

LAND OF OPPORTUNITY: RESPONSIBLE AND SHARIAH COMPLIANT INVESTMENT MANAGEMENT IN SINGAPORE

Day 2
29th SEPTEMBER 2020

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LAND OF OPPORTUNITY: RESPONSIBLE AND SHARIAH COMPLIANT INVESTMENT MANAGEMENT IN SINGAPORE

What influences the deployment of Shariah compliant capital and what do private equity, Sukuk funds and trade finance funds offer? Where can Singapore play a role in such activities and is this role changing? What is a realistic assessment of Islamic investment management initiatives in Singapore including the performance of the FTSE ST Singapore Shariah Index? Where are the touch points between responsible finance and Islamic finance in Singapore and what opportunities are on offer for closer collaboration and alignment between these activities? From the viewpoint of Singaporean investors, what constitutes a green, responsible, ethical or sustainable investment? What can technology, particularly tools such as blockchain and artificial intelligence offer asset and wealth management innovation in Singapore? What of other important activities such as crowdfunding, wealthtech, insurtech and regtech and how can Singapore become a leading player in all?

YOUR PANEL



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LAND OF OPPORTUNITY

The second day of IFN Singapore Forum 2020 zeroed in on the opportunities for responsible and Shariah compliant investment management, with Vineeta Tan, the managing editor of IFN, leading a deep dive into the factors influencing the deployment of Shariah compliant capital and — crucially — the role that Islamic fintech can play in supporting this trend, especially within the asset management arena, where there is a huge opportunity given the crossover between ESG and Islamic finance. “What can technology, particularly tools such as blockchain and artificial intelligence, offer asset and wealth management innovation in Singapore?” asked Tan.

Ariff Sultan, the regional director for APAC at IdealRatings, raised the twin challenges of product development and distribution, which present some of the biggest barriers to Islamic capital market development in Singapore.

“Unlike Indonesia and Malaysia, where you have capital and seed money coming in from the government to develop and support Islamic products, Singapore is a secular state and we don’t have access to those sorts of funds, so there is a real impediment in terms of the development of Islamic capital market products. From a capital market perspective, the manufacture of Islamic asset management products is lacking.”

Zulkarnien Mohamad, the head of Islamic banking at Malayan Banking, agreed, although he believes progress is being made. “There is over US\$3 trillion [in] AuM

in Singapore, but just a small portion of this is Islamic. There are opportunities for Islamic financial providers, this is not new. But the challenges are that Islamic finance is still geographically-driven. How do we create success in a non-Muslim country?”

Some progress is being made. Maybank in July 2019 launched the Maybank Global Sukuk Fund, passported from Malaysia, which within a year has reached close to US\$50 million in AuM, much of which is from non-Muslim investors. “This is part of our effort to find innovative solutions to catch up with the conventional wealth management space,” said Zulkarnien. “We are working aggressively to promote Islamic banking and finance in Singapore — and there are also several Middle Eastern banks here, who are making progress on the wholesale side.”

“There are opportunities for Islamic financial providers, this is not new. But the challenges are that Islamic finance is still geographically-driven. How do we create success in a non-Muslim country?”
— Zulkarnien



Fintech focus

The crucial question of the day though, was whether Islamic fintech could play a role in driving forward Islamic asset management and wealth management innovation in Singapore. Adrian Gunadi, the co-founder and CEO of Jakarta-based SME lending platform Investree, gave a comprehensive outline of Indonesia's experience in developing the Islamic market through fintech. "The question is, how are you able to deliver a Shariah compliant product in a more tech-driven, seamless, contactless environment? And the answer is digitization," he said.

"Fintech has opened up new opportunities for Islamic finance," agreed Ariff. "We are now at a juncture where the traditional concept of a bank is being challenged by fintech. In Singapore, several players are now partnering each other in terms of merging technology, telecommunication and banking solutions through fintech. Over the next five years we are going to see a lot more new solutions coming out that will reach out to customers and offer them a lot more choice."

"Singapore already has about 40 innovation labs and over 1,000 registered fintech firms, and over US\$1 billion has been invested into the industry," added Zulkarnien. "But what is the role of Islamic fintech in this journey? Like it or not, we have to take part within this ecosystem. We are at the edge right now, not in the mainstream, and we have to be careful not to be left behind. From a Shariah perspective there is nothing stopping us, so we should be viewing it as an enabler to help us to move forward."

"The question is, how are you able to deliver a Shariah compliant product in a more tech-driven, seamless, contactless environment? And the answer is digitization"
– Adrian



Green goals

The final question explored the opportunities for alignment between responsible and Islamic finance in Singapore — and Margie Ong, CEO of Malaysia-based sustainability consultancy Thoughts in Gear, was optimistic. With sustainability reporting made mandatory by the SGX back in 2014, there is still some way to go but progress is being made. "As we look at the funds coming in, and the pool of investable companies, it does not take much to enrich this pool," she noted.

"Why do we engage in responsible finance? To reduce risk, increase profits and unlock growth"
– Ong



"Why do we engage in responsible finance? To reduce risk, increase profits and unlock growth. That third value creation lever,

"Fintech has opened up new opportunities for Islamic finance"
– Ariff



to unlock growth, is really what we are focusing on today. Singapore is different from Indonesia and Malaysia, we don't have such a large financial inclusion issue to overcome — but especially through fintech, we are truly borderless at this point.

If Singapore is the place where responsible finance is being nurtured and grown, how can we nurture that across borders? Quite a few Islamic banks are already drilling down into the detail of looking at ESG products, and there is a huge overlap between responsible finance and Shariah compliance."

To hear the full recording, and delve deeper into the complexities, challenges and opportunities facing Islamic finance in Singapore, watch the full IFN Singapore 2020 Forum OnAir [here](#). ☺

