

ISFIRE

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Islamic Finance Expert

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**PAVING THE WAY FOR
ISLAMIC FINANCE TO
CONTRIBUTE TO CHINA'S
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CHAMPIONING ISLAMIC FINANCE

An Exclusive Interview with

MUHAMMED IKRAM THOWFEEK

Founder of MIT Global and First Global Academy

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MUHAMMAMED IKRAM THOWFEEK

Founder of MIT Global and First Global Academy



CHAMPIONING ISLAMIC FINANCE

With 30 years of industry experience under his belt, Muhammed Ikram Thowfeek, Founder of MIT Global and First Global Academy, is truly devoted to help Islamic finance develop as a dynamic, flourishing and unique system offering a tangible and real value proposition. In this exclusive interview with ISFIRE, Muhammed Ikram Thowfeek (or better known as MIT to his closest friends and peers) shares his personal journey and his thoughts on Islamic finance.

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You are a passionate practitioner of Islamic banking and finance. Where do you draw the inspiration from to play a lead role in this niche field?

From my early school days, I was inspired by the patience and wisdom with which my late dad, M.M. Thowfeek, led his life. His admirable patience was the envy of everyone around him. My mother, on the other hand, was the complete opposite. She was tough on all 8 of us (6 boys and 2 girls), but only because she wanted to inculcate good behaviour, discipline and foster unity among us siblings.

My late dad was both an accountant and a successful entrepreneur. In the family, I am the only one who pursued a profession as a Chartered Accountant whereas all others ventured into their own business.

I still remember vividly the day when I received news from a friend that I had qualified as a Chartered Accountant. Overwhelmed with excitement, I immediately rode to the Institute of Chartered Accountants of Sri Lanka (ICASL). I had to see the official results for myself. Unknowing to me,

my dad had overheard the good news and soon it spread like a bush blaze. By the time I got back home; family, friends and neighbours were all congratulating me on my achievement. I was told later that he even shared my achievement with passers-by, telling all that were willing to listen that his son had just qualified as a Chartered Accountant. Seeing your parents' smiling face and making them feel proud of you is definitely one of the greatest sources of happiness.

Soon after this, I pursued the Chartered Management Accountant from United Kingdom and completed my 5 year internship with Ernst & Young. But all throughout this period, my only ambition was to join the one and only Islamic bank in Kuwait at that time - Kuwait Finance House. In July 1992, my dream turned to reality and since then I have never looked back. Over my 30 years of career span in Islamic finance, I have helped set up some of the most prominent Islamic banks in the world from scratch. These have been some of

the many defining moments in my career that have taken me farther than I could have ever dreamed of. One might ask, "What is the secret to success?" Make life a learning lab. You do yourselves a great disservice if you don't grow intellectually.

I believe I am enormously blessed and successful not because of my qualification, experiences and the exposure I had, but due to my upbringing, guidance and sincere prayers of my beloved parents. Indeed, it was my late dad who inspired me to pursue my career path, along with my paternal late uncle MJM Ashraf, who also played a significant role in my journey of growth. (May Almighty Allah forgive them all and grant them Jannah).



Let's be realistic. Islamic finance is not panacea for all economic ills that the interest-based economies are facing. Yet many tend to believe that Islamic finance offers solutions to all the economic and financial problems. What are your views on this?

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Being a practitioner for almost 3 out of the 4 decades since Islamic finance first made its debut, I am a strong believer and a passionate Islamic banker and still believe that Islamic finance can be a solution provider, if not for all then for most of the financial ills that emanates from an interest-based economy or financial system.

Many will not agree with me and would have their own opinions and justifications on this issue, but truth must be said. Not as per my own conviction, experience and exposure to the Islamic finance industry but by the wisdom of the Creator, Almighty Allah. Riba (interest and usury) has been prohibited in the sternest terms to the extent of waging war against the humanity by the Creator and His messenger.

Many couldn't fathom the wisdom of the Creator, Almighty Allah. He permitted trading but prohibited riba, which is the fundamental cause of the global economic or financial crises today. There is clear evidence that nothing good emanated from riba apart from calamities to individuals, corporates and the governments at large.

The global financial crisis in 2008 has been given many labels by the media and the global financial community - sub-prime lending, unethical practices, mismanagement of leveraged products, toxic assets, to name a few. These are merely words and jargons. Many failed to see the real underlying issue or problem, which is the issue of riba or interest and its economic impact. 1001 reasons, stories, jargons and explanations were used and given to describe the worst crisis but none referred to the effects of riba that continues to shock the world with the remnants of the crisis without providing any hopes or light at the end of the tunnel.

My benchmark in measuring the success of Islamic finance industry is to bring a change in the economic indicators of an economy by taking into account the presence of Islamic banks or Islamic financial institutions in the country.



Islamic finance is based on risk sharing, asset-based transactions for the purpose of income generation and wealth distribution in the society. Therefore, it should bring improvements to individuals, corporate entities and economy, which unfortunately are not being captured in the present economic indicators.

In a recent report released by Oxfam International, it is reported that the world's 62 richest people hold the same wealth as the poorest 50% of the world's population. This statistic is indeed alarming as it shows that there is huge inequality gap. Another statistic revealed that there are 3.4 billion people who are living with a meagre US\$2 per day, without knowing when and how they will get their next meal. This is how unjustifiable the entire global wealth distribution system is!

Now the question is not "how many will own 90% of the global wealth in the next 5 to 10 years?", but "how equitable the global wealth distribution system can become?" But most importantly, what is our role as Islamic bankers and practitioners to address this widening inequality? As proponents and supporters of Islamic banking and finance, we must take time to reflect and ponder on these profound questions: what difference can the Islamic finance industry bring to all stakeholders to bridge the gap between the rich and the poor and empower these 3.4 billion people to stand on their own feet through Islamic financial solutions.

There is certainly no one pill for every ill, but there is one for all financial ills; which I am truly convinced without a shadow of a doubt is Islamic finance. If Islamic finance industry is implemented in its true spirit, it can bring solutions to improve the lives, financials and investment choices of millions of people - both Muslims and those of other faiths. This can only happen through equity participation, risk sharing and fair dealings.

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You founded MIT Global and First Global Academy, which offer a wide range of services. Can you share with our readership the vision behind the setting up of MIT Global and First Global Academy; what do you aim to achieve?

MIT Global was established four years ago in April 2012. Based in the UAE, we are a specialised Islamic finance advisory firm with unique practical experience and insights of the industry built on my own experiences and dealings with Islamic financial institutions worldwide. MIT Global has managed and advised various investment projects for clients with different risk and return profiles from a Shari'a-compliant perspective. One of our signature products or offerings is the award-winning Musharaka Partnership Model (MPM). It was developed and introduced to our global clients, targeting micro, small and medium enterprises (MSMEs).

Our mission is to emerge as a significant player in the Islamic finance industry with a global mind-set, whilst reaching our stakeholders' targets and adding value to the community at large, both in Asia and the Middle East.

Riding on this mission, MIT Global focuses on the following specialised areas:

- Set up specialist
- Islamic wealth management advisory
- Business development and restructuring
- Corporate finance advisory
- Capital market and sukuk
- MSME advisory

First Global Academy (FGA), is another institution that was established in 2006 before the onset of the global financial crisis but has weathered the storm and continued to work towards 'building a new breed of professional Islamic bankers and Islamic finance specialists'. This is something that we not only believe in but promote with enthusiasm. Over the last decade, we have groomed the much needed Islamic finance talent in the country where our alumni are now present in every Islamic banks and Islamic financial institutions, including takaful companies in Sri Lanka.

I am happy to share that we recently celebrated our 10th Anniversary on January 5, 2017, under the theme of 'carving tomorrow's leaders'. Since its establishments, FGA has groomed more than 3,000 students and professionals. Today, we have greater plans for the next two decades, where we want to establish our own 'FGA Global Campus' that will not only provide Islamic finance related programmes but also other programmes in management, accounting and finance, ethical entrepreneurship, information, communication, e-commerce and digital technology, wealth management, crowdfunding and fintech, and awqaf etc. We are now in talks with a number of global universities and institutions specialising in the programmes I mentioned earlier. We want to attract students and professionals not only from Sri Lanka but also from Asia, Middle East and other countries.

No success is without hurdles and no dream is achieved without patience and continuous hard work. I am grateful that our hard work and commitment has been recognised by the prestigious Global Islamic Finance Awards. This is a true testimony to our pioneering efforts in Islamic finance education initiative in Sri Lanka.

achieving its true potential.

If you look back over the last 10 years when FGA was first established, this was the era of economic instability and uncertainty. Definitely not the ideal economic conditions to establish an institute like FGA. But where other similar institutions that were established after us had a short life span, we continued to persevere and hold our fort. Our passion made our survival possible, though we were unable to meet ends initially. Money making was never the motivator but to add value to the industry was the passion that kept us going. Today, we are reaping the fruit with a small, dynamic, sincere and passionate team and have plans to grow bigger, impacting global markets, in shaa Allah.

As I previously mentioned, one of our unique offering is the Musharaka Partnership Model. Under this model, MIT Global acts as an advisor to musharaka partners to be part of the Micro, Small and Medium Entrepreneurs' projects on a musharaka partnership basis. Under this unique relationship, we have adopted the PLS model, which has been operating successfully since the last 2 years and received the "Critics' Choice Most Innovative SME Product Award at the Islamic Retail Banking Awards (IRBA) 2016.

This global recognition was a great motivation and a morale booster to take this project to the next level. We are looking for more 'risk mitigations' through takaful coverage that will attract global Islamic banks and Islamic financial institutions to be part of the MPM in the near future, in shaa Allah.

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MIT Global and First Global Academy won a number of awards last year. First at the Global Islamic Finance Awards in Jakarta, followed by the Islamic Retail Banking Awards in Dubai. Would you care sharing with us details of these success stories?

Indeed, we are very happy that our work was recognised at the Global Islamic Finance Awards 2016 in Jakarta where First Global Academy (FGA) was named 'Pioneering Islamic Finance Education Initiative in Sri Lanka'. Such a global award for FGA is a testament to our sincere contributions in developing talents for the Islamic finance industry. We are now even more inspired to continue our initiative to contribute our expertise to develop Islamic finance in

5 You were born in Sri Lanka and have spent a considerable amount of time in the Middle East. Can you please share with us how the Muslim community is fairing as a whole in an otherwise predominantly non-Muslim country, and what role are Sri Lankan Muslims playing in developing Islamic banking and finance in and outside the country?

Sri Lanka has made great headways in Islamic finance despite having only one full-fledged Islamic bank called Amana Bank. However, there are a number of Islamic financial institutions operating under the conventional banking umbrella with different models. Recently the government has taken a more proactive role in developing Islamic finance and providing opportunities for all stakeholders of the Islamic finance industry both in and outside the country to rally around to support the government initiatives to bring foreign direct investments to the country through various Islamic finance propositions, including sukuk.

As a strong advocate of Islamic finance, I have never shied away from promoting the industry. On many platforms I have strongly voiced my opinion that there is enormous potential to tap into the riches of the Islamic finance industry. I have been advocating for people not to look at Islamic finance as beneficial only to the Muslim community (which comprises of only 10% of the 25 million population), but the enormous benefits it can bring to the whole nation and to the people of all faiths. The message I have been promoting is to raise funds through Islamic finance propositions for various government developmental projects. However, the West is attracting these sources of funds by attracting them to their respective countries through the creation of and portraying themselves as Islamic finance hubs.

Today, the Islamic finance industry in Sri Lanka is quite vibrant with a number of Islamic financial institutions including takaful operators and education providers. The capital market operators are also spearheading the industry with government support. Various global events are also taking place in the country with increasing support from the government. For all the good things happening in the industry, we too have a share in raising the bar of Sri Lankan Islamic finance industry.





Who has been your greatest mentor? And why?

My greatest mentor is none other than my late beloved mother (May Almighty Allah forgive her, have mercy on her, and grant her Jannah). Although my mother studied only up to standard four in school, she had the wisdom and the courage of an intellectual. She brought up eight of us to do well in our lives and flourish in different fields. I was the third and chose to become a Chartered Accountant and an Islamic banker, while others ventured into entrepreneurship.

Why my mother is the greatest mentor? Because she taught me 'Risk Management' and 'Corporate Governance' when I was only 10 and 12 years old, though I didn't know what these were at that age. I only realised its significance when I was studying for my Chartered Accountant qualification. One might wonder how a mother, with no education background in these areas, is able to teach subjects that are only taught by professionals and qualified people. If you are interested to know the full story, you can read my LinkedIn post entitled "Corporate Governance".

certain jurisdictions. But this has been mainly due to the wrong approach taken or mismatch of demand with product offerings not catering to the different risk and return profiles of customers.

Failures are pillars of successes. It is timely to look into these shortcomings and drive lessons from the mistakes and failures and create a platform to bring Islamic finance to the mainstream banking and financial system by clearly portraying it as an alternative to the conventional banking and finance. I must stress that Islamic banking and finance needs to be portrayed as a distinct alternative to the conventional banking and finance. Otherwise, Islamic finance will be tugged into the conventional banking umbrella and rendered as another offering, like internet banking, mobile banking, and electronic banking.

This distinction holds a paramount importance to differentiate Islamic financial system from that of the conventional and it is only possible through greater awareness and understanding of Islamic financial product and services to a wider audience, especially amongst professionals working in Islamic financial institutions. Such lack of understanding has led to the misconception that Islamic finance is no different from conventional finance.

Many industry observers believe that Islamic banking and finance is not sufficiently different from conventional banking and finance. Do you agree with the statement that "Islamic banking and finance has failed to develop itself as a differentiable and independent system"?

I cannot be so blunt as to say that Islamic banking and finance has failed or has not contributed in anyway over the last 4 decades with its modern experiments. However, Islamic finance industry has built a strong and long standing foundation despite some failed attempts in

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How do we right this wrong?

As I mentioned earlier, 80% of the market potential of Islamic finance is still untapped due to the lack of awareness and understanding towards Islamic finance and the products and services it offers. Collectively, all stakeholders in the Islamic financial industry must contribute towards awareness programmes coupled with research and development to demonstrate how Islamic finance can benefit people at all points on the wealth spectrum. Stakeholders must also play their part in practicing the true spirit and value of Islamic finance. Only then can we see greater acceptance of Islamic finance not only amongst Muslims (including those who are currently shying away from it) but also other faiths and the entire humanity.

MIT is not merely an individual; but rather a brand. What characterises MIT as an individual as well as a brand?

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Alhamdulillah, I am lucky and blessed to be named Muhammed Ikram Thowfeek or better known to many as MIT. The Arabic meaning of Ikram is "honouring, glory, esteem, respect, veneration" and Thowfeek is "the ability and opportunity to achieve success". The abbreviation MIT fits well in building a global brand. Given the meanings attached to my name, I am bound to be 'humble, simple and a community asset'. Therefore, I must add value to fellow members and the community at large.

People are deceived by power and position that they see in others forgetting that no one is ultimate. We all have our own weaknesses and shortcomings. None of us is perfect except Almighty Allah. We shouldn't be deceived by all the worldly material, glories and accomplishments. What is needed is to question thyself, whether I am eligible to have the mercy of Almighty Allah to enter His Jannah? Am I working towards it? Today many are driven by success in this materialist world, but I want to be successful in this world as well as the Hereafter. In shaa Allah

It took me more than 4 decades to build my own success formula; which I believe is a success formula for both worlds. But we must be conscious of the fact that every individual is a unique brand and no two individuals are alike, even in the case of twins, triplets or quadruplets. As a brand, MIT wants to build and lead a global business company where anyone who interacts with the company adds value to the brand and is recognised as a specialist in Islamic finance with some unique and profound approaches to bring Islamic finance to its true spirit and form.

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Coming back to Islamic banking and finance. Let's not kid ourselves by claiming that everything is honky dory in the industry. We can't completely deny that Islamic banking and finance has by and large been opportunistic, i.e., it has chased economic and business opportunities rather than creating opportunities. Do you consider this as a serious deficiency of Islamic banking and finance?

As a seasoned practitioner, I have been in the kitchen of some of the prominent Islamic banks and I am truly aware of the ingredients needed for growth and profitability. The focus of Islamic banks and Islamic financial institutions has always been to grow their bottom line. There is nothing wrong with this. In fact, Islam encourages wealth generation and creation. But whilst focusing on profit with some CSR projects, they have conveniently ignored the part of creating opportunities by empowering entrepreneurs who can create ripple effects in bringing the much-needed economic value by generating more jobs, more businesses and economic opportunities.

Islamic banks have also adopted a risk averse approach to business and have tended to shy away from those product

offerings that can potentially empower the millennials who prefer to become entrepreneurs. They are starving for the right funding partners who can fund their unique, innovative and first-of-the-kind initiatives, which should be a high priority in the offerings by Islamic banks. Unfortunately this is a far cry the current reality and is a serious deficiency in the Islamic banking and finance industry.

With the emergence of crowd-funding and fintech, Islamic banks have to think along these lines in order to support entrepreneurial projects, whilst having their own risk mitigations in place, with takaful and other coverages; to cater for the funding needs of these micro, small and medium sized entrepreneurial projects.

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Everyone is talking about FinTech these days. There is hardly any conference in Islamic banking and finance where FinTech is not mentioned or discussed. What do you think will be the future role of technology in Islamic banking and finance?

If Islamic banking and finance wants to become mainstream and cater for all humanity, then they must embrace new technological innovations and adopt augmented, virtual and digital realities while at the same time complying with Shari'a principles. The new millennials who are technologically driven are fast becoming the number one source of global income, wealth and spending. What we have achieved at the age of 40 can now be achieved at the mere age of 20 in today's world. The banking industry, irrespective of whether

conventional or Islamic, must change their modus operandi to accommodate the demands of the millennials. Otherwise they will be left out from the rat race and new players will spearhead and lead, making banking and finance redundant. Undeniably, FinTech and crowdfunding platforms are gaining popularity in the banking sector. Islamic banking industry must embrace technological innovations as strategic initiatives and invest more in this space.

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Education must play a role in creating awareness on the demand side of Islamic banking and finance. However, it is more important to provide the right kind of education and skills to those involved in the supply side to ensure more “useful” Islamic financial products are structured and offered. What role can MIT Global and First Global Academy play in the field of Islamic financial education?

I agree that creating awareness is one of the core areas that the Islamic finance industry must place greater emphasis on. I would like to reiterate again that 80% of market potential in Islamic finance remains untapped due to the lack of understanding as to what Islamic finance is all about. The educational landscape is changing tremendously and together with this, techniques and teaching methodologies have changed too. It is becoming a real challenge to assess the level of competencies and technical knowledge of professionals.

In respect to the dearth of professional Islamic bankers, many media publications have reported that the Islamic finance industry is growing at double-digit rates. Unfortunately, those who are tapping the doors of Islamic financial institutions are not equipped with the required qualifications and the practical experiences, and hence failed to get employed. Most of the Islamic finance programmes offered in the market - from certificates right up to PhD programmes, do not have faculty or teaching members who have practical industry experience to teach these courses or programmes.

The role of MIT Global and the First Global Academy is to build a new breed of Islamic bankers and Islamic finance specialists who will have both the qualifications and the practical exposure by the time they complete their programmes with us. Our advice to all our graduates is “Islamic bankers are not mere job seekers, but solutions providers”. We encourage our graduates to utilise their knowledge and practical exposure in Islamic banking and finance not only to seek jobs but with the objective of getting fund (through a mudaraba or musharaka product) for their entrepreneurial projects.

I was truly honoured to meet a personality with such a calibre. Dr. Yaqub Mirza is a great mentor and a fatherly figure to me. It was indeed a privilege listening to his leadership interview, and getting a signed copy of his book, Five Pillars of Prosperity, was icing on the cake. I am indeed grateful to Professor Humayon Dar for bringing such great leaders to an amazing leadership programme. I must say that we all benefitted from the wisdom and advice given by these leaders throughout the programme.

I was greatly touched by the book as I read it through my journey back home, making notes and jotting down comments. I highly recommend this book to all those who want to lead a life of ethics and integrity. This book is also a good read to Islamic bankers, current practitioners and leaders in the Islamic finance industry who would like to learn about investing and financing from a different perspective. May Almighty Allah shower His blessings on Dr. Yaqub Mirza and all his family members for sharing his valuable insights.

You were at Cambridge Islamic Finance Leadership Programme 2016 where Dr. Yaqub Mirza shared with the delegates his Five Pillars of Prosperity, i.e., Earn, Save, Invest, Spend and Give. What is your take on it? How can we incorporate this principle in Islamic banking and finance?

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Where would you like to see MIT Global in the next 5 years?

We want to touch the hearts and lives of some of the 3.4 billion impoverished people through our Islamic finance solutions. I also want to support those young entrepreneurs in kick-starting their own micro, small or medium enterprises or initiatives, through our award-winning Musharaka Partnership Model.

To be specific, in the next 5 years, we want to become specialists in the Islamic finance industry that are fully equipped to provide solutions in any part of the world within 100 days in reference to the establishment of an Islamic bank or Islamic financial institutions. Through my own personal experience, many new projects and initiatives are delayed and become very costly as a direct result of lack of practical knowledge and experience of the team. We do not want to re-invent the wheel. Instead we want to sign the mandate, put our sleeves up and accomplish the goals. That is our unique approach in supporting any new entrants to the Islamic finance industry.



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You have been a CEO, have founded and developed a number of businesses and companies. What's next?

Alhamdulillah (All praise be to Almighty Allah), He has groomed me to take up many challenges and reach the top as a CEO. I have also held several senior positions as CFO and Group CFO in some of the most well established Islamic banks, where I have been part of steering committees or founding teams.

While working on my core mandates, I spend my late evenings and early mornings to get into the projects that are close to my heart. I not only believe in knowledge sharing but making it a personal quest to practice it. Whilst setting

up First Global Academy and MIT Global, I made it a habit to share all information with my Chairman and the Board. I wanted to spread awareness amongst them and made them see their role beyond mere investors but as contributors to the Islamic finance industry. As I mentioned earlier in this interview, I strive to make 'every day a learning lab'.

What is next you ask? Time is running out and age is catching up. The candle that has illuminated many is burning out. Before this candle burns out, I would like to see new and young Islamic bankers step forth and light their candles alongside mine. Before I take my last breath, I want to become a champion of Islamic finance industry by making a difference to those who are truly sincere in their quest in seeking Islamic finance solutions.

My goal will be accomplished when MIT is being referred as a house of knowledge for Islamic finance and I am able to make a difference to at least one individual out there. When that time arrives, I can proudly tell myself that I have succeeded in my career as an Islamic banker and a champion in Islamic finance. I want to inspire and touch the hearts and lives of those who are in need; not by charity but instead by empowering them to stand on their own two feet. I believe, the award-winning Musharaka Partnership Model (MPM) has the potential to make that difference globally, in shaa Allah.

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Any message you would like to share with the professionals and practitioners out there in Islamic banking and finance?

Four decades of Islamic finance industry were sufficient to build a strong foundation. However, the industry remains largely untapped, which presents a huge market potential for all of us; irrespective of our faiths and beliefs. It is time to cement the bricks for the next decade and thereafter to develop a 100-year plan for the Islamic finance industry collectively if we are to build the legacy we want to leave behind. Islamic finance should be accessible to all irrespective of lifestyle, colour, religion, race or the ethnic group. We need to reach out to everyone through Islamic finance solutions to suit a variety of customer profiles and their risk appetites.

