



World Islamic Banking Conference: European Summit

8 July 2008

11 mins

Introduction [1 min]

1. It's a great pleasure to be here today, and to welcome you all to London, and I'm very grateful for the invitation to speak to you.

2. I've been asked to talk about London as a global gateway to Islamic finance – and there's no better illustration of that position than the fact that you're all here today, for the first World Islamic Banking Conference event to be held outside of Bahrain.

3. We're delighted to have you, you are extremely welcome, and I'm delighted to have the chance to say a few words.

4. And I want to talk about two things.

5. Firstly, what we've done to make London into a global gateway; and secondly, what we plan to do to maintain that position.

6. But let me start by telling you why this is so important to us.

Importance of Islamic finance [1 min]

7. Partly, it's because of the huge opportunities that it offers for our financial services sector.



8. According to Moody's, Islamic banking assets have been growing at a rate of just under 20% a year since 2000, and are currently worth about \$500 billion worldwide; and there is a rapidly growing retail market too.

9. And so we want to make sure that London is able to play a leading part in the sector as it develops, with all the benefits that will bring in terms of jobs and profits.

10. But we also have a second objective, which is to make sure that no-one in Britain has their financial services options limited by their religion – and that everyone has the opportunity to make the most of their money.

11. For both of those reasons, we have been working hard to encourage the development of an Islamic finance sector here in the UK.

Supporting Islamic finance in the UK [2.5 mins]

12. A crucial part of that has been establishing a level tax and regulatory playing field between Islamic and conventional finance, which has included removing obstacles to Islamic mortgages and introducing a new tax framework to encourage corporate sukuk issuance.

13. And that has helped lead to some impressive developments in the sector.



14. The Islamic mortgage market here in the UK is now worth more than £500 million; and the UK's Sharia'a compliant banks have more than 40,000 customers.

15. We now have more banks providing Islamic financial services here in London than in the rest of Western Europe combined, and the only standalone Islamic financial institutions in the EU.

16. And there are now 18 sukuk listed on the London Stock Exchange, worth around \$13 billion, including a Bahraini sovereign issuance.

17. We're very proud of those facts and figures, and of what we've achieved, working with the Financial Services Authority; with UK Trade and Investment, whose Chief Executive, Andrew Cahn, you're going to hear from shortly; and of course crucially with the industry.

18. But one of the things that's very obvious to me, after just over a year as the Minister for the City, is that in the world of global financial services you can't afford to sit back.

19. London might be the world's leading international financial centre – but there are plenty of other cities that would like to be, or that would at least like to take some of our business.



20. And that's as true in Islamic finance as it is in any other sector.

21. Of course, this isn't a zero-sum game – it's not a case of developing at the expense of other financial centres, because there can be mutual benefits.

22. But we do have to make sure that we do everything we can to maintain London's position.

Government sukuk issuance [1 min]

23. One of the areas that you'll know we've been working hard on is the potential for the Government to issue a sukuk ourselves – which we think would help London to attract further sukuk structuring activity, as well as giving banks an asset to base Sharia'a compliant retail products on, increasing the range of products available.

24. There are lots of issues to think about, and we are looking at this closely, to make sure that we make the right decision.

25. But last month I announced that if we can get over the last barriers, then we would intend to issue a rolling programme of up to about £2 billion of Government sukuk.

26. And we hope to reach a decision either way later this year.



A new strategy for Islamic finance [4 mins]

27. As a further sign of our support for developing Islamic finance in the UK, we agreed at the most recent meeting of our Islamic finance experts group in June that we would publish a document by the end of the year, in collaboration with UKTI, outlining both the short and long term barriers and what we want to do about them.

28. That will, we hope, focus all of our attentions on what needs to be done to make further progress towards the objectives we all share for Islamic finance.

29. And there are five particular issues that I think we need to think about:

- Tax and regulation;
- Standardisation;
- Awareness; and
- Skills.

30. Of course, tax and regulation will always be the Government's responsibility, and we will continue with our efforts to create a level playing field for Islamic finance.

31. But we shouldn't be thinking about these issues on our own. And on the others, the industry should be taking the lead, and working together to think about what needs to be done to increase



standardisation; to continue to raise people's awareness of the products that are available; and to improve skills.

32. Having said that, I think Government has a role in bringing people together to do that.

33. And so we have set up working groups on each of these issues, to discuss the barriers that need to be overcome in each area, and how that can be achieved – and their work will inform the document that I've just mentioned.

34. I'm delighted with the participants that have agreed to take part; we're very grateful to them, and we hope that the process can bring real benefits for us all. And I'm pleased to say that the first meetings will be taking place over the next couple of weeks.

35. I'm also delighted to have the chance to announce one important development in driving up Islamic finance skills that is already going to happen: the scholar professional development programme.

36. This is a ground-breaking initiative between the Islamic Finance Council, the IFC, and the Securities and Investment Institute, the SII, to develop the skills of Sharia'a scholars from around the world, by providing the opportunity for them to learn more about conventional finance. And you can find details about the programme at the UKTI stand at this conference.



37. This is an excellent example of what the UK has to offer in terms of skills and professionalism, and I'm pleased to hear that it is already receiving support from around the world.

38. I know that Tariq Masood Shaikh, the Chairman of the IFC; and Ruth Martin, the Managing Director of the SII, are here today, and I want to congratulate them on developing this new initiative, and wish them all the best with it.

39. This just shows how industry and other organisations can work together to help the Islamic finance sector develop, both here in the UK and globally, and we in Government are delighted to support it.

Conclusion [1.5 mins]

40. It will need to be a joint effort between Government and industry to maintain London's position at the forefront of the Islamic finance sector.

41. And that is what we are hoping to achieve through our Islamic finance experts group, and through the working groups that we have set up to inform the document that we'll publish later this year.

42. For our part, we will continue to do what we can to support the sector. Right now, in fact, we're consulting on the interaction between Stamp Duty and sukuk; and we'll be publishing a



consultation shortly, with the FSA, on the regulation of sukuk too. And we're also continuing to work hard at addressing the remaining barriers to a sovereign sukuk issuance.

43. The Treasury, UKTI and the FSA are committed to doing what we can to support the development of Islamic finance here in the UK; and combined with the skills, expertise and dedication of the industry, both here and abroad, I'm sure that we can maintain London's position as a global gateway to Islamic finance.

44. As I said at the start, you've confirmed that position by being here today. So thank you for choosing to come here to London, and for inviting me to speak; and thank you all for listening.

[Ends]