in Table 1.

Prominent law firms are continuously providing services relating to Islamic finance, locally and globally. Other wealth management entities like Millennial Financial Advisory Group, Invictus Capital and Takaful.sg are also making traction in the community. Based on a quick industry survey, the players seem resilient and have proposed ways for Islamic finance to improve the economy as follows:

- Synergy: Consolidate efforts in a structured way to boost business by exploring the BRI and fostering a trade relationship with China with support from the local authorities.

**Table 1: Islamic finance progress in Singapore in 2018**

Players	Activities
Gulf Asia Shariah Compliant Investments Association	A non-profit organization focused on promoting Islamic finance in the region and aspires to act as a platform for investors to find out about the various offerings of Islamic financial products/solutions. Currently, it is making good inroads in the Belt and Road initiative (BRI) in China.
Financial Alliance	Saw steady growth in its Islamic wealth management business.
EthisCrowd	Growing its base of investors via crowdfunding to provide funding for social housing development projects in Malaysia and Indonesia to provide affordable homes. Targeting to showcase its social impact solution at Expo 2020 Dubai.
Franklin Templeton	Continues to sell its Shariah compliant Franklin Global Sukuk Fund and Templeton Shariah Global Equity Fund with stable returns. Recently updated its prospectus dated the 9 <sup>th</sup> March 2018.
Bayan Token	Launched a Shariah compliant utility crypto token. It is backed by a tangible asset and sustained by real economic projects with real forecasted returns.
Noorcoin	Launched a Shariah compliant utility crypto token. It has no interest mechanism during issuance, uses a profit-sharing reward scheme and eliminates speculation.
Abdul Rahman Law Corporation (ARLC) Group	Expanded to four niche divisions to cater to specific needs: <ol style="list-style-type: none"> <li>1. ARLC Advocates and Solicitors (for Shariah compliant wills, family law, matrimonial matters)</li> <li>2. ARLC Solutions (conducting seminars on Islamic economics and law)</li> <li>3. ARLC Amanah (relating to Islamic wealth management, trust funds and crowdfunding)</li> <li>4. ARLC Fintech Advisory (guiding corporates in financial technology)</li> </ol>
CIMB	Saw steady Islamic business growth in corporate deals and trade finance. Restructured a Shariah concept of its existing product, ie StarSaver-i checking/savings accounts, by adopting the concept and principles of commodity Murabahah.
Maybank	Continues serving mainly Muslim retail and SME clients through its Islamic-first group strategy through an Islamic window. Intends to promote public awareness from the economic point of view of Islamic products especially in capital markets and wealth management. With the recent launch of Maybank Wealth Management Academy, Shariah-compliant alternatives could be viable.

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Kapital Boost	Formed partnerships with Indonesian Islamic fintech start-ups (ie Alami and Qasir) and Global Entrepreneur Professional, a business community for Muslim entrepreneurs, to rapidly grow monthly crowdfunding volume and support the development of SMEs in Indonesia.
Five Pillars	The Islamic finance consultancy firm is looking to provide an innovative solution. With the motto 'Islamic Finance. Made Relevant To You!', Five Pillars and its panel of globally renown scholars have successfully positioned Islamic finance as a pro-business enabler to its clients in the region. The advent of blockchain and cryptocurrency has provided another opportunity and product to its clients.
Master The Crypto	Intends to create the world's first cryptocurrency screener and launch an Islamic fund based on Shariah compliant cryptocurrencies. Plans to partner with a Shariah advisory firm to improve its screening process and Shariah governance.
Ascent Islamic	Saw substantial growth in Islamic financial planning businesses. More local Muslim businesses and financial planners are willing to incorporate Islamic wealth management into their practices.
Financial Shariah Advisory & Consultancy (Pergas Investment Holdings)	Representing Singapore at the upcoming Islamic finance conference (ie Muzakarah) in Phuket (Thailand) in July 2018, organized by the International Shari'ah Research Academy for Islamic Finance and supported by Bank Negara Malaysia.
Islamic Business & Finance Society (Singapore Management University)	Organized an Islamic business seminar on cryptocurrencies, blockchain and initial coin offerings on March 2018 attended by 100 participants.
Al Jannah Group/Halal Universe	Continues providing training and Shariah compliant equity solutions for retail investors.
Walton International Group	Growing its base of investors for Shariah compliant pre-development land investments in North America.
eHalal Network	Setting up a presence in Singapore and intends to launch an initial coin offering soon.

*Source: Author's own*

- **Value:** Focus on the unique selling proposition (ie ethical dimensions) of Islamic financial products rather than simply replicating the conventional. The value proposition of Islamic finance should appeal to everybody regardless of their religious background.
- **Disruption:** Leverage on financial technology (eg blockchain, smart contracts, artificial intelligence, robotic process automation, etc) to build more web or mobile-based applications to facilitate business such as contract execution, funding for angel investments and financial assistance for third-world and war-
- **Alternatives:** Create more options for consumers such as peer-to-peer crowdfunding, social entrepreneurship, online microfinance and exploring Shariah compliant blockchain tokens. For instance, an undisclosed Singapore-based venture capital fund was observed to be exploring Shariah compliant options to promote a Halal-based economy.

torn countries (see special report by Nizam Ismail titled '**Fintech in Singapore – potential for more Islamic finance**') and likely emerging trends including legaltech, insurtech and Shariahtech.

- **Education:** Create awareness about the importance of Islamic financial literacy at the grassroots level as access to Islamic financial products (eg Shariah compliant endowment plans, Takaful, Islamic investments) is still low. Religious teachers under the Asatizah Recognition Scheme must be the early adopters of Islamic finance before educating the Muslim community.
- **Leadership:** Review and renew the strategy of Islamic financial institutions as the target market is small. It is hoped that a future national tertiary institution, a Singapore Islamic college, with MUIS Academy, is able to train religious scholars and teachers to shape the community's progress economically through Islamic finance.

The IMF has officially recognized Islamic finance, while the IFSB is working toward the standardization of regulation and oversight in Islamic banking across the globe. Islamic banking exists in over 60 countries and presents opportunities to strengthen financial inclusion, deepen financial markets and mobilize funding for development and infrastructure by offering new modes of finance aligned to the UN Sustainable Development Goals. While there may be obstacles to the growth of Islamic finance, industry players in Singapore generally remain positive on its potential to benefit society and economy. (F)

