



GROWING DEMAND FOR TALENT IN ISLAMIC FINANCE

Demand for Islamic finance talent is set to grow in tandem with a rapidly expanding industry, especially as Islamic finance evolves to be more competitive and increasingly sophisticated. Efforts to expand and enrich Islamic finance knowledge and practical skills have been encouraging. Overall, demand for Islamic finance talent is expected to continue rising, while training providers continue to rise to meet the challenges of supporting the unique needs of the industry.

MALAYSIA
WORLD'S ISLAMIC FINANCE
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Rising Human Capital Demand in Islamic Finance and the Need for More Industry-Specific Education

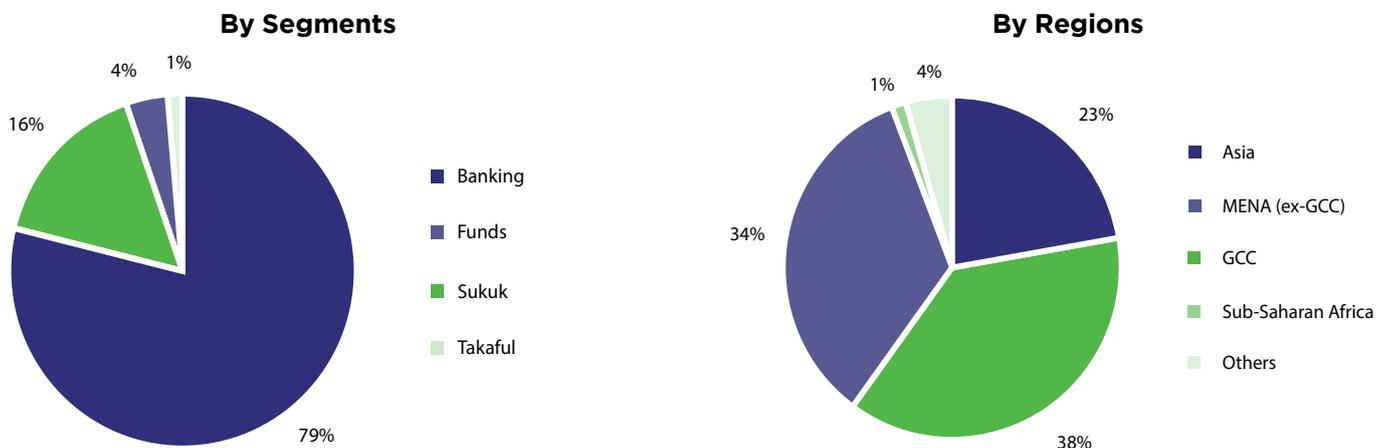
The solid growth of the Islamic financial industry in the past few years has been underpinned by several factors, including improvements in regulatory clarity, supportive demographic factors and product innovation. Indeed, from a USD0.8bn industry in 2009¹, assets in Islamic finance grew to nearly USD2tn in 2014². Of these, 79% of assets are in the Islamic banking sector, while sukuk accounted for a 16% share.

Geographically, the Gulf Cooperation Council (GCC) countries, the Middle East and North Africa (MENA) region and Asian countries accounted for a bulk of the industry's assets. These regions have benefitted in part from favourable demographics and preferences for Shariah-compliant financial services. Notably, non-OIC countries such as the US,

Hong Kong and Luxembourg have also shown increased interest in Islamic finance, as these countries have issued debut sukuk in 2014³.

In addition to industry developments, growth in the past few years have been accompanied by evolving regulations, especially in key Islamic finance jurisdictions. For example, Malaysia has enacted its Islamic Financial Services Act (IFSA) 2013. IFSA significantly strengthens the legal foundations that support a comprehensive regulatory and supervisory framework for Islamic finance and reflect international standards for effective supervisory systems. Elsewhere, several jurisdictions such as the UAE⁴ and Indonesia⁵ are in the midst of centralising Shariah functions in the industry.

Global Islamic Finance Assets (2014)



Source: "Islamic Financial Services Industry Financial Stability Report 2015", Islamic Financial Stability Board (IFSB), ISRA

¹ ISRA estimates

² "Islamic Financial Services Industry Financial Stability Report 2015", Islamic Financial Stability Board (IFSB).

³ IFIS, Zawya (2014)

Overall, recent developments in Islamic finance suggest that the industry is headed for deeper and more robust growth. Nevertheless, at the operations level, a key challenge for the Islamic financial institutions

(IFIs) is to ensure adequate human capital supply to support various functions such as Shariah expertise and product development, as well as risk management, legal and information technology.

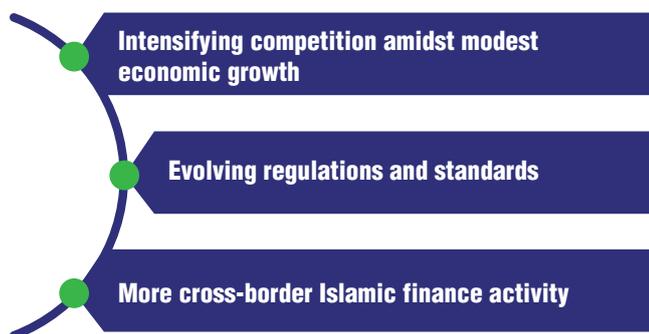
Growing demand for key talent in Islamic finance

Today, the global financial sector operates in an increasingly challenging environment. The global growth outlook remains modest while key Islamic finance jurisdictions in the Middle East and parts of Asia face risks from lower oil prices⁶. Thus, the modest growth environment necessitates greater innovation in an effort to compete with other IFIs, as well as the conventional sector. In addition, evolving regulations and standards after the global financial crisis of 2008/2009 have enhanced the need for expertise to ensure compliance in these areas. These include international standards such as Basel III, as well as more sophisticated domestic regulations on Islamic finance and Shariah matters. And finally, as Islamic finance continues to grow its

cross-border activity, IFIs need to ensure that their talents have the necessary skills to operate across both domestically and across the globe.

Recent surveys by key Islamic finance information providers have shed some insight on the specific talent demands of the industry; and thus, potential opportunities for market-oriented education and training providers. By segment, the capital market segment (comprising sukuk and Islamic funds) faces the biggest talent shortage, followed by takaful, while the banking segment was relatively less affected⁷. In addition, some key findings from a global survey conducted by the Finance Accreditation Agency (FAA) and Islamic Finance News (IFN)⁸ identified three key gaps in the current human capital pool -

Key Factors Supporting Demand for Human Capital in Islamic Finance



Source: ISRA

⁴ "UAE banking reform drive picks up steam", Khaleej Times (May 2015)

⁵ "Indonesia sharpens centralised Islamic finance oversight", Reuters (November 2014)

⁶ "World Economic Outlook", IMF (April 2015)

⁷ "Human Capital Development in Islamic Finance: Where are we?", INCEIF (March 2015), COMCEC Capital Market Regulator (2013)

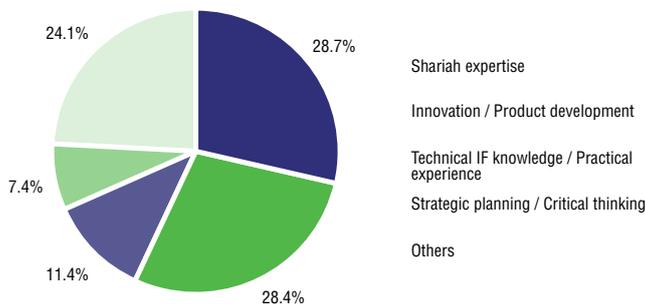
⁸ "Talent Development Survey 2014", FAA and IFN. The survey respondents consisted of industry practitioners and training providers from South East Asia (35%), MENA (35%), Europe (10%), South Asia (10%) and others (10%).

Shariah expertise, Islamic finance knowledge and product innovation. Furthermore, the respondents noted that human capital from the conventional side needed more specific training in Islamic finance. In reviewing, the survey respondents had favourable views on the value-add from existing training programmes, as well as the quality of expert trainers in existing programmes. To summarise, the key

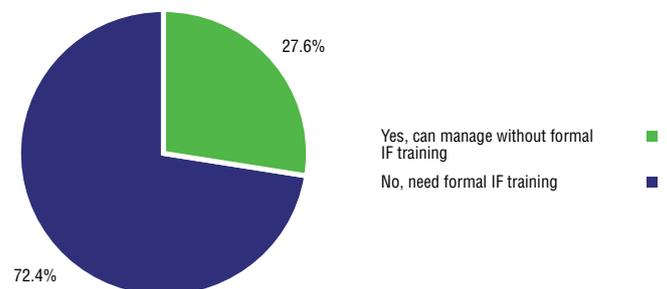
talent shortages in Islamic finance pertain mainly to technical and Shariah knowledge; as well as more “generic” skills such as product innovation and strategic planning. On a more positive note, industry practitioners regard the expansion of training programmes in Islamic finance as being somewhat effective in supporting the needs of IFIs.

Key Findings on Talent Gaps and Training Capacity in Islamic Finance

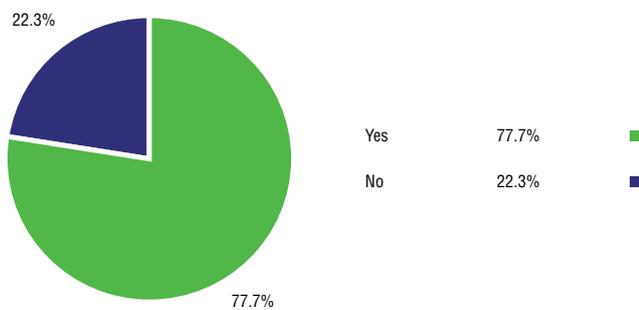
Key Competency Gaps in Islamic Finance



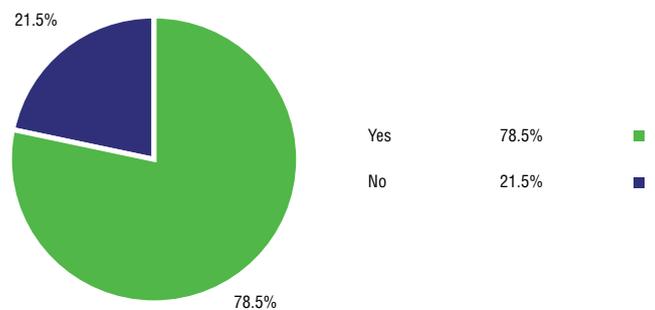
The Need for Formal Islamic Finance Training for Conventional Practitioners



On the Satisfaction with the Value-Add of Training Programmes



On Whether the Trainers are Proficient



Source: "Talent Development Survey 2014", FAA and IFN, ISRA

Selected efforts to develop human capital in Islamic finance

To date, efforts to expand and enrich Islamic finance knowledge and practical skills have been encouraging. In Malaysia, the International Centre for Education in Islamic Finance (INCEIF) has played an instrumental role in human capital development. Established in 2005, the institution offers several postgraduate programs and conducts research in Islamic finance. As of last year, INCEIF noted that Islamic finance courses have become more popular with students from countries which are predominantly non-Muslim; these students accounted for 14% of total enrolment in 2014, compared to just 3% in 2007⁹. In 2014, CIMB Islamic Bank signed a Memorandum of Understanding (MoU) with INCEIF to establish a collaborative framework towards establishing a research centre for Islamic banking studies. The collaboration provides CIMB Islamic a platform to share industry input on specific issues on the industry, while enriching INCEIF's capacity in providing applied research.

Similarly, the International Shariah Research Academy for Islamic Finance (ISRA) of Malaysia has been active in bridging the gap between Shariah research and industry practices, by conducting several courses to support the application of Shariah in Islamic banking and finance. As part of its talent development programme, ISRA offers Shariah graduates a full-time two-year programme which includes training, industry attachments and direct involvement in research projects; with the purpose of jumpstarting a career in Islamic finance. In addition, ISRA Consultancy Sdn Bhd (ICSB) has supported several leading IFIs by providing in-house training encompassing Shariah and regulatory issues, as well as product structuring¹⁰. More recently, ICSB had also conducted a training course on "Applied Shariah in Islamic Finance" between January and May 2014 for a leading IFI¹¹, involving a total of 100 participants.

More recently in 2015, the General Council for Islamic Banks and Financial Institutions (CIBAFI), based in Bahrain, launched a new executive programme¹² called "Global Developments and Strategic Insights". The

programme, which will be held in September 2015, will be conducted in collaboration with the Institute of International Finance (IIF), the leading global association of financial institutions with 500 members from more than 70 different countries¹³. Notably, the programme marks the IIF's first foray into formal training for Islamic finance.

The growth of Islamic finance education and training programmes have expanded beyond traditional jurisdictions; the UK is a leading provider of these programmes, including at several major universities such as the University of Cambridge, Durham University and Newcastle University¹⁴. Islamic finance programmes offered at UK institutions range from full-fledged postgraduate degrees to short courses. Indeed, the growth of these programmes suggest that global demand for Islamic finance talent has accelerated, including in non-OIC countries in furthering their Islamic finance capacities.

Conclusion

Going forward, demand for Islamic finance talent is set to grow in tandem with a rapidly expanding industry. In the next few years, human capital needs will become more apparent and critical as the Islamic finance evolves into a more competitive and sophisticated industry. Nevertheless, the moderate economic growth outlook, amid evolving regulations and more cross-border business activity will create challenges in terms of acquiring and retaining the right talent for IFIs.

Encouragingly, courses and training provided by Islamic finance-specific institutions have been well-received by the industry. In addition, these institutions have attracted parties from non-traditional Islamic finance jurisdictions both as collaborators and students – a testament to the expanding geographical outreach of the industry. Another key trend going forward is the increasing collaborations between education providers and IFIs, which is a mutually beneficial arrangement for both parties. Overall, demand for Islamic finance talent is expected to continue rising, while training providers continue to rise to meet the challenges of supporting the unique needs of the industry.

⁹ "Shariah Study Lures Non-Muslim Students in Asia: Islamic Finance", Bloomberg (August 2014)

¹⁰ "ICSB In-House Training For Bank Rakyat 2013", ISRA (March 2013)

¹¹ ISRA (2014)

¹² "CIBAFI launches programme on Islamic finance", Trade Arabia (June 2015)

¹³ IIF website

¹⁴ "UK Excellence in Islamic Finance", UK Trade and Investment (2014)

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