



Industry Insight - Islamic Finance

Compiled by Emma Felton

In a nutshell

Islamic banking is banking or banking activity which is consistent and compliant with the principles of Islamic law (Sharia). Sharia prohibits the levying of interest on loans and investing in entities that do so.

With its unique approach to banking and finance, Islamic banking has been largely unaffected by the recent financial crisis. As faith in existing systems falters, people are increasingly looking for alternatives, which has proven to be a boom for this already thriving sector.

Islamic finance is fast-growing, with analysts at Deutsche Bank predicting that global Islamic banking assets could reach US\$1.8 trillion by the end of 2016 – that's up 90% on the assets of 2010.

Malaysia is the world's foremost centre for sharia-compliant financing and focal points also include Japan, South Korea, Nigeria (Central Bank and Turkey. Australia is also currently reviewing its tax laws to cater to Islamic financial products.

The tipping balance of the global economy and the search for new sources of liquidity are driving the growth of Islamic finance. With the size and number of transactions in Muslim countries growing, and global deals done every day, it is only a matter of time before it becomes a prominent, global financial system. Islamic finance could provide much-needed stability in the banking sector.

What it takes to Work in Islamic Finance

The Islamic Banking industry is in need of people with the right skillset – knowledge of fiqh muamalat (Islamic rules on transactions) is desirable however one does not need to be a scholar in Sharia. Substantial and relevant theoretical and practical knowledge of banking and finance in general, and Islamic finance specifically, is a must.

It is challenging for non-Muslims to get into Islamic Finance however it is not impossible – with professional development and self-study, knowledge can be picked up. Aspiring Islamic finance professionals should also be self-starters, as it requires a lot of reading, and self-study. Also, it helps to become professionally certified.

It is vital for young accountants, with a keen interest in Islamic Finance, to gain exposure, by way of internships and work placements in organisations that specialise in Islamic Finance, for example KPMG, HSBC.

Further Information

<http://www.ukifc.com/> - The Islamic Finance Council UK (IFC) is a specialist advisory and development body established to promote and enhance the global Islamic and ethical finance industry.

<http://www.aaofifi.com/> - The Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) is an Islamic international autonomous non-for-profit corporate body that prepares accounting, auditing, governance, ethics and Shari'a standards for Islamic financial institutions and the industry. Professional qualification programs (notably CIPA, the Shari'a



Adviser and Auditor "CSAA", and the corporate compliance program) are presented now by AAOIFI in its efforts to enhance the industry's human resources base and governance structures.

<http://www.thecityuk.com/international-trade-policy-and-promotion/sectors/islamic-finance/> - In May 2011, the UK Islamic Finance Secretariat (UKIFS) became integrated into TheCityUK. Find out more information at the link provided.

What Skills do I Need?

Employers generally look for evidence of:

1. Professionalism and ethics
2. Governance, risk and control
3. Stakeholder relationship management
4. Strategy and innovation
5. Leadership and management
6. Corporate reporting
7. Sustainable management accounting
8. Financial management
9. Audit and assurance
10. Taxation

Is postgraduate study useful?

Although a postgraduate qualification is not imperative, if your undergraduate degree is in a non-vocational discipline then you should consider a vocational Masters degree. There isn't a particularly wide range of courses available in this specialised subject however some business schools do offer them. The London School of Business and Finance offer a specialisation in Islamic Finance and Banking through our MS Finance and Investments programme.