

# Players urged to leverage fintech

**OPPORTUNITY:** Islamic financial sector can make use of disruptions to widen reach

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**D**ISRUPTIONS created by the growing emergence of financial technology (fintech) should not be looked upon as a hindrance but rather an opportunity for Islamic financial players to further strengthen their business reach.

Silverlake's Islamic banking and public sector solutions managing director Othman Abdullah said despite the slow start, Malaysia is very much primed to lead the market when it comes to Islamic fintech given the country's position as the leader in global Islamic finance.

He cited Bank Negara Malaysia's Financial Technology Enabler Group, which was created to formulate and enhance regulatory policies to facilitate the adoption of fintech, as part of the efforts to strengthen the country's position.

"Just last month, Bank Negara also saw the issuance of the Regulatory Sandbox Framework which will help further strengthen this emerging landscape," he told Busi-

ness Times recently.

Last year, Malaysia became the first country in Asean to introduce a regulatory framework to facilitate equity crowdfunding (ECF), which then saw the entry of six ECF operators in the market.

The Securities Commission took the lead in encouraging the adoption of market-based financing, such as ECF, and will soon introduce a framework for peer-to-peer financing.

Hong Leong Islamic Bank Bhd chief executive officer Raja Teh Maimunah Raja Abdul Aziz said this is a positive step forward for the industry but stressed that it is imperative they do not go overboard.

"For the fintech community, the fewer the regulations, the better. But what the overall market needs is a reasonable framework to govern fintech without being restrictive that would suppress innovation."

Co-founder and director of ECF operator AtaPLUS Sdn Bhd Kyri Audreou said innovation has been slow for Islamic fintech players because it is difficult to convert the analog world into the digital world. But he



Hong Leong Islamic Bank Bhd CEO **Raja Teh Maimunah Raja Abdul Aziz.**



Silverlake Islamic banking and public sector solutions MD **Othman Abdullah.**



AtaPLUS Sdn Bhd co-founder and director **Kyri Audreou.**



AtaPLUS Sdn Bhd co-founder and director **Elain Lockman.**

said it is vital for players to step outside the box and create new rules to play by.

"We haven't seen many innovations from local financial players because for real disruption to occur, there need to be more innovations. We need to have a digital agenda in order to push the innovations further as fintech cannot stand on its own, it needs to go hand-in-hand with the process," he said.

AtaPLUS co-founder and director Elaine Lockman was quick to point out that the local industry has become more open but there is still much more to be done.

"Working in this space for a while, we have seen some significant changes, especially since Bank Negara governor Datuk Muhammad

Ibrahim came on board as he is very much into the fintech agenda.

"With regards to regulators, we have to credit the changes that have already been made as they are giving the support needed for the space and riding this wave of disruption, especially for us at AtaPlus, where we are very much into social enterprise which is in line with syariah compliance," said Elaine.

Raja Teh Maimunah concludes that as the low hanging fruits are there for Islamic fintech players, it is just a matter of how quick one is.

"The opportunity lies in the provision of quicker and cheaper services. Banks generally have high running costs, which translate to higher costs passed on to consumers, which fintech can address

due to lean set-ups. Banks also have longer processing requirements which fintech can address through the use of digital distribution channels and big data," she said.

Othman, Raja Teh Maimunah, Audreou and Elaine agreed that the disruptions are largely positive although they pose some threats to traditional financial service providers.

Therefore, it is crucial for all stakeholders to work together to ensure the continued success of the industry at large.

This article is in support of the **Royal Award for Islamic Finance 2016** organised by Bank Negara Malaysia and Securities Commission Malaysia. For more information, visit [www.theroyalaward.com](http://www.theroyalaward.com).