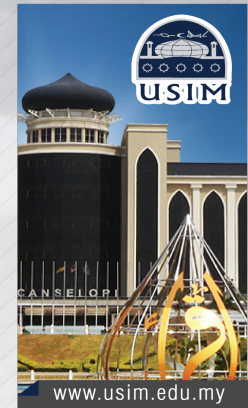


مقدمة  
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مقدمة



# OVERVIEW OF ISLAMIC FINANCE PRACTICES IN THE WORLD

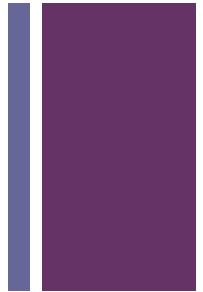
Zulkifli Hasan

**MEMPELOPORI SAINS ISLAM • MEMIMPIN KEILMUAN**  
**PIONEERING ISLAMIC SCIENCE • SPEARHEADING KNOWLEDGE**



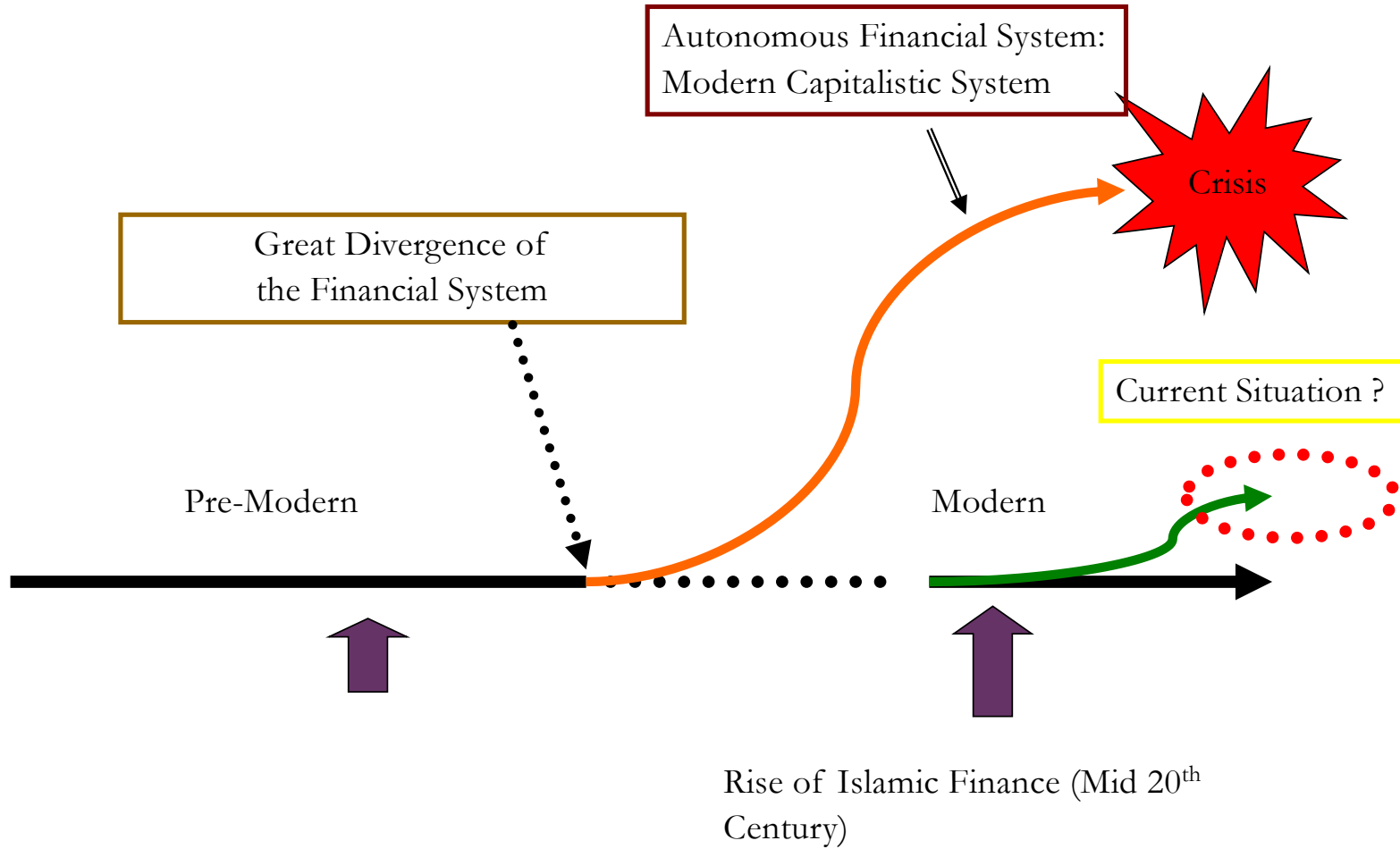
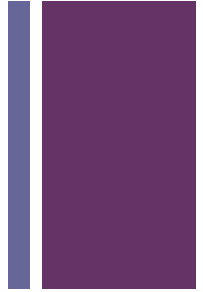
# Content

- An Overview of Financial Crisis
- Islamic Economic and Islamic Finance
- Structure of Financial System
- Modern financial management of banking, capital market, insurance, securities.
- The development of Islamic finance
- Islamic finance in Malaysia

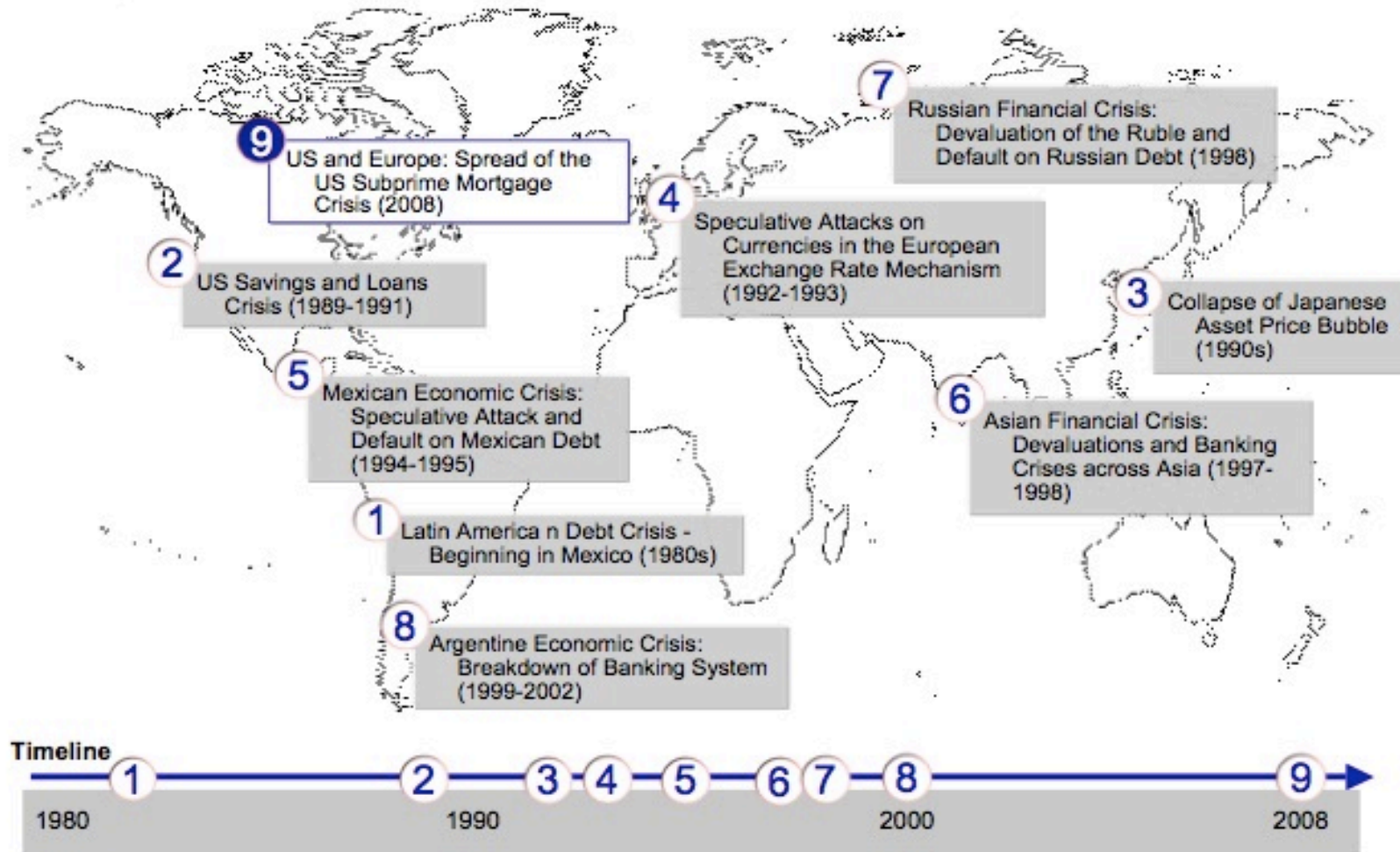


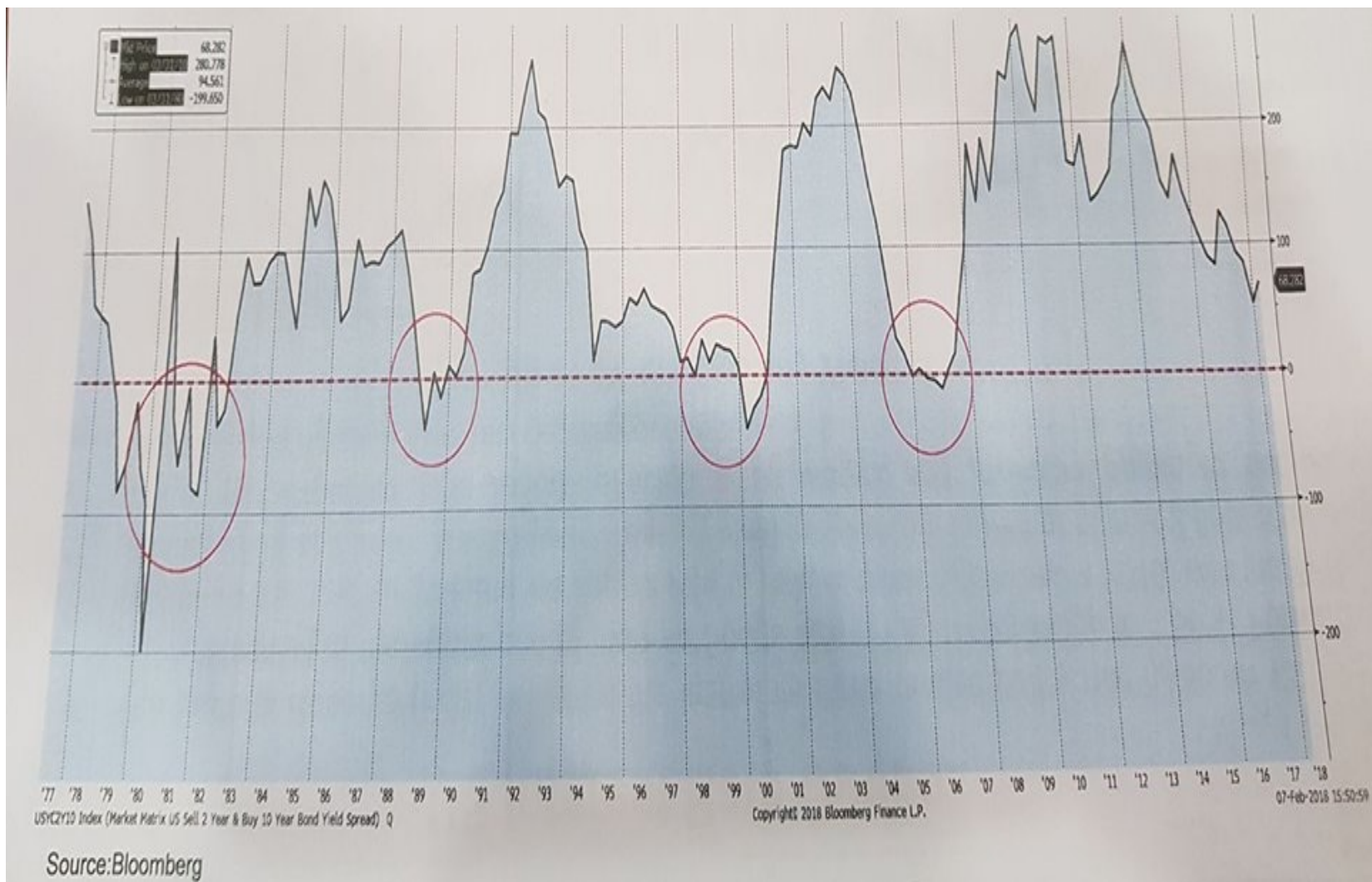


# Financial System and Real Economy

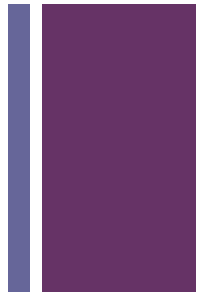
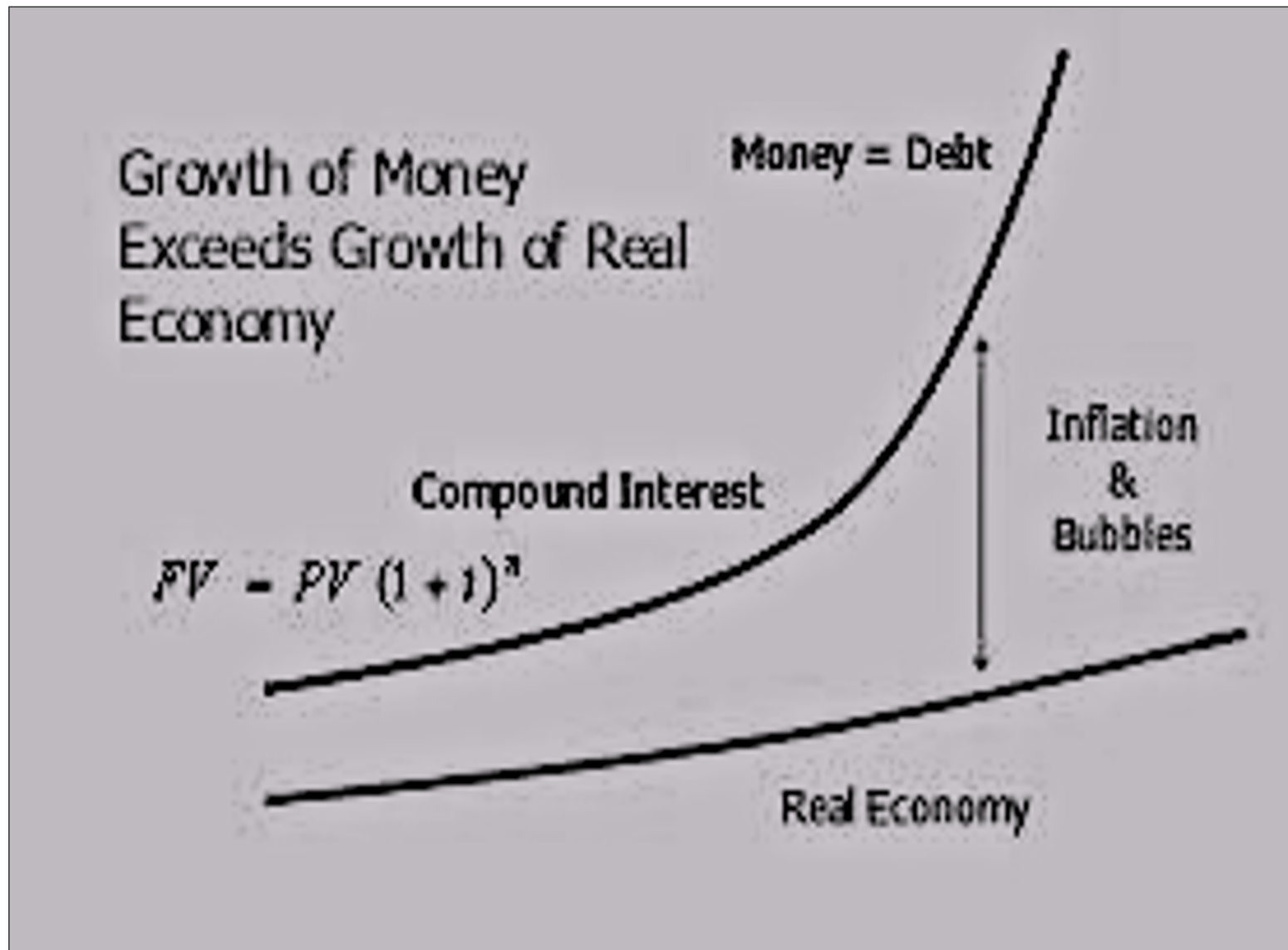


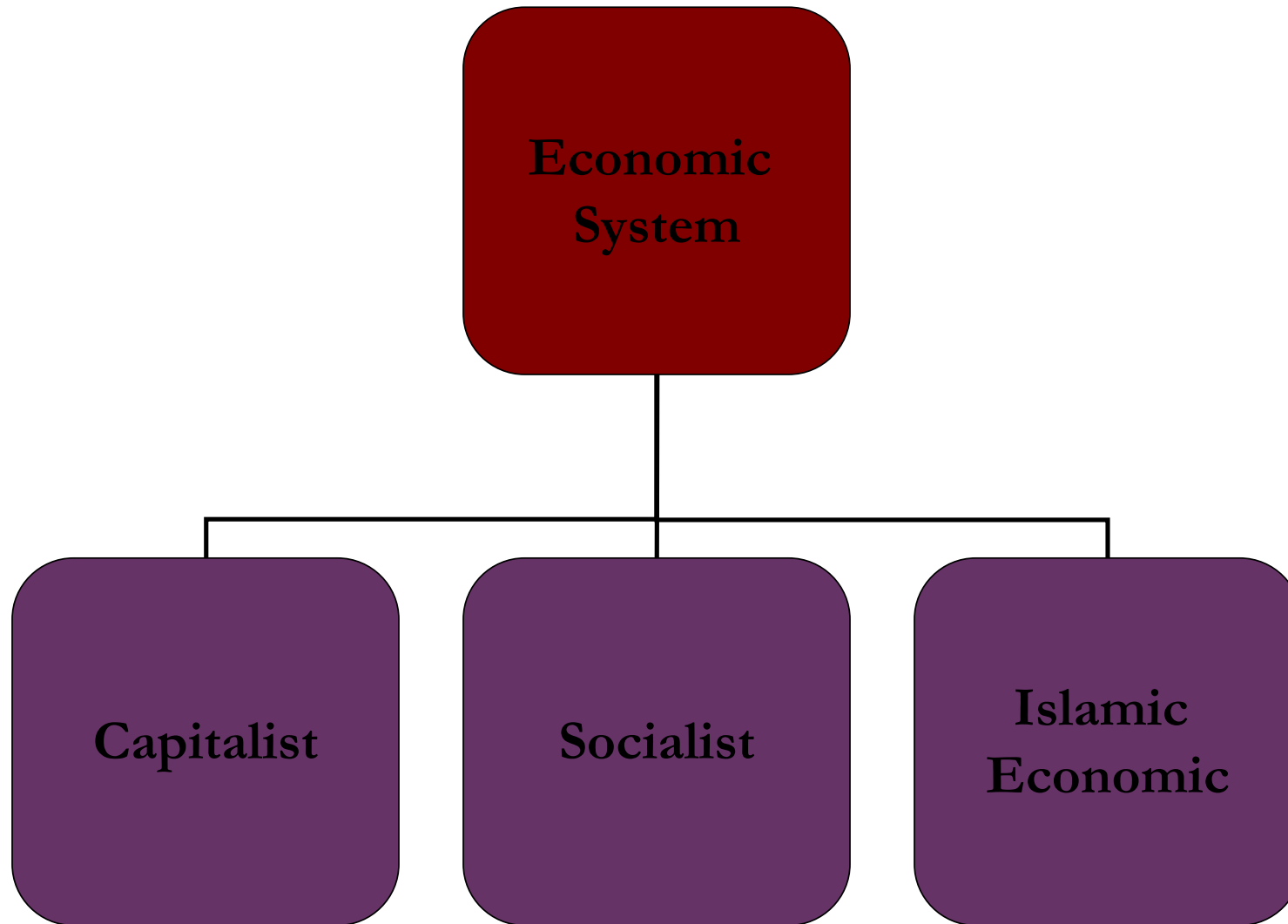
# Major financial crises since 1980





+





# Characteristics of the Modern Economy

- “Privatization of profits and nationalization of losses”
- “Capitalism in during upturns, but communism in downturns”
- ‘Casino Economic and Excessive Speculation’
- ‘Excessive Leverage and Debt accumulates faster than wealth’
- ‘Economic Inequality’



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## Value-Oriented Islamic Finance

**Tenet-Bound**  
**Fundamentals tenets derived**  
**from Shari'ah**

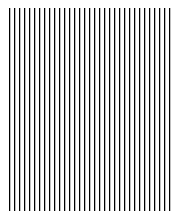
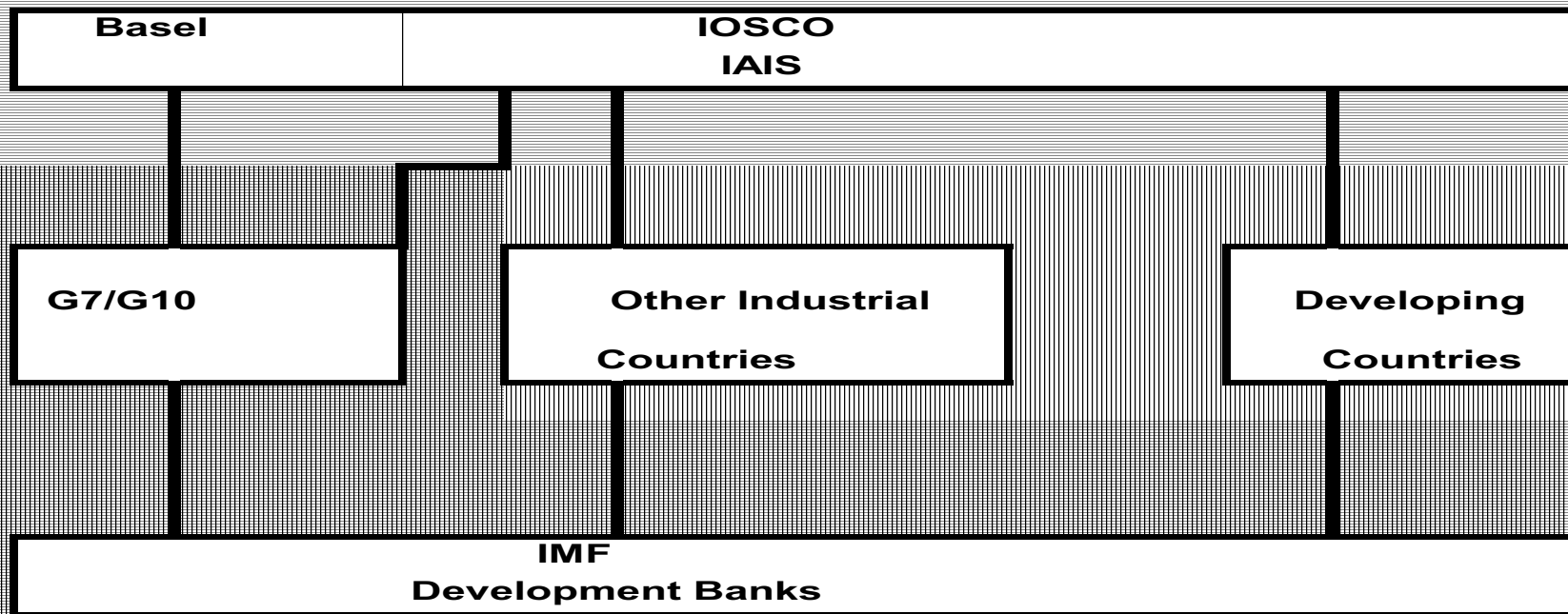
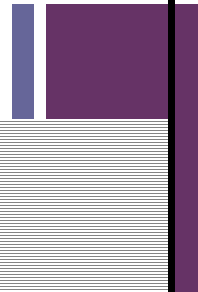
**Principles-Bound**  
**Concept is grounded on ethics**  
**and values**

**Real-economy Linked**  
**Asset-backed transactions with**  
**investments in real, durable**  
**assets**

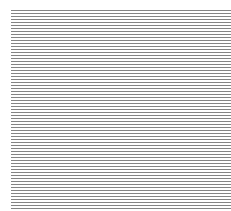
**Society-Service**  
**Serving communities, not**  
**markets**



**Chart 1**  
**International Financial Architecture**



International Monetary and  
Financial Committee;  
Development Committee;  
G-7/G-10;  
IMF, World Bank Executive  
Boards



Financial  
Stability  
Forum

Source: Evans (2000, p.27)

Evans, Huw (2000): "Plumbers and Architects: A Supervisory Perspective on International Financial Architecture", Financial Supervisory Authority Occasional Paper Series No. 4; January

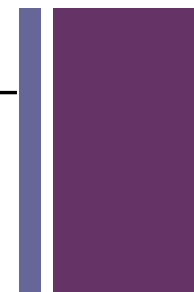


<b>Categories</b>	<b>Institutions</b>
Specialized Standard Setting Bodies	International Organization of Securities Commissions (IOSCO) International Association of Insurance Supervisors (IAIS) Basel Committee for Banking Supervision (BCBS)
Multilateral Institutions	World Bank International Monetary Fund Regional Banks
Financial Stability Forum	<b>Financial Stability Board</b>





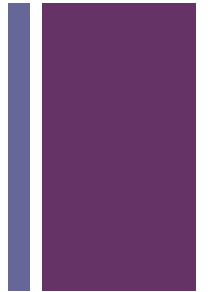
<b>Areas of Standards</b>	<b>Key Agency(s) in the International Financial Architecture</b>	<b>Corresponding Agency(s) in Islamic Finance</b>
1. Accounting	International Accounting Standards Board (IASB), International Federation of Accountants (IFAC), Committee on Banking Supervision (BCBS)	AAOIFI
2. Anti-Money Laundering / Combating the Financing of Terrorism	Financial Action Task Force (FATF)	Common
Auditing	International Federation of Accountants (IFAC)	AAOIFI
3. Banking	Committee	IFSB
4. Corporate Governance	OECD, Basel Committee, World Bank	AAOIFI and IFSB
5. Data Dissemination	IMF	Common
6. Fiscal Transparency	IMF	Common
7. Insolvency and Creditor Rights Systems	World Bank, United Nations Commission on International Trade Law (UNCITRAL), International Bar Association (IBA)	Not yet addressed but especially critical for Islamic financing as it is based on risk sharing
8. Insurance Regulation	International Association of Insurance Supervisors (IAIS)	Not yet addressed but within the mandate of IFSB
9. Monetary & Financial Transparency Policies	IMF	Common
10. Payments Systems	Committee on Payment and Settlements Systems (CPSS)	Common
11. Securities Market Regulation	International Organization of Securities Commissions (IOSCO)	Not yet addressed but within the mandate of IFSB



+	1	Islamic Development Bank (1976)	Equity support and collaboration with IFSB, IMF and World Bank & others
	2	The Islamic Research and Training Institute (IRTI) (1981)	Research, training & Information services
	3	The Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) (1991)	Standard setting and training
	4	International Islamic Financial Market (IIFM) (2001)	Product development and training
	5	The General Council of Islamic Banks and Financial Institutions (GCIBFI) (2001)	Product development, training and research
	6	The International Islamic Rating Agency (IIRA) (2002)	Rating services
	7	The Islamic Financial Services Board (IFSB) (2002)	Standard setting and training
	8	International Islamic Centre for Reconciliation and Commercial Arbitration, (IICRACA) (2005)	Dispute resolution

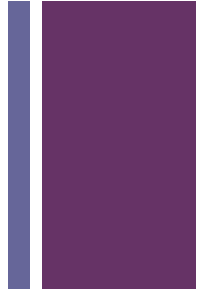
## + Origin of Bank

- The term bank originates from the Italian word *banco*, which means 'table' as in the past moneychangers from Lombardy used to place money on a table.
- The first modern bank was started in Venice in 979H or 1584CE and was known as *Banco di Rialto*
- 1640 Bank of England





## Bank in Islamic History

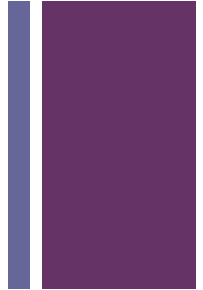


- **Rasulullah SAW received deposit from public.**
- **Az Zubair Awam- received deposit as loan.**
- **Concept wadiah, loan and *mudharabah*.**
- **Umayyah, Abasiyah and Uthmaniah**
- **Zuhr al-Islam- Cheque (Suftajah).**
- **Safarnama by Naser Khasro 427M- Active transaction using cheque.**



## *Sarraf, Jahbadh and Baitul Mal*

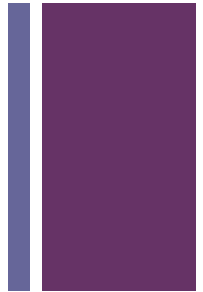
- *Sarraf* and jahbadh provided financing
  - on the basis of *mudharabah* and *musharakah*,
  - negotiable instruments and trade facilities by cashing cheques, and issued promissory notes and letter of credits.
  - They also provided banking facilities to the public as well as the private sector
  - *Bayt al-mal* could be considered as a state-owned bank; it played the role of an agricultural credit bank, commercial bank and clearing house for merchants to facilitate commercial activities from the time of Umayyad.





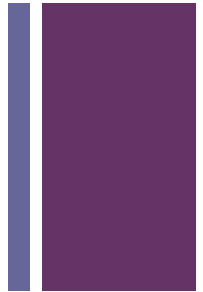
# + Modern Islamic Banking

- **Mit Ghamr Local Saving Bank-** Saving account, loan, equity financing and welfare services.
- Its operation has been taken by **National Bank of Egypt** in 1967 and **riba-free transaction** was neglected. 1971- **National Social Bank**.
- **OIC- King Faisal. 1975 Dubai Islamic Bank and IDB.**
- **1977 Faisal Islamic Bank of Egypt, Faisal Islamic Bank of Sudan and KFH.**
- **Note: Bank Kebangsaan Melayu 1947 by Maarof Zakaria.**



# + Modern Islamic Banking

- **1<sup>st</sup> Phase- 1950s. Concept and Idea**
- **2<sup>nd</sup> Phase- 1960s- Early Islamic Bank**
- **3<sup>rd</sup> Phase- 1970s- Establishment of academic institution and banking institution. Publication of text materials on IB.**
- **4<sup>th</sup> Phase- 1980s- Development of Islamic Bank- Window and Full-fledge**
- **5<sup>th</sup> Phase-1990s- Development of Islamic Bank in USA market- Dow Jones Islamic Index was launched.**
- **6<sup>th</sup> Phase- 2000s- Maturity , comprehensive architecture, IFSB and etc.**
- **7<sup>th</sup> Phase- 2013- World Bank Global Centre for Islamic Finance**
- **2016- World Bank Global Report on Islamic Finance**
- **2017: IMF Report on Islamic Finance and World Bank & IDB Islamic Finance Report**
- **2022: Islamic Finance and the Development of Halal Economy by the World Bank Group.**

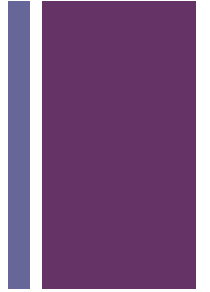


## Islamic products and services offered by 400+ Financial Institutions around the world





# Islamic Finance in the World

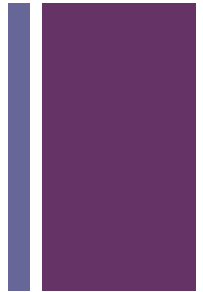


- Africa
- Europe
- GCC
- Asia
- South East Asia
- North America
- Australia

+

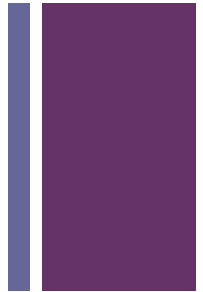
## GCC

- **IDB-1975 Saudi Arabia.**
- **Dubai Islamic Bank- 1975 UAE**
- **KFH: 1977**
- **1978 Jordan Islamic Bank**
- **Bahrain Islamic Investment Company 1981**
- **Qatar Islamic Bank 1983**
- **Bank Melli: Iran-Law of Usury Free Banking 1983- It takes about 6 years from 1979 Islamic Revolution to Islamise the whole banking system of Iran.**
- **Al Rajhi: 1985- Largest Islamic bank in the world**
- **Bank al Nizwa, Oman 2011**





# Asia

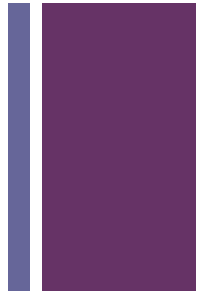


- **Pakistan:**
  - **1977-Report on elimination of interest-**
  - **1979-House Building Finance Corporation, National Inv. Corp of Pakistan.**
  - **Until 1985- Whole system was riba-free. 1991- COA declared Islamic banking operation was not Islamic and confirmed by the Supreme Court 1999. Then, Pakistan followed Malaysia' s model.**
- **Al Hilal Bank, Kazakhstan Bank 2010**
- **Ningxia Islamic International Trust and Investment**
- **Al Ameen Islamic and Financial Inv Corp India Ltd. 1985**
- **Kazakhstan, Korea, Japan, Hong Kong, India and China.**



## Africa

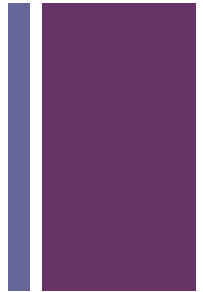
- **Mit Ghamr Local Saving Bank: 1963**
- **Faisal Islamic Bank of Egypt- 1975**
- **Faisal Islamic Bank of Sudan 1977**
- **Bait Ettamouli Saudi Tounsi Tunisia 1984**
- **Albaraka Bank Ltd, Durban (Dallah Al Baraka Group) (1982)**
- **Al wataniya, Mauritania 2010**
- **Jaiz Bank, Nigeria 2012**
- **Tunisia, Algeria, Morocco.**





# Europe

- 1981: Dar al-Mal al-Islami- Switzerland
- 1978- Islamic Banking System International Holdings, Luxembourg.
- 1983: Islamic Bank International Denmark
- (1985) Al-Baraka Turkish Finance House (1985).
- 1990: Union Bank of Switzerland- Offer Islamic Investment fund.
- 2004: Islamic Bank of Britain
- 2012: Kurveyt Turk Bank, Germany
- 2013: World Bank Global Centre for Islamic Finance in Istanbul
- 2015- Russia's Sberbank
- Italy, France, Spain and other European countries.

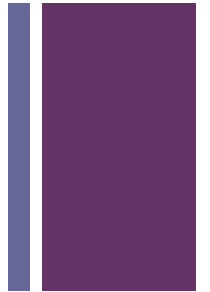






## North America

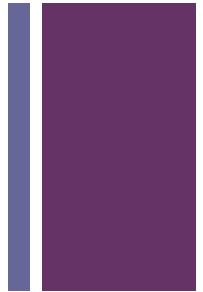
- American Finance House-Lariba- 1987
- Citibank
- HSBC
- Devon Bank, Chicago
- Islamic Co-operative Housing Corp Ltd Toronto
- Ameen Housing Co-operative, San Francisco
- Guidance Residential, USA
- University Islamic Financial, USA





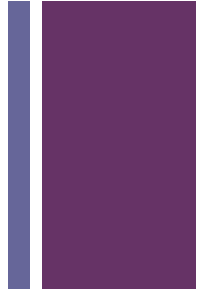
## South East Asia

- Philippine Amanah Bank.
- Bank Muamalat Indonesia 1992.
- Islamic Bank of Thailand-2002
- DBS Bank Ltd Singapore- 2007 First IB in Singapore.
- Islamic bank of Brunei: 1993



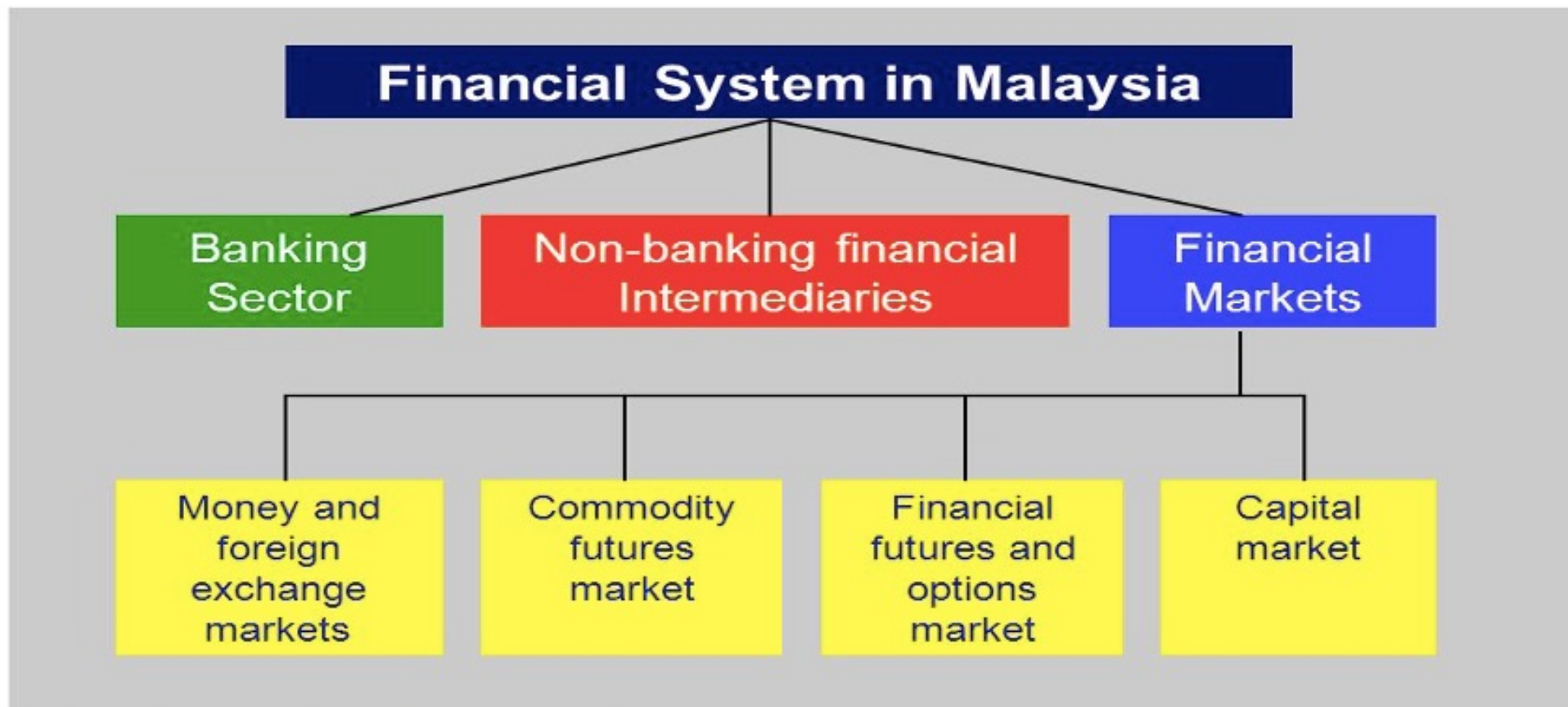
## + Australia

- **Muslim Community Cooperative Australia 1989.**
- **Muslim Community Credit Union 2000. Insolvent in 2002.**
- **Iskan Finance-2001**





# Financial System in Malaysia



# Banking System

- **Monetary Institutions- BNM, Commercial Banks.**
- **Non-monetary Institutions- Finance Co, Merchant Banks and Discount Houses.**

## Non-Bank Financial Intermediaries

- **Development Financial Institutions- Bank Pembangunan, BKR**
- **Saving Institution- National Saving Banks and Credit Cooperative**
- **Provident and Pension Fund-EPF, Pension Trust Funds, LTAT.**
- **Insurance Companies- Conventional and Islamic**
- **Other Financial Intermediaries- MBSB, Leasing Co. LTH.**

# Financial Markets

- **Money and Foreign Exchange- Market for securities less than 12 months to maturity. Eg- banker's acceptance, negotiable instruments.**
- **Capital Market- Primary and secondary securities market. Halal and Non-Halal Counters.**
- **Commodity Futures market and financial futures market and options market**

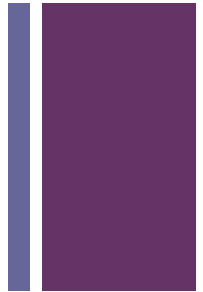


# History of Banks in Malaysia



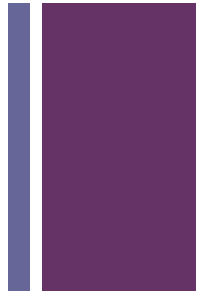


# Malaysia



- Phase 1: 1840-1900: 7 Western banks were established.
  - The Union Bank of Calcutta-1840
  - The Oriental Bank was set up in Singapore in 1846
  - The Mercantile Bank of India, London and China in 1855,
  - The Chartered Bank of India,, Australia and China in 1859
  - The Asiatic Banking Corporation and the Commercial Bank of India both in the 1960's,
  - Rhe Nederlandse Handel Matschappij (N. H. M. ) in 1883.
  - The Hong Kong and Shanghai Banking Corporation in 1884.

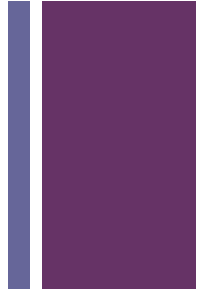
## + **Post 1900: Gradual emergence of Local Chinese Banks**



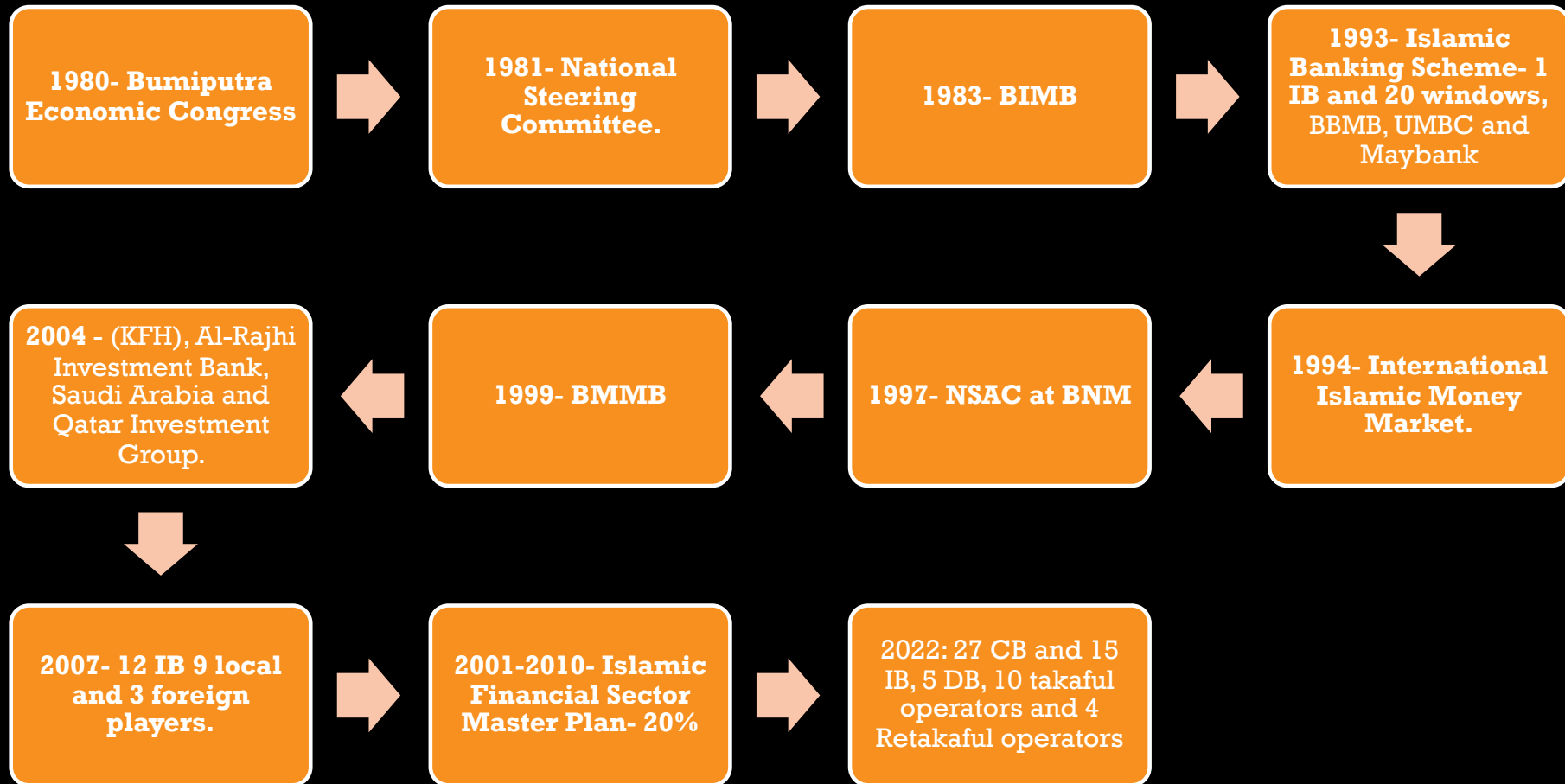
- **The 1<sup>st</sup> local Chinese bank,, Kwong Yik Bank in Singapore in 1903.**
- **Kwong Yik (Selangor) Banking Corporation in 1913. The 1st bank in KL.**
- **Sze Hai Tong in 1906. Chinese Commercial Bank in 1912**
- **Ho Hong Bank in 1917 Overseas-Chinese Bank in 1919.**
- **Lee Wah Bank, Bank of Malaya and Batu Pahat Bank in 1920**
- **Ban Hin Lee Bank in 1935 United Overseas Bank in 1935.**
- **Malay bank was established in 1947 by Maarof Zakaria but it failed in 1952.**
- **Bank of Canton in 1953,**
- **Bank of America in 1955,**
- **Bank of Indonesia in 1955,**
- **Bank of Tokyo and Bangkok Bank in 1957**

+

## The First Malay Bank 1947



# Islamic Finance in Malaysia





AFFINBANK ALLIANCE BANK BANK ISLAM BNP PARIBAS

CIMBBANK citibank Deutsche Bank HONG LEONG BANK

HSBC ICBC JPMorgan Maybank MIZUHO

OCBC Bank PUBLIC BANK RHB SMBC AGRO BANK

Al Rajhi Bank مصرف الراجحي AmBank Bank of America Merrill Lynch بنك معاملات Bank Muamalat

BANKRAKYAT BSN بيت التمويل الكويتي Kuwait Finance House MUFG

RBS Standard Chartered UOB 大華銀行

AmMetLifeTakaful

AIA PUBLIC TAKAFUL

FWD takaful

etiqa Takaful

ZURICH TAKAFUL

Great Eastern TAKAFUL

PRUDENTIAL BSN TAKAFUL

HongLeong MSIG Takaful  
هوڠ لونغ من ايج تكافل

Sun Life Malaysia

TAKAFULmalaysia

Takaful IKHLAS



# Five successful applicants for the digital bank

**Embargo : For immediate release**

29 Apr 2022

Bank Negara Malaysia (BNM) wishes to announce the five successful applicants for the digital bank licences as

A. The following applicants are to be licensed under the Financial Services Act 2013 (FSA):

- a consortium of Boost Holdings Sdn. Bhd. and RHB Bank Berhad;
- a consortium led by GXS Bank Pte. Ltd. and Kuok Brothers Sdn. Bhd; and
- a consortium led by Sea Limited and YTL Digital Capital Sdn Bhd.

B. The following applicants are to be licensed under the Islamic Financial Services Act 2013 (IFSA):

- a consortium of AEON Financial Service Co., Ltd., AEON Credit Service (M) Berhad and MoneyLion Inc.; and
- a consortium led by KAF Investment Bank Sdn. Bhd.



## IFN Islamic Fintech Landscape

### IFN Islamic Fintech Landscape recognizes three more start-ups

In the latest revision of the IFN Islamic Fintech Landscape, three entities were included while one was excluded, bringing the total number of fintech firms offering Shariah compliant products to 116. Digital banking start-ups form the bulk of...