



MYRINGGIT Getting Your Money's Worth

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A NEW AND EXCITING MARKET

Challenges in Islamic Asset Management, far from being a hindrance, creates vast opportunities for practitioners and industries.

THE Islamic asset management industry has shown formidable progress in the last five years. As a new and exciting market, it will clearly provide new challenges.

The biggest challenge is to change the mindsets of investors into believing that Islamic investments are not just a choice to make investors feel righteous, but rather that they are sound investment options. The other challenges that need to be addressed are:

- Product structuring and capital mobilisation;
- Sustainable talent management and sustainable education;
- Credible execution according to Islamic guidelines and sourcing of shariah scholars;
- Islamic research, screening process and regular cleansing; and
- Change in social agenda with the younger generation and capturing the interest of non-Muslims.

Education and talent management remains one of the biggest challenges. It is widely known that there is a global shortage of experienced professionals in the field and with many countries competing for scarce resources, there is a war for professional Islamic financial talent.

At the frontline is Malaysia which has placed a strong emphasis on human capital development to ensure the availability of Islamic financial talent. To date, Malaysia

has consciously led the Global Islamic platform with comprehensive infrastructures. They range from tertiary accreditation to Islamic court arbitration. They are:

- The Malaysian Islamic Financial Centre (MIFC) – a promotion centre to position Malaysia as an international Islamic financial hub;
- The Securities Industry Development Corporation (SIDC) – which provides training and information for capital markets to local and foreign professionals;
- The Institute of Accreditation of Islamic Finance (ICLIF)



- a leadership and development programme for financial institutions as well as business corporations;
- The Islamic Financial Services Board (IFSB) – providing standardisation of global rules;
- The Financial Sector Talent Enrichment Programme (FSTEP) – which is a centre for training in investment, conventional and Islamic banking, insurance and Takaful;
- The Islamic Banking and Finance Institute Malaysia (IBFIM) – which focuses on providing training and consultancy in the fields of Islamic Banking, Takaful and Islamic Capital Markets;
- The International Centre for Education in Islamic Finance (INCEIF) – which is a global university in Islamic Finance that offers certification and post graduate courses in Islamic Finance; and
- The International Shariah Research Academy for Islamic Finance (ISRA) – which is a centre in Shariah & Fiqh muamalat research and a platform of discourse among scholars, academics, regulators and practitioners.

Malaysia has also placed great importance on attracting world-class Islamic Finance talent to participate in the local industry. INCEIF, for instance, offers a range of state-of-the-art programmes across a wide range of disciplines and topics in financial and economic Islam and Shariah law.

INCEIF's programmes are being increasingly offered by international academic institutions such as the University of Bahrain and Reading University in the United Kingdom. Furthermore, the MIFC has also provided tax exemption as well as other facilitative immigration policies, including flexible employment rules to Islamic Finance expatriates.

It is estimated that Malaysia's industry will require 12,000 practitioners of Islamic Finance in 2010. With more than 30 years of experience and the great diversity of financial services in Malaysia, there is an abundance of job and learning opportunities available.

In Malaysia, Shariah-compliant structured products outsold its conventional counterpart and broke the all-time

sales record for any structured product previously sold in the country, where 40% of Islamic Banking customers are non-Muslim Chinese. These Chinese investors found that Islamic investments were sound financial products that suited their financial needs.

Even countries that do not have large Muslim populations, such as Japan, still want to enter the Islamic market. Japan has been innovative in re-positioning itself to take advantage of new markets. While it has ample liquidity, its involvement in Islamic asset management is to show the world that the Japanese are innovative and able to grant value to investors on the latest investment trend.

We have seen to date Japan issuing Sukuks, Islamic Hedge Funds and Islamic ETF by Daiwa Securities in Singapore.

London has also been advancing its cause to become a global centre for Islamic Finance in Europe, aspiring to be known as the 'Islamic Gateway of Europe'. The 9/11 incident has clearly created an opportunity for London to beat New York as a global financial centre.

With a supportive government, a deep and liquid capital market, a population of 2.4 million resident Muslims and the UK hosting the largest number of Islamic Banks in Europe with an estimated US\$18 billion in Shariah-compliant assets, London is using its Islamic capital market industry platform to compete with New York.


London has chosen to build a strong platform, with Islamic Asset Management having a pivotal role in its whole Islamic capital market strategy. Global banks like Citibank, Deutsche Bank, HSBC and even indexing houses like FTSE are creating 'windows' to enter the Islamic space.

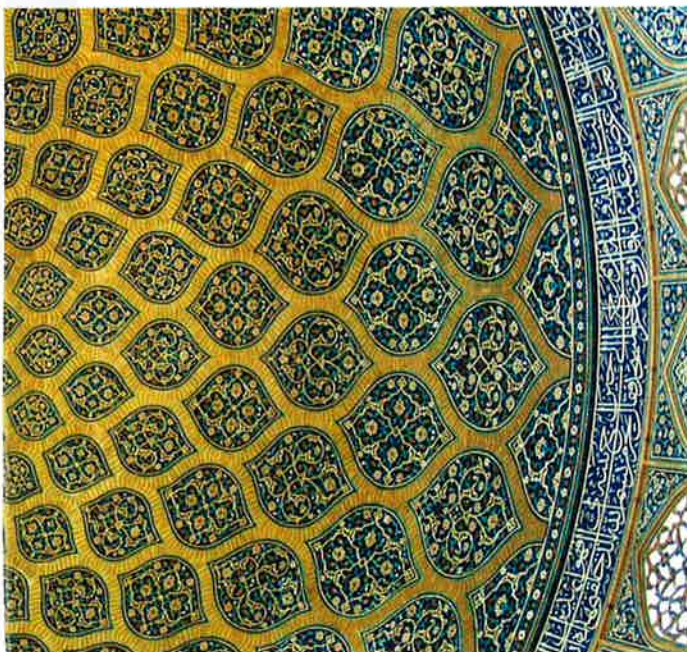
However, we do not expect the market for Islamic Finance to perpetually grow at such exceptional rates. The market eventually will reach a plateau.

Currently around the world, Islamic Finance is divided into two markets: mature and immature markets. The mature markets are those of the Gulf Confederated Countries (GCC), and Southeast Asian countries while immature markets include the United States, Europe and the UK.

The value of Islamic asset is anticipated to grow to US\$1 trillion in 2010. However, Standard and Poor's has estimated that the potential market for Islamic Finance could be worth as much as US\$4 trillion.

From a product-offering perspective, in addition to the Global Sukuk and Global Equity portfolios, we expect there will be a wave of new innovative high yielding Shariah-compliant investment products: eg, Islamic hedge funds and broad Islamic ETF. Global asset management houses should take advantage of the recent trend of investors who are looking for an alternative investment choice, one that is ethically and socially responsible.

This market is one of great promise and no savvy investor should be left behind. 



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