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## Interview with Dr. Alberto Brugnoni: “Islamic Finance is not the exception, but the rule of normal financial behaviour”

**Dr. Alberto Brugnoni is an international consultant in Islamic finance and ethics and is Founder and Director General of AASAIF, an organisation that participates in some of the most important international initiatives in Islamic finance. Dr. Brugnoni acted as Chair for the recent International Takaful Summit 2010 in London and moderated the session entitled “Enabling and Expanding the Scope of Takaful”.**

**Here, Dr. Brugnoni speaks with Global Islamic Finance Magazine about why the Summit was such a big success, his work with Islamic microfinance, and the state of the Islamic finance industry in Europe.**

### **How did you find the International Takaful Summit?**

It was a great success for two reasons. 1) It was very well attended, with more than 450 delegates signing in. 2) We had institutional support. Nick Anstee, the Lord Mayor of London attended the opening session and spoke, as well as sitting in on several sessions. We also had dinner in the House of Lords at the invitation of Lord Mohamed Sheikh, which added credibility to the event. It was nice weather, nice atmosphere: It was

not just a formal event but also provided the opportunity for networking.

To be honest with you, sometimes conferences can be hot air but this one provided an endless number of presentations with highly researched information-the speakers and panellists had done their homework. They were passionate about their subject and none of them were there for commercial reasons; they didn't get paid. This event, the world's leading event on takaful since its first year, is a free event. It's invitation only, but it is free. It is not a commercial enterprise. It has become an institution every July. We also have a winter session in October this year, in Bahrain. We're aiming to make a bridge, a link between the two events, in

order to increase networking and the sense of family!

### **Why is the winter session being held in Bahrain?**

There are three major Islamic finance hubs: Kuala Lumpur (KL) is very important to the industry in the South-East Asian region; London is concerned with international and Western interests; and in the middle we have the Gulf. Why Bahrain? It is strategically in the middle: People from KL and South-East Asia can get there in a few hours, as can those from London. Others in the Gulf region can get there in 1 or 2 hours. Also, Bahrain is relatively advanced in terms of regulatory framework for sharia'a-compliant insurance and finance. The industry has strong sup-

port from the Central Bank of Bahrain. The HQ of AAOIFI is also based there. We think it's the right place.

### How did you come to be involved in Islamic finance?

I was involved back in 1986. I was working for Merrill Lynch as the head of the Italy division. I got involved in plans for the Middle East and ended up executing the first murabaha transaction. In the 1990s, however, it was still not possible to make a living from Islamic finance as it wasn't very established yet. I moved into ethical finance and ran ethical programmes in Europe. In the 2000s, when Islamic finance took off, I became more involved. I was involved in capacity building and structuring deals.

### What is ASSAIF working on at the moment in terms of Islamic finance?

One project we're working on is a sharia'a microfinance fund. Microfinance is not currently on the agenda of Islamic finance, even though it is on conventional finance's agenda. Islamic finance should operate microfinance as it is to do with the wellbeing of the people.

The Muslim community includes the richest people in the world and also very, very poor people: Islamic finance has not concentrated on making things better for the poor-this is not a criticism but a fact. The industry's focus is on capital markets and sukuk, which is no bad thing, but it must also seek to make an impact on real people and real lives.

### How does the sharia'a microfinance fund work?

The fund isn't set up yet-hopefully it will be by the end of this year. We'll use the fund as a conduit, collecting money from investors. It is not a charity; it is a social business, so there will be returns. We'll invest the money raised into clusters. Clusters, as you know, are an important element of microfinance all over the world.

### What is the current state of Islamic finance in Europe?

It's a long and bumpy road. Definitely the ball is rolling and there is a demand. Although there are no exact figures, there are approximately 25 to 27 million Muslims in Western Europe. We know that ethical finance and fair trade is key. There are organisational church funds that share the same values as in Islamic finance.

There is a distinction in Europe between investment banking and retail investment banking. In terms of Islamic investment banking, not only the UK, but now also France and Malta are coming into it. Italy

and Spain are moving towards it. The outlook for Islamic investment banking in Europe is quite pink and rosy. For Islamic retail banking, there is a longer road and a more difficult environment. A lot of banking regulations and tax issues are obstructing the growth of this industry in Europe.

The impact Islamic finance has on public opinion influences the success of Islamic retail banking. Many people at grass roots level have issues with Islam-they see Islamic finance as letting sharia'a law come into our system. Businesspeople and capital market players have one mindset: The people on the street, which is where you want to take Islamic finance to, have a different mindset; they live in a different world and environment.

### What did you think of the recent article in The Times claiming Islamic finance has been "a huge flop" in the UK?

The article is flawed from the very beginning. The two experts quoted in it are fake "experts"-they are nobodies. They're self-styled barons who are not in the industry. It's tabloid stuff, not proper journalism.

Islamic finance in the UK is up and down like everything else in life. There is success and failure, qualities and shortcomings. It's not just London that hosts Islamic finance events in the UK. In Edinburgh, a completely different part of the country, there is a very well attended Islamic finance conference every April. The Church of Scotland is interested in Islamic funds because it shares the same values as them.

You have seen the first takaful operator in the UK-Principle Insurance Holdings. Yes, the company had problems [Principle stopped writing policies in November last year, after running out of funds], but conventional insurance also has problems. With recapitalisation and a new FSA license in a few months, the business will re-launch and learn from its errors.

Islamic finance is opening up in the UK. It is recognised more and more as a valuable tool. Islamic finance has an important role to play in a multicultural society such as the UK, with Muslims and other people sharing similar ethical values. Remember, Islamic finance is based on tangible assets, Profit-and-Loss Sharing and securitisation only. These values are not new. They've been around since the beginning of mankind. Islamic finance is not the exception, but the rule of normal financial behaviour.

Islamic finance is important because it is linked to a concept that is at the base of

human society: the concept of social and financial inclusion. If you don't have financial inclusion, you don't have social inclusion-then you have violence, crime and other problems.

### What are you presently most excited about in Islamic finance?

Microfinance-my baby! There are also many other things: Takaful is a golden conduit for Islamic finance. The mutuality feature of takaful is also evident all across Europe in the form of long-standing, mutual co-operatives. It is very easy to understand the takaful concept. In the Gulf, Saudi Arabia has a tremendous takaful market: the number of major operators there is in double figures. Microtakaful is takaful linked to microfinance, or microloans. If you have Islamic microfinance, it goes without saying you need microtakaful.

Another interesting area is Islamic structured finance-it is a creative use of tangibles around the world. Islamic finance is based on tangibles. For example, people are now working on projects based on containers and aircraft. This area has a bright future.

### What direction is ASSAIF moving in over the next 12 months?

We are doing a lot of capacity building and are focusing on construction funds. We're explaining to people the raison d'etre of the structures. We can move forward and try to apply modern finance to other structures.

We now have two magazines: one on Islamic related issues and one focusing only on Islamic finance. We are going to launch a Masters degree in Islamic finance. We are just spanning the globe at the moment. We're recently held major events in Russia, Tashkent, KL, Italy and South Mediterranean countries.

Italy is an important market for us because it is the number one trading partner with the Gulf region in many sectors and it also a very important cultural, diplomatic and historical region for the Gulf.

Italy can provide Islamic finance, the interest is there: The Central Bank has held major Islamic finance events that have been attended by major Islamic finance players. At a Foreign Ministry event the Minister said he was in favour of Islamic finance. Islamic finance also has the support of the Vatican-and like it or not, the Vatican is a major player in Italian politics. The daily Vatican newspaper spoke in favour of Islamic finance because of its moral and ethical values. 