

**DIEDC**

**Speech**

**Attributed to: Abdulla Mohammed Al Awar**

**CEO of Dubai Islamic Economy Development Centre**

**IFN World Leaders Summit**

**Your Excellences,**

**Distinguished guests,**

**Ladies and gentlemen,**

**Good morning!**

I am happy to see you all here at this annual meeting to address the new trends that we witness in the second largest sector within the Islamic economy, Islamic Finance, the sector that mainly targets sustainable development goal number one, No Poverty, enhancing our endeavours towards a world that rationalizes economic transactions for the future generations.

We are here today to celebrate the latest developments and the most significant achievements in the Islamic finance sector and address its status as, not just one of the most sizeable sectors in Islamic economy, but also the main provider of new clients and investors, including non-Muslims and Muslims, that seek more ethical ways to bank and finance projects.

The Islamic debt capital market space has gone from strength to strength and it's not dedicated only to diversification anymore. According to the most recent State of the Global Islamic Economy report by DIEDC, Thomson Reuters, and Dinar Standard, Islamic Finance enjoys global assets of over US\$2 trillion. The Islamic Finance industry was estimated to be worth US\$2.4 trillion in 2017 and is forecast to grow by 7.7 per cent CAGR to reach US\$3.8 trillion by 2023.

Those are great achievements, especially that the Islamic economy is still developing, but I believe that it's imperative to aim higher. Islamic finance incorporates great potential, in addition to challenges that once overcome, will allow it to achieve even more.

Today, we need to put in consideration one crucial factor that shapes the future of Islamic finance, the fourth revolution outcomes. All the topics we are addressing today are linked, in one way or another, directly and indirectly, to them. That represents a call for enhancement, and encouragement of potential areas, as well as caution in regards of challenges.

Let's have an overview of how the latest technologies brought by the fourth industrial revolution will play a crucial role in the future of Islamic finance.

The SGIE report has stated that Islamic Finance is acquiring notable investment, especially in Islamic Fintech. Just in 3 years, from 2015 and 2018, disclosed private equity or venture capital investments in Islamic Finance reached US\$12.6 million. And this is considered by the report as the key driver for the sector.

The most important future enabler was considered to be the latest developments in technology such as Block chain, Cryptocurrencies, and Artificial Intelligence. Which have a strong impact, mainly on connectivity, decision making, computation, and automation.

Now, Islamic Finance has shown that it's in tune with those technologies, where automation is expanding access to financial services, and companies are progressively implementing block chain for payments to ensure Sharia compliance.

And this is a sign of the transformational role and changes that are expected in the dynamics of the global Islamic Finance by the latest technologies through the introduction of new opportunities and challenges.

Let me take Block chain as the most outstanding example. We all have an idea of how crucial contractual relationships are to Islamic Finance and how complicated it is to ensure the riba forbids and connection to real underlying assets, with the use of the traditional administrative and legal verification processes, especially when working with non-Islamic firms.

Block chain enables the use of smart contracts that aren't only capable of automating the whole contractual process, but also, they enforce contractual terms, substantially reducing costs. As well as Islamic finance, Block chain helps make halal compliance more traceable at each stage of production within the different sectors of Islamic economy, which adopt Islamic finance.

Recently, cryptocurrencies are gaining greater momentum for their efficiency when it comes to creating smart contracts and microfinance, allowing easy and instant trading and improving supply chain management.

Also, the application of Artificial Intelligence promises automation of the back-office processes, offering more competitiveness with traditional finance institutions. The adoption of machine learning is no longer an option, as it offers to solve and even anticipate complex financial problems, which leads to further efficiency, accuracy, and contactless payments, subsequently, better user experience.

### **Ladies and gentlemen,**

Keenness on sustainability is what makes Islamic Finance special and will help position it at the forefront of ethical finance, but onerous verification processes result in high costs and waste of time, which, thanks to technology, can be avoided while maintaining the highest levels of sustainability.

Despite the opportunities, Islamic finance has been rather slow to adopt the rapid technological change that has shaped conventional banking. This can be attributed to Islamic Finance's wary

nature and accurate verification processes that aim at guaranteeing the highest levels of sustainability.

Islamic finance is a bit cautious with new technologies such as Block Chain and Artificial Intelligence because they adopt decentralization and could risk legitimization, while it gives priority to a centralized authority that has strict standards for financial transactions to guarantee Sharia compliance.

When it comes to cryptocurrencies, real asset is another issue, as they haven't gained any sovereign or governmental guarantee, so their values are highly volatile and speculative.

The sector's challenge lies in maintaining pace and competitiveness, in regards of technology in particular. Flexibility, and ability to adopt new technologies that carry a treasure of opportunities are necessary on a wide range. But, we should never let those technologies have any negative effect on Sharia compliance, or in other words, financial sustainability.

**Ladies and gentlemen,**

I trust your ability to benefit the opportunities and find solutions for the challenges as you carry out useful outcomes during today's sessions.

Thank you for your time.

**-Ends-**