

Islamic finance training lures non-Muslim students

by **Yudith Ho & Liao Y-Sing**

KUALA LUMPUR: Demand for Islamic finance training from non-Muslims rose more than fourfold in the past seven years as students seek to enter an industry whose assets are set to double to US\$3.4 trillion (RM10.9 trillion) by 2018.

Malaysia's International Centre for Education in Islamic Finance (Inceif) has 2,000 people enrolled on its courses this year, 14% of whom are from nations with small Muslim populations, its chief executive officer Daud Vicary Abdullah said here on Wednesday. That compares with 3% in 2007, he said.

While students from South Korea, Japan and the US dominate the enlistees, those nations have yet to introduce syariah-compliant legislation. The UK became the first Western country to sell sukuk this year, while Hong Kong and South Africa also plan to debut in the market in 2014. Ernst & Young LLP forecasts Islamic lenders will have 70 million customers by 2018, up from 38 million last year.

"Islamic finance is becoming less and less of a niche," Daud Vicary said in a phone interview. "The Koreans and the Japanese see this as a business proposition and given the potential, they can't afford not to participate."

Malaysia, Indonesia and the

six-member Gulf Cooperation Council are the world's main syariah-compliant industry centres, with Hong Kong, Singapore and the UK all vying to become regional hubs since introducing Islamic finance laws.

Australia has considered employing such legislation since at least 2010, while plans in South Korea met with opposition from Christian groups. Japan has no rules of its own but allows subsidiaries of its lenders and insurers to offer Islamic financing overseas. The US has no laws that permit the sale of sukuk although it does provide syariah-compliant services.

Syariah law bans investment in companies involved in activities deemed as unethical such as gambling, prostitution and alcohol. Scholars are employed to vet products and services to ensure they comply with religious tenets, including a ban on interest payments.

The industry needs one million people with Islamic finance knowledge by 2020 as syariah-compliant assets are set to reach US\$6.5 trillion by then, according to a November report from the Malaysia International Islamic Financial Centre.

Rodney Wilson, who used to teach syariah-compliant banking at Durham University in the UK and is now an Emeritus Professor, said he's taught students

"The Koreans and the Japanese see this as a business proposition and given the potential, they can't afford not to participate."

from South Korea at Inceif and non-Muslim Europeans at the England-based institution.

"Islamic banking and finance is now accepted by mainstream bankers and finance professionals, who see it as an opportunity," Wilson said in an Aug 5 email interview. "Sukuk is becoming more popular as the issuance in non-Muslim countries illustrates."

Global offerings of syariah-compliant bonds rose 27% in 2014 from a year earlier to US\$26.9 billion, data compiled by *Bloomberg* show. A decade ago, full-year issuance amounted to US\$5.6 billion. Malaysia, the world's largest sukuk market, accounted for 69% of sales last year, followed by Saudi Arabia with 12%, the United Arab Emirates with 6% and Indonesia with 5%, Bank Negara Malaysia (BNM) data show.

Many students from non-Muslim nations are sponsored by state agencies, such as their foreign and finance ministries, said Daud Vicary, who is also on the steering committee of the Royal Award

for Islamic Finance organised by BNM and the Securities Commission Malaysia. More education is needed to clear up misperceptions about the syariah-compliant industry that some people have, he said.

Hong Kong plans to sell as much as US\$1 billion of sukuk in its debut offering this year, according to an emailed statement in April. Maybank Kim Eng Holdings Ltd and law firm Clifford Chance LLP began training staff in the city in preparation for this and future sales.

Hong Kong, Japan, South Korea, the US and UK were home to less than 0.4% of the 1.6 billion global Muslim population in 2010, according to the website of the Washington-based Pew Research Center. That compares with 1% in Malaysia, 12.7% in Indonesia and 1.6% in Saudi Arabia.

Luxembourg and South Africa are planning to sell Islamic bonds by year-end, Emad al Monayea, chief executive officer of Kuwait's Liquidity Management House for Investment, said in an interview in London on June 18.

"The awareness is getting better," Raj Mohamad, managing director at Five Pillars Pte, a consulting firm in Singapore, said in a phone interview on Wednesday. "Non-Muslim countries want to tap the liquidity available in Islamic finance and expand their offerings." — *Bloomberg*