



Gulf Research Centre Cambridge
Knowledge for All

Workshop 8

Fintech, Digital Currency and the Future of Islamic Finance in the GCC- Strategy, Operational and Regulatory Issues

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Abstract

The banking and financial landscape in the last decade have been inundated with ‘techs’. FinTech, InsurTech and RegTech are just some of the new buzzwords. Close to 80% of Fintech investments happen in the US, while it is growing rapidly in Europe, Asia-Pacific and the rest of the world. In the GCC, Fintech is yet to find its feet, despite several digital transformation drives initiated by the regional governments in the UAE and Bahrain. In comparison to conventional finance, Fintech’s penetration into Islamic finance institutions (IFIs) in the GCC is still in its very early stages. However, the potential disruptions of technology to GCC’s Islamic finance sector cannot be underestimated. This workshop, thus, aims to highlight, examine and address key strategic, operational and regulatory issues about future market positioning, product structure and placement, delivery channels, and customer requirements for GCC’s IFIs. The workshop will also

deliberate on the present and likely future regulatory environment surrounding technology and financial institutions for the GCC block.

Description and Rationale

In the context of this workshop, “Fintech” refers to the use of technology for delivering financial services, specifically through Internet-based crowdfunding platforms and mobile payment systems. The workshop will explore how Islamic finance stakeholders and regional financial institutions in the GCC are viewing developments in Fintech, and whether they are planning to integrate them into their business models.

Potential areas where Fintech is likely to have an impact, especially from a GCC standpoint, are Remittances, Insurance, Investment Advisory and Online Trading. Fintech have already made their presence felt in these areas across the globe, with innovations such as digital remittances, roboadvisors, algorithmic trading, and Peer 2P insurance platforms. Surprisingly Islamic financial sector, one of the most prominent sector in GCC, is yet to embrace Fintech in full force as compared to rest of the world. In the coming years, demand from consumers (mostly millennials) is expected to give rise to faster adoption of these technologies across various verticals in banking and financial sector.

Fintech and usage of digital currency is gaining a lot of support from regulators across the GCC region. The governor of the Central Bank of Bahrain (CBB), noted that the smart use of technology is a game-changer in banking, just as in other aspects of daily life. The governor further emphasized that “Technology has made it possible to access more customers, in a more comprehensive way, at a lower cost, than in the past and Islamic banks must make full use of these technological enhancements and invest more in this space.”

Fintech is also gaining support from Saudi Arabia Monetary Authority where all the 12 banks operating in Saudi Arabia offer Shariah-compliant finance are also looking forward to embracing the usage of fintech in its financial operation. EY report of 2016 noted that the introduction of FinTech will increase the Islamic finance customer base, from 100 million today, to 250 million by 2020. The question that remains, however, is how regulators and regulatory regimes can adapt to promote the benefits of Fintech while protecting against potential abuses of Fintech as well as its unintended consequences. Although a contentious issue, some people perceive non-banking financial intermediation via FinTech as an opportunity for re-aligning Islamic finance to become more “authentic”. For Islamic stakeholders, the new technological modes of finance indeed bring up interesting shariah issues.

This workshop thus will provide an opportunity to bring studies relating to the current issues related to fintech adoption and future development for the GCC Islamic finance industry to the fore and, more importantly, will contribute to the literature on different aspects of technological transformation in the GCC region. Considering that limited academic material is available currently, this will be important in disseminating knowledge on the GCC fintech and digital currency industry. Publishing an edited volume with the selected papers presented at the workshop will create an important handbook and reference material for academics, professionals and policymakers.

Anticipated Participants

We are expecting a reasonably good number of papers to be submitted to the workshop. However, the focus of the workshop will be mainly concentrated on the following themes:

- What is the status of Fintech in the GCC?
- What will be the impact of Fintech on Islamic Finance in the GCC?
- What is the outlook for Fintech in the GCC?
- Are GCC regulators prepared to face the technology disruption brought by Fintech?
- What are Shariah considerations of Fintech and its impact on Islamic finance institutions?

The papers sought for are expected to focus on one of the following topical areas in relation to Fintech and Islamic finance in the context of the GCC region or GCC member country or countries:

- Technology disruption and its impact on Islamic banking and finance in the GCC region
- The impact of technology disruption and FinTech on Islamic Financial Institution's future growth and profitability in the GCC region
- GCC's Islamic Banks' strategy and positioning in the light of the growth of financial technology
- Understand Shariah and other risk areas associated with technology disruption and how GCC regulators are dealing with it.

- Emergence of Islamic FinTech players available in the GCC region and how Islamic banks are working with FinTech startups, locally, regionally and internationally
- Evaluating regulatory sandboxes: a comparison among GCC jurisdictions
- Government initiatives for the development and integration of FinTech
- Best practices of regulatory sandboxes springing up around GCC
- Digital banking and readiness of GCC banks
- State of Insurtech, Regtech and Fintech in the GCC
- Digital Economy and changing lifestyles of GCC citizens in terms of financial inclusivity and employment opportunities?

The individual papers can have a GCC regional focus; or can be a comparative paper focusing on one or more than one of the GCC countries; or can be a comparison of a GCC country or countries with other regions or countries in relation to the above mentioned topical areas.

Both workshop directors, Prof Ali and Dr. Alam will be responsible for evaluating the abstracts and papers submitted for the workshop. In the selection process, the following criteria will be employed:

- appropriateness of the subject matter including the GCC reference or the individual country in the GCC region.
- the academic and scholarly rigor of the paper.
- whether the findings of the paper are located within the larger theme of the workshop.
- How regulator and policymakers can benefit from the findings of the papers.

Workshop Director Profiles

Dr. Nafis Alam is currently an Associate Professor of Finance at Henley Business School, University of Reading Malaysia and he previously served in same capacity at the Nottingham University Business School (NUBS) His research is focused on Fintech, banking regulation, financial market, corporate finance and Islamic banking and finance. His articles have been published in leading journals like The World Economy, Emerging Markets Review, Pacific Basin Finance Journal, Journal of Asset Management, Journal of Banking Regulation, and Journal of Financial Services Marketing among others. He has also co-authored five books in Islamic Finance among them is Encyclopedia of Islamic Finance which is first of its kind and has sold over 1000 copies worldwide. Nafis regularly writes about the future of financial services in the wake of robotization,

digitization, and automation. He also provides insightful discussion on cryptocurrency regulation through his scholarly article. He is one of the top influencers in Fintech domain and has been recently ranked number one in the Fintech Finance Silver list. He has regularly featured at [@WEF](#) [@Huffington](#) [@FT](#) [@ConversationUK](#).

As a frequent traveler, he has given lecture on Islamic finance/finance across the world such as Harvard Islamic Finance forum at Harvard Law School; Gulf Research Meeting at Cambridge University, UK; Durham University Summer School, Seoul International Finance Conference (SIFIC), World Islamic Economic Forum, OIC Asia Trade and Economic Forum among others. He has served as a visiting Associate Professors at the Universities in the UK and Indonesia. He also acted as a consultant for Malaysian Securities Commission (SEC) and consulted banks in Malaysia and the UK. He is also a Member of the World Bank Research Society at Malaysia office. He was featured as a Professor of the Month by Financial times in 2014 and received the award for the Upcoming personality in Islamic Finance for 2016 given by GIFA and hosted by Indonesian government.

Dr. Syed Nazim Ali is Research Professor and the Director of the Center for Islamic Economics and Finance, College of Islamic Studies (CIS), at the Hamad Bin Khalifa University, Qatar Foundation. Dr. Ali has spent the last thirty years spearheading interdisciplinary research in Islamic finance and faith-based initiatives in finance as well as community development. He was Founding Director of the Islamic Finance Project (IFP) at Harvard Law School, Harvard University since 1995. He has paid special attention to lines of inquiry that seek to examine and interrogate the frontiers, facilitate research and encourage dialogue among various stakeholders and external discussants. He has played a lead role in organizing several conferences and seminars by observing global trends creating forums for intellectual debates. In addition, the IFP had played a role in advising more than 30 theses accepted in Islamic finance and law at various schools at Harvard. Some of Dr Ali's most significant contributions to the field have been the Islamic Finance Databank: an online information source in the field; LSE (London School of Economics) Workshop: an annual event to discuss the current pressing issues facing the field; and the Harvard University Forum on Islamic Finance, the proceedings of which are published under his editorship. Dr. Ali has been actively involved with the U.S. Treasury, The Federal Reserve Bank of New York, U.S. Department of the Treasury, and central banks in other countries, working to improve understanding of and combat misconceptions about the Islamic Finance Industry.

Dr. Ali received his PhD from the University of Strathclyde, Glasgow, United Kingdom. He was also Visiting Fellow at the Prince Alwaleed Center for Islamic Studies at Harvard University (2014-2016). Currently he is serving as an Academic Advisor to Harvard

Muslim Alumni Association in the organization of Harvard Islamic Finance Conference. Dr. Ali recently organized a workshop on FinTech at the London School of Economics in February 2017 and currently working on a book proposal titled “Fintech for Islamic Financial Services” to be published by Taylor & Francis.

Selected Readings

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