



COUNTRY UPDATE

Opportunities to participate in New Zealand's maiden Islamic finance initiative By Faris Azimullah

At present there is virtually no Islamic financial offering in New Zealand. In fact it is fair to say that knowledge of Islamic finance amongst business (and certainly consumers) is poor. With a view to fill this void, in late 2004 Deloitte undertook an industry roadshow to promote Islamic finance concepts among local business, the financial services sector and the regulatory authorities.

The roadshow was an educational exercise but what turned out to be a surprise was the level of interest from the average consumer. So positive was the response that the Federation of Islamic Associations of NZ (FIANZ) has seized the opportunity to approve a key project to assist any interested party to participate in the introduction of Islamic financial products into the country.

The FIANZ response is typical of the New Zealand consumer and business sentiment. Firstly, putting the 40,000 Muslims in New Zealand aside, Islamic financial products simply make sense. Local consumers are clearly finding the concept of sharing risks and rewards with banks an appealing scenario. However no conventional bank in New Zealand has responded with products to date.

Secondly, the fact remains that the 40,000 Muslims in New Zealand currently have no option when it comes to Islamic products. This is a captive target market for the pioneer provider of such products.

According to the President of FIANZ, Javed Khan, the Federation's immediate project is to establish an Islamic savings and loans co-operative in New Zealand where no interest will be charged or taken. The proposed scheme will be based entirely on profit sharing or similar concepts. While the products will need to be based on Islamic principles, there are no plans at present to restrict the product-set to Muslims.

Call to prospective investors

Through discussions with local financial service providers, one viable and likely model for Islamic financing has already been identified. This model already meets many of the Islamic principles, has a relatively low cost of entry and a fast implementation path. For example, the infrastructure for typical banking facilities is already in place (including teller machines, Internet banking, telephone banking and card services).

The hurdles identified to date are not considered significant. FIANZ will engage Deloitte, a professional services firm with strong expertise in Islamic finance to bring experience from other countries where Islamic finance is being introduced into a conventional business and regulatory framework. This will allow New Zealand to consider trends and workable solutions from other countries where conventional and Islamic models co-operate.

To kickstart the project expressions of interest from investors are now being sought globally for around US\$300,000 in total to establish a professional business case. This will cover:

- Research on New Zealand regulatory, prudential and financial framework – including potential issues (such as taxation) that will require focused activities during the implementation of Shariah principles in the New Zealand environment.
- Research on governance issues facing the application of Shariah principles in the implementation of financial products in the New Zealand environment.
- Feasibility of Islamic products in New Zealand.
- An initial high level "model" of the Islamic financial institution covering rules, governance, management and administrative structure.
- Benefits to be delivered from the investment.
- The minimum amount of funding required to implement the Islamic financial institution.
- A full Project Plan to establish an Islamic financial institution in New Zealand.

Besides financial institutions FIANZ also expects that the business case funding may also be attractive to high net worth individuals who are keen to see the realisation of Islamic finance in places where Muslims are isolated from Islamic infrastructure.

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For more information or a copy of the FIANZ Expression of Interest please contact Faris Azimullah at Fazimullah@deloitte.co.nz

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