Dubai Islamic Economy Development Centre (DIEDC)

Deloitte Policy and Practice Forum– Speech

Attributed to: Abdulla Mohammed Al Awar, CEO of DIEDC

Your Excellencies,

Distinguished guests,

Ladies and gentlemen,

As-salam 'alaykum wa rahmat Allah wa barakatuhu

I am delighted to join you all today in this remarkable event to discuss the future of finance in the light of disruptive innovation and how it can affect Islamic finance's role particularly.

Talking about disruptive innovation and technology, I would like to draw your attention to some of the new trends that are not gaining as much momentum as they should in the Islamic finance sector, such as 'Open Banking', which is considered as a driving force of innovation in the banking industry nowadays.

As many of us know, Islamic finance is based on the principle of profit and loss sharing, which means that it's focused on creating fruitful debtor-creditor relationships that play a critical role in boosting growth through linkages to real economy.

However, building a healthy debtor-creditor relationship is an onerous process of research and feasibility studies, especially in Islamic financial entities. Awareness of customers' finances is crucial to Islamic finance because it helps find better matches who can share risk efficiently and provide meaningful projects for the economy.

Today, 'Open Banking', also known as 'Open Bank Data', can add more transparency to the mix. It's a system of allowing third-party financial service providers -typically tech start-ups- open access to consumer banking, transaction, and other financial data, which promotes the development of new apps and services that provide better experiences for customers.

Sharing financial information electronically helps lenders get a more accurate understanding of a consumer's financial situation and risk level in order to offer more reasonable loan terms and provide the customer with an accurate picture of his own finances before taking on debt.

According to the State of the Global Islamic Economy Report 2019/2020, Islamic financial institutions can unlock substantial growth and profitability through digitisation. With open banking, third-parties can help borrow easily and pay painlessly, covering all community segments through technology, which supports Islamic finance's mission. It's becoming a major source of innovation that is set to reshape the industry.

But what about security? Usually, convenient access to financial data and services is accompanied by severe risks to financial privacy, bringing a lot of potential opportunities and challenges as well. If this new trend isn't treated wisely, banks could lose customer confidence due to identity verification and fraud prevention issues.

Likewise, the latest developments in technology such as blockchain, cryptocurrencies, and AI are key enablers of the finance sector, having a strong impact on connectivity, automation, and decision making, however, they come with some risks.

In the UAE, financial regulators have already begun drafting regulations for the implementation and use of cryptocurrencies in the country. For example, last October it was revealed that the UAE's financial watchdog, the Securities and Commodities Authority (SCA), was drafting crypto regulation policies and was accepting input from the industry entities. The most recent SGIE report praised the UAE's Al Hilal Bank for carrying out the world's first sukuk transaction using blockchain technology.

We are looking forward to promoting more similar endeavours in the sector. Our role today is to sustain our efforts of brainstorming policy requirements and ways of adapting our business models to such new technologies to make the best of them.

Islamic finance has demonstrated its conformity to those new developments, so it's time to help adopt the new technology on larger scale by providing regulatory solutions and more sustainable systems, in order to ensure competitiveness.

Ladies and gentlemen,

Islamic finance assets were estimated to be worth US$2.5 trillion in 2018, and forecast to grow by 5.5% CAGR to reach US$3.5 trillion by 2024. The 2020 hot sectors for growth include Islamic fintech and Islamic social finance, as well as Islamic trade finance and trade receivables and factoring.

The Islamic finance industry is a growing rapidly and maturing, yet there is plenty of untapped opportunities remaining for investors, governments and businesses.

Islamic financial institutions can better address the ethical needs of financial inclusion efforts through digitisation. The impact of disruptive technologies is clearly affecting the Islamic finance landscape, calling for policy and standardisation support especially in emerging markets.

Technology is our path to tap opportunities and increase competitive, as long as we find ways to tackle the new challenges.

Dear guests,

Islamic finance is underestimated in certain quarters, still considered to be a nascent sector without much clout. But with assets currently standing at $2.5 trillion, the sector is a major financial contender with growing global reach.

In order to provide better perception and more competitiveness, encouraging digitization is crucial to the sector's growth. Islamic finance is capable of keeping pace with the rapid changes in the market.

I am confident this forum will offer rich opportunities for each of us to share our experiences and perspectives, and propose solid and actionable outcomes for the opportunities and challenges that we encounter in the vital sector of Islamic finance.

I wish you all a fruitful networking! Thank you for your time.

As-salam 'alaykum wa rahmat Allah.

-Ends-