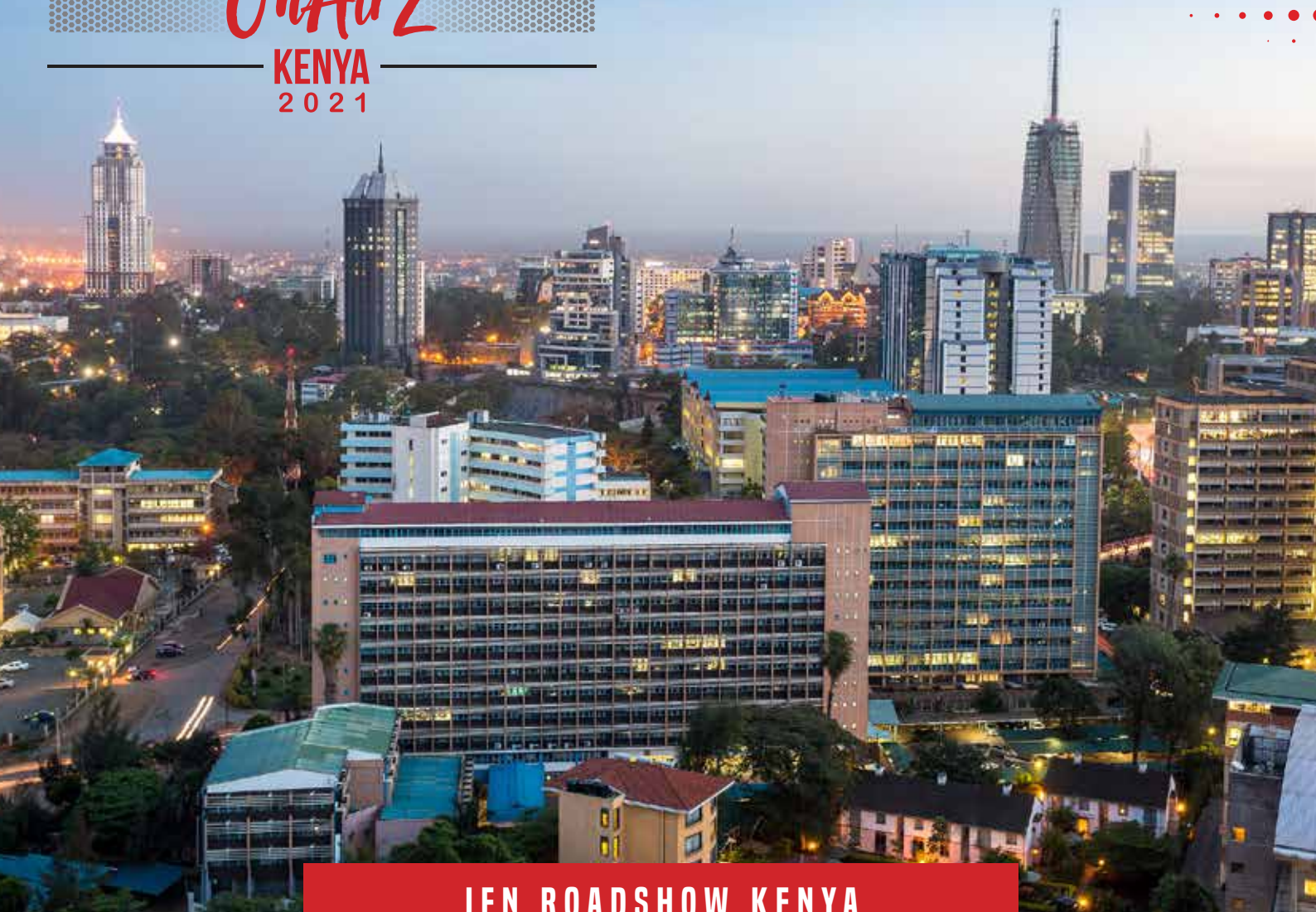


IFN ROADSHOW

On Air 2

KENYA
2021



IFN ROADSHOW KENYA
22ND NOVEMBER 2021

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Back-to-Basics: Opportunities for Islamic Banking, Finance and Investment to Flourish in Kenya

Panelists:



Cassim Docrat — Director, DDCAP
(Moderator)



Asad Ahmed — Managing Director, Alvarez & Marsal



Jaafar Abdulkadir — Managing Director, Salihin Shariah Consultancy



Najib Alaswad — Director, IFAAS



Dr Hassan Bashir — Executive Director, Agent for Inclusive Insurance Development (AIID)



Samira Mensah — Director, Financial Services - Sovereign/IPF Ratings, S&P Global Ratings

As one of the economies to rebound faster than the rest of its regional peers, Kenya has displayed impressive resilience during the COVID-19 pandemic.

Kenya is also a regional Islamic finance pioneer, with a head start over its neighbours.

Islamic finance opportunities abound for Kenya. We return to Kenya to find out how does Kenyan government tackle the Islamic finance ecosystem in terms of regulation, taxation and market development for it to flourish? How far is Islamic finance being effectively deployed to promote regional and international trade?

In addition to traditional Islamic banking services, Kenya is also keen to utilize fintech to advance the domestic industry. With Kenya being a regional fintech leader, how are financial inclusion and the provision of user-friendly, effective financial solutions being driven in the country, and what Shariah compliant products are on offer? What are the effective ways to deploy fintech to domestic markets, including green and sustainable projects?



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مجموعة البنك الإسلامي للتنمية
Islamic Development Bank Group

Dr Hassan Bashir



The Islamic finance sector in Kenya has had nearly 14 years of development since the founding of the first fully-fledged Islamic bank in 2007. Since then, the sector has flourished according to experts. In a recent REDmoney event dubbed 'Back to Basics: Opportunities for Islamic Banking, Finance and Investment to Flourish in Kenya', scholars and industry experts took stock of the sector's growth and development during the last decade.

According to experts at the event, the growth of the Islamic finance sector in Kenya has been evidenced in banking, Takaful, cooperatives, pension and capital market subsectors. As a result, there are now companies providing Shariah compliant services in all these subsectors including three fully-fledged Shariah compliant commercial banks, a Takaful operator, a number of Shariah compliant cooperatives and at least one compliant pension scheme.

Experts at the event have credited the Kenyan government's deliberate strategy to introduce and develop Islamic finance as a

significant pillar of national economic growth. The event highlighted several key areas of development resulting from Kenya's strategy for the Islamic finance industry.

Among these are the recognition of Islamic finance as a key pillar of Kenya's 10-year Capital Market Master Plan, the introduction of Takaful in the Insurance Act, the development of Takaful regulations by the Insurance Regulatory Authority, the approval of Shariah compliant bylaws by the cooperative sector regulator (SASRA) and the advanced discussion around the consideration for a national Shariah advisory framework.

Because of the above, experts at the event noted that Kenya is well positioned to be a hub for Islamic finance business in the region.

Dr Hassan Bashir is the executive director at the Agent for Inclusive Insurance Development (AIID).

IFN FINTECH

ISLAMIC LANDSCAPE

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Kenya: Slow but steady

As one of Africa's Islamic finance pioneers, Kenya has had a head start over its neighbors, but the past few years have been quiet for the country's Shariah industry. **NESSREEN TAMANO** writes an overview of Kenya's Islamic finance industry.

Regulatory landscape

In 2016, the Project Management Office was established and tasked to develop a National Shariah Governance Framework, which is still in the works. The Capital Markets Authority is a member of the IFSB and the General Council for Islamic Banks and Financial Institutions.

In 2018, the Finance Act, 2017 was passed into law, with provisions for Sukuk transactions as well as updates on the Stamp Duty Act, Income Tax Act and Value-Added Tax Act that afford Islamic finance transactions the same tax treatment as their conventional counterparts. Sukuk issuances are now exempt from value-added taxes and stamp duties.

The Takaful sector is regulated by the Insurance Regulatory Authority under the Insurance (Amendment) Act 2016, which only came into force in January 2017. Dedicated Takaful regulations were expected to be issued before 2019 but have yet to be passed.

Banking and finance

There are three fully-fledged Islamic banks in Kenya: Dubai Islamic Bank Kenya, Gulf African Bank (GAB) and First Community Bank. Conventional banks including Chase Iman, National Amanah, Kenya Commercial Bank (KCB) and Standard Chartered offer Islamic products and services on a window basis. Pakistan's Bank Al Habib has a representative office in Kenya under the name BAHK-Representative Office.

In 2018, KCB started the process to acquire Imperial Bank, which offers Islamic solutions and which had been placed in receivership, and in 2019, Shariah compliant Salaam Investment Bank Kenya opened for business in Nairobi to offer wealth management services and advisory for clients seeking to raise capital.

Barclays Bank of Kenya, which offers Shariah products, changed its name to Absa Bank Kenya in February 2020 and soon after got involved in a case that accuses the bank of charging conventional interest on an Islamic facility. The National Bank of Kenya similarly was in a dispute in early 2020 about whether or not it had charged interest on a Shariah compliant loan. Both cases are ongoing.

In May this year, the central bank approved Djibouti-based Salaam African Bank's acquisition of Uwezo Microfinance Bank, a deal that is expected to enhance the country's Islamic microfinance sector.

Shariah compliant savings and credit cooperatives (saccos) such as Taqwa Sacco, Community-Owned Finance Institution and Crescent Takaful Sacco offer Islamic financing. Agricultural Finance Corporation, which offers financing to farmers, is said to be working on setting up an Islamic window.

In October 2019, UN Habitat signed an MoU with the Kenyan branch of Gateway Global, which offers Islamic products, to develop affordable housing via ethical/Islamic financing.

Takaful

Takaful Insurance of Africa and GAB Takaful are the only fully-fledged Islamic insurers in Kenya, with Kenya Reinsurance Corporation and FCB offering Takaful products on a window basis.

Plans to develop a framework for trade insurance that covers infrastructure-related exports and loans to Africa were discussed in 2019 by the IsDB, Japan's Nippon Export and Investment Insurance and Kenya's African Trade Insurance Agency, to be launched by the end of that year, but there have been no further updates on this.

In March 2020, Kenya Re announced its plans to enter the Egyptian Islamic reinsurance market to boost its re-Takaful revenues, a move that would raise the reinsurer's re-Takaful premiums to exceed the KES1 billion (US\$9.2 million) it recorded in 2019.

Sukuk

A debut sovereign Sukuk facility has been in the works for a few years, originally slated to be issued in 2018 but postponed indefinitely. The government is considering international debt instruments that include Shariah compliant ones to raise an estimated KES250 billion (US\$2.3 billion).

In 2017, Nairobi Securities Exchange and NASDAQ Dubai signed an MoU to jointly establish a Sukuk market in Kenya to further promote Islamic capital market products.

Asset management

The two Islamic asset managers in Kenya are FCB Capital and Genghis Capital, which is the brokerage arm of Chase Bank Group. Apollo Asset Management Company also offers Islamic products, and the Local Authorities Provident Fund (LAPFUND), a state-owned pension fund for county and parastatal employees, has a Shariah compliant scheme called LAPFUND Amal.

Another public Islamic pension fund — the Salih Retirement Sub-Fund — was launched in 2018 by CPF Financial Services.

Outlook

Delays in regulatory enhancement continue to be a major obstacle in pushing the Islamic finance and banking industry in Kenya further forward, despite the nation's potential, and especially as neighbors such as South Africa and Nigeria are making strides. Takaful remains the sector with the highest potential for now, with four local companies having submitted applications for licenses to set up Islamic operations.

Overall Evaluation Online Event

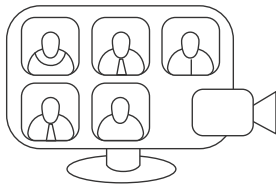


Speakers



Breakdown Delegate

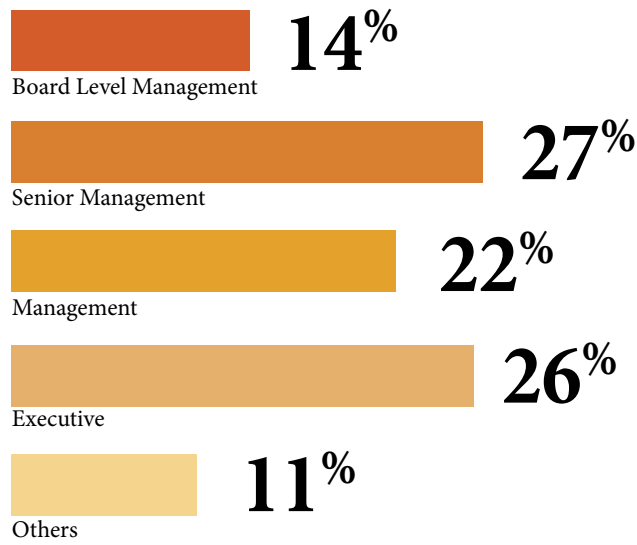
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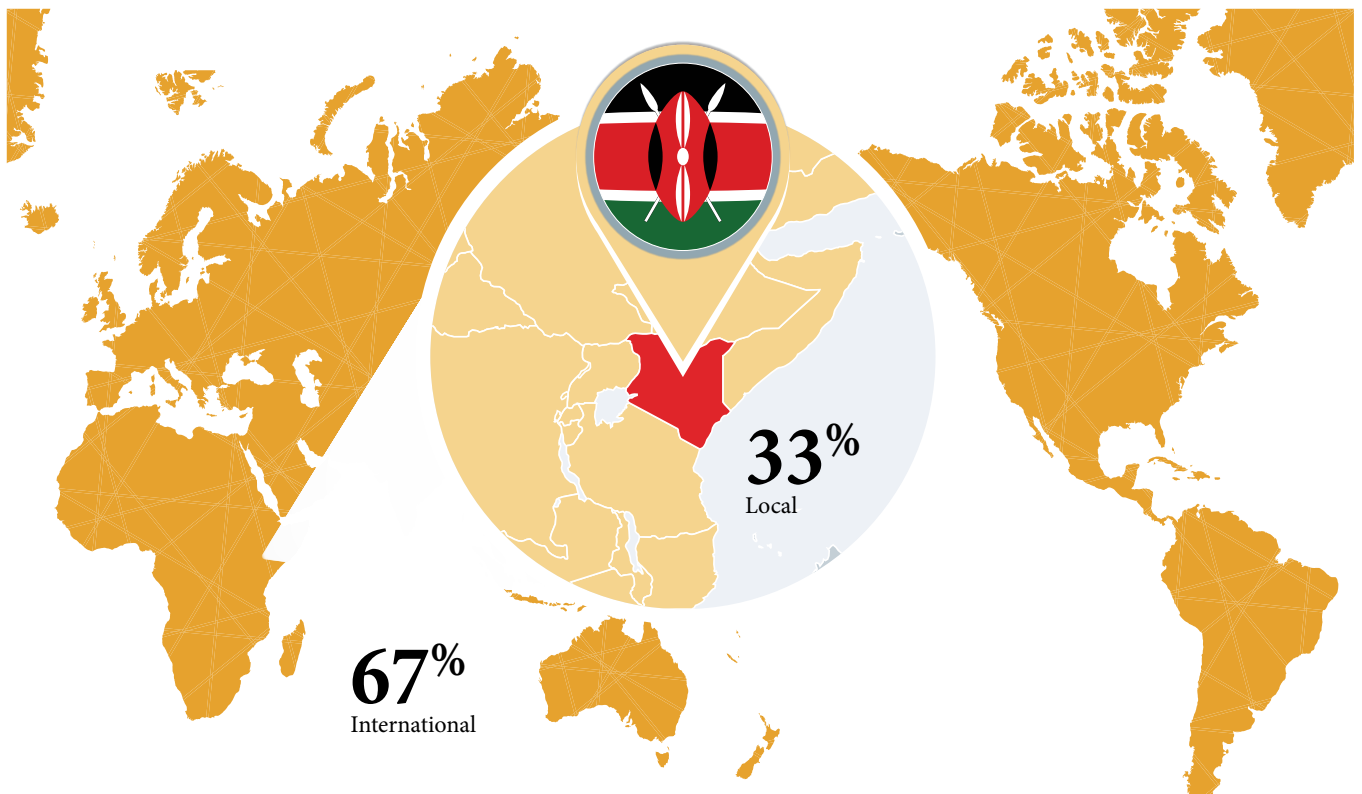
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Speakers

Job Title

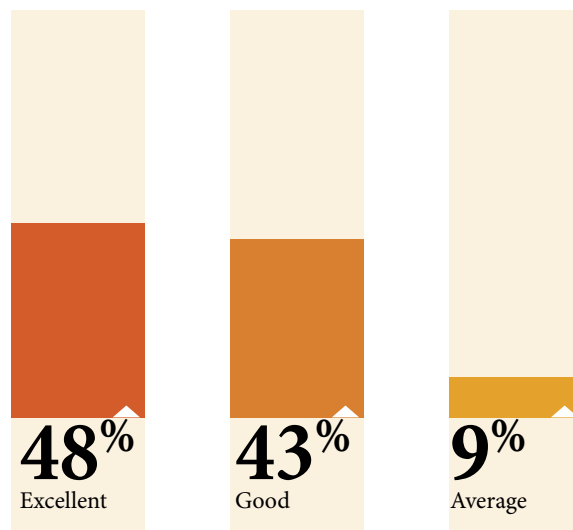


International & Local



Session Evaluation

Back-to-Basics: Opportunities for Islamic Banking, Finance and Investment to Flourish in Kenya



Delegates Who Would Like to Attend IFN Kenya OnAir Roadshow 2022



Viewership



Agent for Inclusive Insurance Development (AIID)	KCB Group
Airestec	KPMG East Africa
ALP EA	Kuehne Nagel
Altan Consulting	Landgold Microfinance Bank
Alvarez & Marsal	Lion International Bank
Amiran Comunications	LLC Sarakhsi Advisory
Amplitude Investments	Makori & Karimi
Anjarwalla & Khanna Adovate	Mamu Twinbro Investment
Arka Projects	MWC Legal
BITCLUB	National Bank of Egypt
BNP Paribas Malaysia	National Bank of Kenya
BRAE Capitals	Ndungu Muiruri & Co Advocates
BRITAM	New Light Africa
Buildafrique Consulting Group	Northstar Technologies
Bursa Malaysia	Nurullm Islamic Foundation
Busia Mega Builders	Old Mutual Wealth
Clifford Chance	Oxford Business Group
Craft Silicon	Pacific Enterrpsie
Daawah Counselling Center	PAMECAS
Dahabshi Bank	PASCA
DDCap	Proc & Logistics Consult
Deshbandhu Group	Proffessional Instiute of Rses
Destination Brands	Proshare Nigeria
Diadem Travels International	Real Time Investment
DIC	Ripples Interactive Media
DLA Piper	S&P Global Ratings
Dubai Gold & Commoditeis	Sakeenah Group
EUNAUl Enterprises	Salaam Gateway
Faisal Provate Bureau	Salihin Shariah Consultancy
Family for Empowerment	Salim Megatama Group
FCMB Pensions	Sate Bank of Pakistan
Financial Regulatory Authority (Egypt)	Securex Security
Finepolis Cconsulting	Seedlink Africa
FOREM	Sisitech
FUJI Office Machine	Solodarity for Peace, Kenya
Genghis Capital	Soltic Africa
Ghana Post	SSC Capital
Goldenscape Group	State Bank of Pakistan
Guadallupe School	Strathmore University
Gulf African Bank	SunH Holdings
HAWA Firm	Swadeb Construction
Hope Hospice	Techdimensions
House of Zakat & Waqf Uganda	The Card Guys
IEARN-Kenya	The Golden Creations
IFAAS	University of Nairobi
International Turnkeys Systems	Vartech East Africa
Islamic Development Bank ICIEC	Wasillianahub Mediators Africa
Janem	Yousund Kenya
JKUAT	

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