‘Cross pollinating’ Islamic finance in GCC, Malaysia

CHALLENGING: Lack of qualified talent has been the weak link in developing the market

CONTINUOUS effort — not strength or intelligence — is the key to unlocking our potential. — Winston Churchill

How many Malaysian Islamic bankers work in senior positions at Islamic financial institutions in the GCC (Gulf Cooperation Council), Pakistan and the UK? Conversely, how many non-Malaysians work in senior positions at Malaysian Islamic financial institutions?

Does the training and experience in Malaysia for Islamic finance somehow imply that it’s too Malaysia-centric (Shafi school) for GCC (Hanbali, Hanafi, Jafri schools) Islamic financial institutions? Does it somehow imply that there needs to be a “retraining” of Malaysian Islamic bankers to the GCC “way” of Islamic banking, finance and takaful?

It would appear that the “separate but equal” approach to Islamic finance in both regions is not connecting qualified “human asset liquidity” (Malaysia) to demand based “human need opportunity” (GCC).

A simple example, the ubiquitous Islamic finance conferences and seminars in GCC and Malaysia, aptly highlights the point: its rare to find a conference organiser with a footprint in both GCC and Malaysia for hosting events.

Furthermore, GCC events may have a session or two on Southeast Asia/Malaysia and Malaysian events have similar approach. Maybe we can attribute it to the early days of building bridges.

GCC IF talent shortage

One of the common talking points at conferences, media interviews, and published articles is the need for more qualified Islamic finance personnel, especially in the GCC.

The scarcity of qualified people is resulting in compensation “inflation” and (the expensive) turnover
because of poaching. Thus, qualified human assets have been the “weak link” in the Islamic finance chain in growing, expanding, and developing the market.

For example, Dubai was the place during the pre-crisis years for Islamic and conventional finance. The saying was “Shanghai, Mumbai, Dubai or bye-bye.” Maybe the new tag line for Islamic finance could be, “Malaysia, Euro-Asia via Ait-Asia.” Slow and steady is also a good one.

In the GCC countries, bankers and financiers from the conventional banking and asset management were recruited into Islamic finance during the oil price spike of 2003 to 2008. Their default thinking may be conventional, yet they add much value to this niche market’s growth and development.

These people brought their experience of market cycles, understanding on credit, risk and operations, and insights of marketing and public relations into the niche market and set up Islamic financial institutions or ran departments. They have contributed to the cause, but it may not be their ultimate cause.

Meaning, do they present “key-person” risk if leave (prematurely)?

Malaysian talent

Malaysia, with INCIEF (The International Centre for Education in Islamic Education) and IIUM (International Islamic University Malaysia), has and is “holistically” training candidates from various aspects of Islamic finance, from regulations to standards to asset management to brokerage to treasury and so on.

The exposure and commitment to Islamic finance at public sector level, Bank Negara, Securities Commission, Bursa Malaysia, industry body level, IFSB (Islamic Financial Services Board), AIBIM (Association of Islamic Banking Institutions Malaysia), private sector level, numerous Islamic banks, takaful operators, have allowed for a more complete understanding of the working parts in Islamic finance than any other Muslim or non-Muslim country.

(The Malaysian Islamic finance model has been refined over a time tested market cycle, 1983 and counting, yet how many countries, Muslim and non-Muslim, which have planted the flag of Islamic finance hub have adopted the Malaysian model?

Maybe they can only adopt parts of it as there may be unintended consequences if adopted wholesale without a wholesale infrastructure in place.)

It’s not uncommon to find well qualified Malaysian Islamic bankers who move relatively easily to Islamic financial institutions within the country and/or “poached” by entities in Indonesia, Singapore, etc. Thus, the education and training for Islamic finance in Malaysia has across country appeal, if not ASEAN region.

For example, the Talent Development Corp (Malaysia) was established in early 2011, among other things, to bring back some of the “poached” and “brain draining” Malaysians.

However, GCC-based Islamic finance institutions have not been as aggressive courting Malaysians, yet, the challenge remains to address the excessive demand for Islamic finance talent.

To date, there are not many success stories of Malaysian Islamic finance bankers, asset managers, lawyers, etc., leading GCC-based Islamic financial institutions or law firms with large Islamic finance practice.

I know of, at least, three circumstances where Malaysian Islamic finance talent joined an industry body in Bahrain, major western bank with Islamic subsidiary and head of Islamic finance at major body in Dubai, but left for home within two years.

It may have to do with language barriers, emphasis on Arabic, cultural issues, “not fit for purpose,” inadequate local/family support system, impact of credit crisis and so on.

There may be many success stories, however, one does not hear or read about what works, and the fruits, unfortunately, is on what has not.

Conversely, we do not see many Islamic (Arab) bankers, asset managers, lawyers, takaful executives, etc, leading Malaysian Islamic finance entities.

It’s probably the same set of challenges plus compensation issue, GCC Islamic bankers have richer compensation package and de-minimis taxes.

However, GCC institutions, like National Bank of Abu Dhabi, in the heartland of petro-liquidity, are not tapping qualified Malaysians, but are increasingly sourcing Islamic funds from Malaysia.

Oman as test case

The flow of Islamic finance talent is currently looking at Oman with His Majesty, Sultan Qaboos, recent decree on establishing Islamic finance.

Already, there have been a number of Islamic finance education seminars produced by GCC-based firms and a number of Islamic finance conferences scheduled from December onwards by GCC-based firms.

Oman, as its starting with a clean slate, should be seen as a test case for pushing Malaysia’s comprehensive Islamic finance model to a country that wants to take a methodical approach by those who best understand it,Malaysians first with others as a close second.

The accumulated experience of Malaysia may be “fit for purpose” for Oman, and then, or concurrently, onwards to Qatar for Islamically financing infrastructure for 2022 FIFA World Cup.

Full Disclosure: Thomson Reuters is the host of “The 6th GCC Regulators Summit: In Association with Oman Centre for Corporate Governance, Capital Markets Authority,” in February 2012 and Malaysia’s hard working private sector “global ambassador of Islamic finance,” Dr. Daud Bakar, will be presenting. A good beginning.

The writer is global head of Islamic finance for ThomsonReuters based in New York.
Cross pollinating Islamic finance in GCC, Malaysia

GCC institutions like the National Bank of Abu Dhabi are not tapping qualified Malaysians, but are increasingly sourcing Islamic funds from Malaysia. Bloomberg pic