

WORLD ISLAMIC FINANCE FORUM (WIFF) 2016

ROADMAP FOR FUTURE AND CRITICAL SUCCESS FACTORS

5 - 6 September 2016, Karachi, Pakistan
at Movenpick Hotel
In collaboration with INCEIF

Gold Sponsor



PAK-QATAR FAMILY TAKAFUL
Together for the Future

Strategic Partner



Research Partners



ISRA
الأبحاث الشرعية العالمية للمؤسسات الشرعية
International Shariah Research Academy for Islamic Finance

Academic Partner

INCEIF
THE GLOBAL UNIVERSITY OF ISLAMIC FINANCE

Supporting Sponsors



بنك دبي الإسلامي
Dubai Islamic Bank

alBaraka
Your Partner Bank



**CHARTERED INSTITUTE™
OF ISLAMIC FINANCE
PROFESSIONALS**

Publishing Alliance

**palgrave
macmillan**

**PACIFIC-
BASIN
FINANCE
JOURNAL**

CSR Partner

ihsan trust

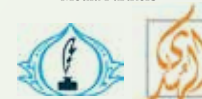
PR Partner

Bridge
Public Relations

International Media Partner

IFN Islamic Finance news
The World's Leading Islamic Finance News Provider

Media Partners



WORLD ISLAMIC FINANCE FORUM (WIFF) 2016



About WIFF 2016

Islamic finance has shown astounding growth over the past two decades, leaving its advocates and critics in awe. Strong demand push has resulted in global Islamic financial assets to surge from USD 150 billion in the mid-1990s to around USD 2 trillion by the year 2015. Even predominantly non-Muslim jurisdictions including London, Singapore and Hong Kong, to name a few, are jumping on the bandwagon and are competing to establish themselves as Islamic finance centers. Despite stunning 17% per annum growth and a sizeable presence in global capital markets over past two decades, there are several areas within Islamic finance that need to be explored further.

CEIF organized World Islamic Finance Forum (WIFF) 2016, a two day academic cum industry conference at Movenpick Hotel, Karachi, Pakistan on 05-06 September. The Conference was aimed at bringing together practitioners, academia, regulators, legal and Shariah Advisers for developing a multipronged strategy to spread the footprint of Islamic finance across the globe in light of various challenges. Key personalities from global Islamic finance arena were invited to jointly design the roadmap for future taking into consideration macroeconomic goals, business needs, social objectives, capacity building requirements, standardization issues, legal and Shariah implications.

Prominent Shari'ah scholars, renowned academicians, State Bank of Pakistan (SBP), Securities Exchange Commission of Pakistan (SECP), Islamic Research and Training Institute (IRTI), Thomson Reuters, World Bank, Islamic Corporation for the Development of the Private Sector (ICD), International Islamic Financial Market (IIFM), Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), Ernst & Young, Deloitte & Touche in addition to key local and global Islamic financial institutions participated in this mega event. Overall 13 global and 15 local institutions were represented in the panel discussions throughout the two-day conference. Islamic finance leaders from Malaysia, Kingdom of Saudi Arabia, Bahrain, Turkey, USA and China provided valuable insight into future trends in Islamic finance industry.

One of the key objectives of WIFF 2016 was knowledge enhancement through intellectual input from both academia and industry practitioners. Thrust of CEIF is on bridging the gap between academia and industry through facilitating focused research that can be put to practice. In this pursuit several research papers and case studies were presented at WIFF 2016, focused on areas crucial for the development of Islamic Finance industry. Major research topics included role and challenges of Takaful, Shariah screening of equities, Shariah compliant emissions' trading, potential Islamic finance markets like Canada, Sukuk products and defaults, Maqasid –e- Shariah benchmarking index, SMEs' access to Islamic finance, water management Sukuk financing, hedging benefits of Islamic investments and behavioral patterns of Islamic investors.

Research papers / case studies were appraised by a renowned committee of practitioners and Shariah scholars. The 1st position holder received a hefty reward of \$5000, whereas the 2nd & 3rd runners up were awarded \$3000 & \$2000 respectively. Furthermore, 4 consolation prizes of US\$ 500 each were given in the Conference.

Around 50 speakers representing regulatory bodies, Islamic finance infrastructure institutions, Islamic banks/windows, asset management companies, advisory firms and takaful players were part of the international conference.

CEIF-IBA was successful in creating an impact on Islamic finance industry through WIFF 2016. A high powered implementation committee was announced by the Finance Minister during the conference to promote Islamic finance in the country.

WORLD ISLAMIC FINANCE FORUM (WIFF) 2016

Opening Session – WIFF 2016



Main Speeches in WIFF 2016



Dr. Ishrat Husain

Chairman, CEIF-IBA

Highlights

- Islamic finance can offer a viable and credible alternative to conventional global financial system which is fragile and was on the brink of collapse in 2008.
- Islamic finance can provide stability to global financial system in addition to minimizing income inequalities in both developed and developing countries.
- Zakat, Sadaqah and Awkaf along with Islamic Finance can promote financial inclusion and remove income disparity.
- There is a need for providing practical, workable and feasible Islamic finance solutions which contribute to global financial stability as well as financial inclusion.
- CEIF – IBA is proud to launch first Islamic Finance Country Report (IFCR) on Pakistan in collaboration with IRTI and Thomson Reuters.

For full speech please click on: <https://www.youtube.com/watch?v=YqHhTfQsxsg>



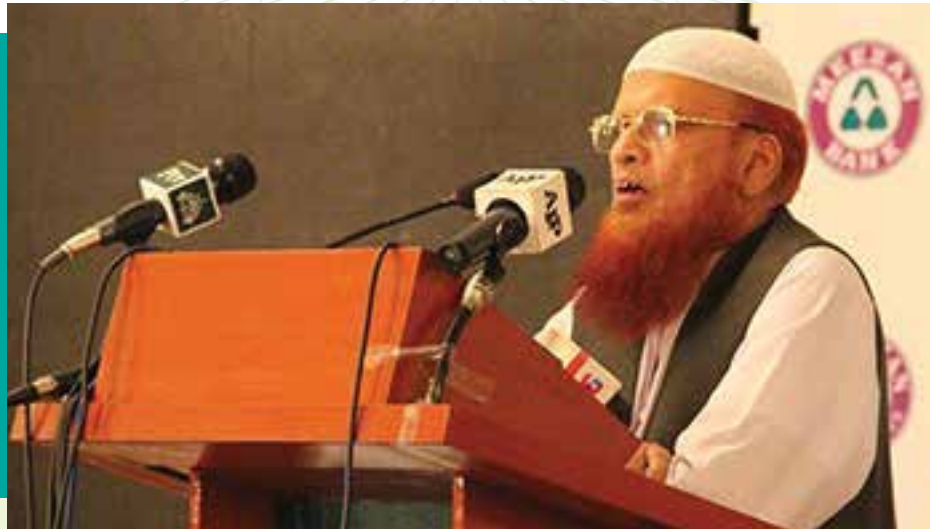
Dr. Farrukh Iqbal

Dean and Director, IBA

Highlights

- Islamic finance has emerged as a well-established phenomenon in the global finance landscape.
- Islamic finance has become a serious academic discipline.
- Serious and substantial investment in human capital is required to address market challenges.

For full speech please click on: https://www.youtube.com/watch?v=a3FMk_C_05w



Shaikh Muhammad Taqi Usmani

Shariah Board Chairman, Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI);
Chairman Shariah Board, Meezan Bank; Deputy President, Dar ul Uloom, Karachi, Pakistan

Highlights

- The Islamic finance industry should not be built as an alternative or parallel to conventional banking industry, rather, it should be promoted with the prime objective of making the economy interest-free.
- A system like conventional banking that has been running for centuries cannot be replaced overnight. It can only be a slow transition. Without two elements, this 'gradual process' or 'transition' is just an excuse. One is strong Political Will – and not just Political Wish. The second is a program that has a time-frame and deliverable targets identified (that can then be evaluated).
- Islamic banking is still an infant industry, and needs strong government support (in Pakistan). There has been global growth and our deposits (for Islamic banking) are steadily increasing, and for some time we have had Sukuk issuance (Islamic bonds), but no notable innovative assets are being developed. We need to address these points in programs such as WIFF 2016.

For full speech please click on: <https://www.youtube.com/watch?v=GixdgOTSCDw>



Senator Mohammad Ishaq Dar

Minister of Finance

Highlights

- We are all happy to see how the Centre of Excellence in Karachi has developed since I inaugurated it last year. Dr. Ishrat Husain and his team deserve great appreciation for their commitment and outstanding performance.
- Our conviction towards Islamic finance is evident from our initiatives and full-fledged support at all levels. For example, a high level Steering Committee for Promotion of Islamic Banking in Pakistan having representation of all strategic partners was formed in 2013 under the chairmanship of Mr. Saeed Ahmad, Deputy Governor, State Bank of Pakistan (SBP).
- I have received recommendation from the Chairman for setting up a high level Implementation Committee for smooth execution of proposals of the Steering Committee. We shall be taking a decision in this regard very shortly.
- Generating funds from the global market using Sukuk after a gap of 9 years, introduction of recent amendments in the State Bank of Pakistan Act which now allows the central bank to issue Shariah compliant instruments is a significant step in this regard.
- Shariah compliant system can be an effective tool towards reducing both voluntary and involuntary financial exclusion in the country. In this backdrop we have launched Pakistan's first National Financial Inclusion Strategy (NFIS), which includes Islamic Finance as a strategic area for achieving greater financial inclusion in the country.
- Islamic banking has made significant strides globally and domestically, I believe it is still in an evolutionary phase and relentless efforts are required to confront challenges in keeping the growth momentum of the industry.

For full speech please click on <https://www.youtube.com/watch?v=wqzUvRnZgqA>



Mr. Ashraf Mahmood Wathra

Governor, State Bank of Pakistan (SBP)

Highlights

- Islamic banking is a growing reality which is expanding outside the traditional borders of Muslim countries into western economies; at present global Islamic financial assets have reached US \$1.8 trillion in 2015 from US \$150 billion in the 1990s and are expected to exceed US \$6.5 trillion by 2020.
- Asia is expected to be the key driver in advancing the growth of the Islamic finance industry; Pakistan is among potential leaders of Islamic finance.
- State Bank of Pakistan (SBP) being the regulator of banking sector is aware of the significance of prudent and effective supervisory framework and remains committed to this end.
- We are working on improving regulatory and legal infrastructure by providing a balanced tax regime, enhanced disclosure requirements, strengthening of insolvency framework and standardizing practices.
- Centers for Excellence in Islamic Finance Education have been established with the main objective of providing human resource for the industry with desired skills and knowledge.

For full speech please click on <https://www.youtube.com/watch?v=fvzt1LXn-BE>



Mr. Saeed Ahmad

Deputy Governor, State Bank of Pakistan

Highlights

- We have promoted the idea of having subsidiaries instead of windows and branches. Subsidiaries can be established with a capital of only PKR 6 bn instead of PKR 10bn required to establish a commercial bank.
- Establishment of Centre of Excellence was a dream. We started with one; now there are 3 such centres across the country
- We have introduced Shariah Governance Framework and are facing a shortage of experienced Shariah scholars. To address this issue, internship with banks has been arranged for developing the desired skills set.
- Law to address specific legal issues encountered by Islamic financial institutions is being drafted.
- Work on converting domestic debt of the government is in progress. Very importantly, tax neutrality of the Islamic banks is a priority item for SBP and a decision is expected on this shortly.

For full speech please click on https://www.youtube.com/watch?v=d8oXNWxd_pk



Prof. Dr. Abbas Mirakhor

First Holder, International Centre for Education in Islamic Finance (INCEIF)
Chair of Islamic Finance

Highlights

- All members of the Organisation of Islamic Cooperation (OIC) depend on the conventional interest-based system.
- Currently Islamic financing is based on risk-shifting, which is more dangerous than risk transfer. In the financial crisis of 2007-08, risks were shifted and the taxpayers had to bear the cost. The essence of Islamic financing is risk sharing, which is not applied anywhere in the Islamic world
- With interest based benchmark regime missing, the governments are indulging in riba based financing themselves. For Islamic finance to become a real deal, the monetary policy should be devoid of riba.
- There is a need to rethink Islamic instruments. Products should be developed to cater to upcoming sectors such as biotics and robotics. Presently there are no instruments for financing these high growth sectors.

For full speech please click on <https://www.youtube.com/watch?v=qOYHMRuGvcg>



Dr. Azmi Omar

Director General, Islamic Research and Training Institute (IRTI)

Highlights

- IFCR is 8th unbiased, in-depth and market oriented country report produced by IRTI. This report has become reference point and benchmark for Islamic finance industry. IFCR on Pakistan is a timely addition to this series, given encouraging development of Islamic finance in the country.
- Only 20 of the 57 IDB member countries have regulatory framework for Islamic financial institutions, and only 17 have Takaful industry Frameworks. Only 19 have Islamic capital framework while mere 17 have takaful regulations. A lot of work needs to be done to support this industry.
- Lack of awareness has been cited as a serious concern by 73% of Islamic banks.
- IRTI is developing IDB blueprint for Islamic finance development in member countries. We are also working on developing innovative sukuk structures.
- Interest for Islamic finance is present in countries as far as South America such as Suriname.
- IRTI is also offering remote learning programs. Almost 9000 students from 126 countries expressed interest in its distant learning programs.
- With strong economic, political and geographic fundamentals, Pakistan is well poised to become a powerhouse of Islamic finance hub in the region.

For full speech please click on <https://www.youtube.com/watch?v=tbGmf2pOcQ0>



Mr. Zafar Hijazi

Chairman, Securities Exchange Commission of Pakistan (SECP)

Highlights

- Federal Board of Revenue has granted sukuk transactions similar tax treatment to conventional bonds, which is an important step towards promotion of Islamic finance in the country.
- Earlier the government had granted 2% tax rebate to manufacturing companies which were Shariah compliant.
- A dedicated Islamic finance department was established at SECP to coordinate and spearhead Islamic finance initiatives. The department reports directly to Chairman, SECP.
- SECP is also working on standardization and harmonization of regulations to offer a level playing field to all market players.

For full speech please click on: <https://www.youtube.com/watch?v=eeQ5y2vmXdc>



Prof. Datuk Dr. Syed Othman Alhabshi

Deputy President Academic, INCEIF

Highlights

- There is a significant market segment of highly educated Muslims who try to identify Riba by looking at the costs of the financial product, when cost has nothing to do with Riba.
- Riba is nothing but extra amount taken on the extended loan even if it is one cent.
- Riba brings about injustice and through its prohibition Allah (SWT) has blocked the path to injustice. The same holds true for other haram elements such as 'gharar' and 'maisr'.
- Avoiding prohibited elements, such as Riba, will increase your utility. This is a new dimension of utility theory.

For full speech please click on: <https://www.youtube.com/watch?v=LM6bWuB0P-0>



Session 1:

Discussion on Pakistan Islamic Finance Report

Panel Members

- Dr. Zamir Iqbal, Lead Financial Sector Specialist, Finance & Markets Global Practice, World Bank Global Islamic Finance Development Centre
- Dr. Dawood Ashraf, Senior Researcher (Islamic Finance), IRTI
- Mr. Mustafa Adil, Head of Islamic Finance, Thomson Reuters
- Ms. Irum Saba, Assistant Professor, CEIF-IBA

Moderator:

Mr. Ahmed Ali Siddiqui, Director, CEIF

To watch the complete Session click on the link below
<https://www.youtube.com/watch?v=y1j4U4OVtLs>



Session 2:

Innovation, Technology and Creating Reach

Key Topics

- 'Launch Market for Global Islamic Product Innovation' – Spotlight on Pakistan
- Are Islamic banks geared for digital disruption?
- Islamic Bank of Future

Panel Members

- Dr. Zamir Iqbal, Lead Financial Sector Specialist, Finance & Markets Global Practice, World Bank Global Islamic Finance Development Centre
- Mr. Junaid Ahmed, Chief Executive Officer, Dubai Islamic Bank, Pakistan
- Mr. Mohamed Rafe Mohamed Haneef, Chief Executive Officer, CIMB Islamic Bank
- Mr. Ashar Nazim, Partner Global Islamic Banking Center, Ernst & Young
- Dr. Hatim El Tahir, Director Islamic Finance Group, Islamic Finance Knowledge Center Leader, Deloitte & Touche

Session Chair

Mr. Irfan Siddiqui, President & CEO, Meezan Bank

To watch the complete Session click on the link below
<https://www.youtube.com/watch?v=rclEMbljn7U>



Session 3:

Infrastructure Development for Stimulating Growth

Key Topics

- Standardization and harmonization
- Taxation, Transparency and Accounting Disclosures
- Incentives for Islamic capital market development
- Is "CPEC" making the paradigm shift?

Panel Members

- Dr. Muhammad Imran Ashraf Usmani, Group Head Product Development & Shariah Compliance and Resident Shariah Board Member, Meezan Bank
- Mr. Ijlal Alvi, Chief Executive Officer, International Institute of Financial Markets
- Mr. Ashar Nazim, Partner Global Islamic Banking Center, Ernst & Young
- Mr. Hasan A. Bilgrami, President & CEO, BankIslami Pakistan
- Mr. Mohammad Shoaib, CEO, Al Meezan Investment Management Limited

Session Chair

Mr. Noor Abid, AAOIFI BOT Member; Member of Board of Directors, Kuwait Finance House Group; Member of Board of Directors of a number of Islamic Financial Institutions, Worldwide

For watching the Session click on the link below
<https://www.youtube.com/watch?v=DEb1c0Oyojg>



Session 4:

The Great Debate: Are Islamic financial institutions working towards financial inclusion and shared prosperity?

Key Topics

- Is the purpose of existence of Islamic financial institutions clear to the global community?
- How to touch 50 million consumers in Pakistan? 1 billion globally?
- Demystifying social capital

Panel Members

- Prof. Dr. Abbas Mirakhor, First Holder, INCEIF Chair of Islamic Finance
- Mr. Syed Samar Hasnain, Executive Director, Development Finance Group, State Bank of Pakistan
- Mr. Ariful Islam, Deputy CEO & Executive Director, Meezan Bank
- Prof. Dr. Ahmed Musa Wang Yongbao, Director of Institute of Islamic Law, Economics, and Finance, Northwest University of Politics and Law, China
- Mr. Rizwan Ata, Head Islamic Banking, Bank Alfalah
- Mr. Zubair Haider Shaikh, Head of Corporate and Investment Banking, & Cash Management; Dubai Islamic Bank Pakistan Limited

Session Chair

Dr. Zamir Iqbal, Lead Financial Sector Specialist, Finance & Markets Global Practice, World Bank Global Islamic Finance Development Centre

For watching the Session click on the below link
<https://www.youtube.com/watch?v=3V3R6em228g&t=53s>



Session 5:

Concluding Power Session with Islamic Finance Visionaries

Panel Members

- Prof. Dr. Abbas Mirakhor, First Holder, INCEIF Chair of Islamic Finance
- Dr. Ishrat Husain, Chairman, CEIF-IBA
- Prof. Datuk Dr. Syed Othman Alhabshi, Deputy President Academic, INCEIF
- Mr. Syed Samar Hasnain, Executive Director, Development Finance Group, State Bank of Pakistan
- Mr. Irfan Siddiqui, President & CEO, Meezan Bank
- Mr. Mehmood Arshad, Executive Vice President, Pak-Qatar General Takaful, Chairman FPCCI Standing Committee on Islamic Banking & Takaful
- Dr. Muhammad Imran Ashraf Usmani, Group Head PDSC and Resident Shariah Board Member, Meezan Bank

Moderator:

Mr. Saeed Ahmed, Deputy Governor, State Bank of Pakistan

For watching the Session click on the link below
<https://www.youtube.com/watch?v=RfNqpnAsE5E&t=68s>

Key Takeaways - WIFF 2016

Need for standardization and development of enabling legal, accounting, supervision and financial market framework

- Global Islamic financial assets are only 1% of the total financial assets of the world. We need to evaluate progress of Islamic Finance Industry critically to establish our future strategy. There are several gaps which need to be filled in.
- A regulatory and infrastructure framework conducive to growth of Islamic Financial Institutions is required in most jurisdictions.
- For the past one year, there have been dealings with Chinese banks to educate them about Islamic finance. Some UAE Islamic banks are also planning to start Islamic finance operations in China, though this is in initial stages.
- Though standardization of Shariah, Accounting and Auditing Standards (through implementation of AAOIFI framework) is needed by the global Islamic finance industry, there can be better progress if the bankers and professionals gain some Shariah education. There are limits to international standardization as some diversity of Shariah opinions is inherent in Islamic law.

Ideological shift required to avail real benefit of Islamic Finance

- Islamic finance in its essence emphasizes risk sharing, and not simply risk shifting or risk transfer.
- Around 35 years ago Islamic finance was a disruptive play moving from risk transfer to risk sharing. However, having failed to do so, it turned out to be a submissive play.
- Muslim countries need to move away from debt system to equity system to avail more Barakah.
- There are two extremes that Islamic finance industry needs to avoid - extreme permissibility (All Halal approach) and declaring everything haram. Rather, scholars need to earn credible concessions for the Ummah.
- 'Islamic Finance Inside' similar to 'Intel Inside' should be aimed as the tag line for future, given the asset backed stable nature of this form of financing.
- There is a dire need for sensitizing and making the people of Pakistan aware of what Islamic finance is. There are a lot of misconceptions both on the right and the left side. People invent their own interpretations of Islamic finance, an act which is not very helpful. Centres of Excellence in Islamic Finance should raise awareness and work towards developing a simplified model of Islamic finance which can be understood by the common man.

Key Takeaways - WIFF 2016

Product innovation needed to cater to upcoming market segments; Fintech is the way forward

- Considering “3I” phenomena i.e. Imitate, Improve and Innovate, Islamic finance industry is still trapped in the imitate phase. Even the imitated products are expensive and laden with documentation.
- Sales target should not be product based but should be dollar driven to stimulate product development.
- Huge complex fields have emerged today, e.g. Carbon credits emissions trading certificates, Robotics, Biotics etc. Shariah compliant models are needed to cater to such high growth market segments.
- Product innovation through collaborative models should be considered seriously by Islamic banks.
- In order to enhance financial inclusion, technology is a better solution than just increasing number of branches.
- Islamic branchless banking should be promoted for financial inclusion as it has shown tremendous results.
- Fintech’s penetration into Islamic finance is still in its infancy. Main types are peer-to-peer (P2P) lending, crowd funding, money transfer, mobile payments and trading platforms. There are also fintech services for other sub-sectors such as wealth management, insurance, etc.
- Fintech leveraging on Internet, mobile devices and social media integrations make transactions cheaper, better and faster.
- Unlike the past when wealth was managed by likes of UBS with a minimum ticket size of US\$1 million, new players like Nutmeg and Robo Advisor are catering to ticket size of as small as US\$ 100. With non-banking payment systems available, remittance costs have come down by a significant 80%. Data sciences will be critical for the Islamic bank of future.

Islamic Finance enjoys strong government support in Pakistan; More is needed to take industry to the next level

- Establishment of Implementation Committee for promotion of Islamic finance was announced by Finance Minister at WIFF 2016 which will comprise of SBP governor and deputy governor, Securities and Exchange Commission of Pakistan (SECP) chairman, secretary of the law ministry, and chairmen of the Institute of Chartered Accountants of Pakistan (ICAP) and Institute of Cost and Management Accountants (ICMA) in addition to a notable Shariah scholar.

Key Takeaways - WIFF 2016

- The regulator’s confidence in Islamic banks in Pakistan is reflected by the fact that an Islamic bank (BankIslami) was chosen to bail out a failed bank (KASB) last year.
- Islamic banking is progressing in Pakistan not just because of the faith-orientation but because of the quality of customer service as well. The two top-rated mobile Apps are of Islamic banks (including Meezan Bank).
- Islamic Finance Industry in Pakistan needs to increase financial inclusion in the country to cater the needs of the low income group.

Liquidity management by Islamic Financial Institutions (IFIs) remain a key challenge

- About 90% of the new mutual funds launched recently in Pakistan were Islamic funds. Islamic mutual funds industry has a 30% market share in Pakistan. The biggest challenge is availability of Shariah compliant investable assets.
- Pakistan’s capital market comprises only of cash based products. Shariah compliant Futures and derivatives for the hedging needs of Islamic financial institutions need to be developed.
- It has been observed that there is a shift from Ijarah based Sukuk to Wakalah based Sukuk involving Murabaha, which are debt instruments. A liquidity management constraint faced by Islamic financial institutions is that Murabaha Sukuk is not tradable.

IFIs need to gear up to capitalize on the huge CPEC Opportunity

- CPEC offers a major infrastructure finance opportunity (\$ 46 billion) to Islamic financial institutions in Pakistan. However, the scale and institutional framework is needed to avail this opportunity. E.g. an Islamic Export-Import (ExIm) Bank should be set up in Pakistan to facilitate international trade.
- CPEC related Sukuk volume is expected to be around US\$ 1 trillion in terms of demand, whereas the supply expected to be a mere US\$ 300 million. CPEC crowd funding platforms need to be developed to establish linkages with retail investors.

WORLD ISLAMIC FINANCE FORUM (WIFF) 2016



WORLD ISLAMIC FINANCE FORUM (WIFF) 2016

