

Dubai must seize opportunity to grow Islamic asset management from US\$60bn to US\$185bn

PRESS RELEASE

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- High demand for Islamic asset management not being met globally by limited investment offerings
- GCC pension funds can spur growth by diverting investments into Shari'a compliant funds
- Local fund managers should work with Dubai government to build environment for growth

London and Dubai, 13 October 2015: European Islamic Investment Bank plc ('EIIB-Rasmala' or the 'Group'), the London-listed asset management and financing group, today published a white paper on how Dubai can become the global hub for Islamic asset management if it is able to drive greater innovation and diversification in the sector.

The new report, entitled "Dubai: Global Hub for Islamic Finance", highlights how despite its huge international potential and appeal, the Islamic asset management sector remains greatly underdeveloped, arguing:

- The industry has failed to take root amongst its core demographic. Its total assets under management represent a tiny fraction of global funds and its investor product offering is narrow and parochial, lacking choice, diversification and quality.
- Investors in the GCC increasingly demand more sophisticated Shari'a compliant savings, pensions, insurance and mutual fund products. They wish to diversify into a range of alternative and fixed income products – such as sukuk, leasing, trade finance, securitisation and other asset-backed instruments – as well diversify geographically.
- The Islamic pension fund industry has a long way to catch up globally. There is now a critical need for the creation of a GCC-wide pension fund framework. Globally, pension funds have assets in excess of US\$27 trillion with Islamic pension funds making up just 0.001% of this figure, despite Muslims representing almost a quarter of the world's population.
- By diverting 20% of investments in existing regional pension funds into Shari'a compliant funds, US\$36 billion would be added to the global Islamic asset management industry, spurring rapid innovation and enabling Dubai to capture the market and transform its Islamic finance industry.
- A stronger Islamic finance industry in Dubai could take advantage of the significant crossover with the ESG (environmental, social and governance) ethical investment industry, an additional global market worth over US\$59 trillion, and of great appeal to the UAE's expat market.

The study recommends a series of measures to accelerate the growth of the industry in Dubai, including an initial public consultation between fund managers and authorities to identify ways of incentivising the creation of multi-asset class, multi-geography funds. It also calls for the UAE's state-owned savings institutes and sovereign funds to establish working groups and transform the way they interact with and appoint private sector asset managers. Islamic finance is widely recognised as an attractive growth sector for the international financial industry. Islamic funds under management are forecast to grow from US\$60 billion currently to at least US\$77 billion by 2019, while research suggests that latent demand could reach US\$185 billion in the same period.

The findings will be discussed in detail today at Rasmala Breakfast Briefing, an event organised in collaboration with the Dubai International Financial Centre, Dubai Islamic Economy Development Centre and Thomson Reuters. The event marks the start of a joint initiative between EIIB-Rasmala and Thomson Reuters to research the transformation of Shari'a compliant asset management in the UAE, which will report its findings in early 2016.

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In his keynote speech, Abdulla Mohammed Al Awar, CEO of DIEDC, said: “Dubai Islamic Economy Development Centre has highlighted the opportunities for convergence between the various Islamic economy sectors that have largely been overlooked, even ignored.

“Needless to say, if we are to catalyse the next wave of innovation and turbo charge the Islamic economy, those who have capital must connect with those that require capital. To this end, Islamic finance has been the hidden treasure that we can leverage to drive growth in crucial sectors. We are confident that the collective endeavour of all key stakeholders will help the Islamic economy leapfrog into its next phase of growth.”

Zak Hydari, Chief Executive, EIIB-Rasmala, commented: “Almost every leading financial centre is competing to win market share in the fast growing Islamic finance sector. DIFC is now uniquely positioned to expand its role and become the global hub for Islamic finance and this white paper recommends how we can accelerate the growth of the industry in Dubai.”

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The Group is listed in London on the Alternative Investment Market (AIM) of the London Stock Exchange. EIIB-Rasmala employs approximately 100 staff in London, Dubai, Muscat and Cairo.

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