

Islamic Wealth Management in Singapore: Reality & Challenges*

By

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* The views in this paper are solely those of the author and should not be attributed to other parties. This paper was originally submitted to Singapore Management University on 10 April 2015 as part of partial fulfilment of the requirements for the Master of Laws (Islamic Law & Finance).

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Abstract

The Emeritus Senior Minister Goh Chok Tong said¹ that Singapore cannot be a complete international financial centre unless Islamic financial services are offered as well. The Monetary Authority of Singapore suggested in 2014² that Islamic finance can grow through funds for clients from Asia and Middle East. Islamic finance, particularly in capital markets, is an untapped sector in Singapore for investors from GCC and Asia. At least 30 sukuk³ have been issued in Singapore; a total of SGD 4.4 billion⁴. While most global Islamic funds⁵ originates from Malaysia, Saudi Arabia and Luxemburg, research⁶ has anticipated that Singapore can become the overall number one wealth management capital by 2020. The growth of Islamic finance has constantly outpaced its conventional counterpart on a global scale, hence, Singapore cannot afford to miss this golden opportunity. This paper analyses the recent progress of Islamic wealth management in Singapore. It highlights the unique challenges the country is facing and provides possible solutions that can do done moving forward for a better tomorrow.

Part 1 – Wealth Management

A. Introduction

富不三代 / *Fu Bu Guo San Da* (i.e. *Wealth never survives three generations*)

- Chinese proverb

Wharton School from the University of Pennsylvania concluded in a recent study⁷ that 70% of intergenerational wealth has failed, causing loss of wealth and family disunity. Although this research seems to prove the earlier-mentioned Chinese proverb, Richard

¹ "Singapore's Perspective on Islamic Finance" - Opening keynote address by Mr. Ong Chong Tee, MAS Deputy Managing Director at the Asian Banker Summit 2005, Wednesday, 16 March 2005, 2:00 p.m.

² "Islamic Finance – Continued Growth" - Welcome Remarks by Mr Ravi Menon, Managing Director, Monetary Authority of Singapore, at the 5th World Islamic Banking Conference Asia Summit on 3 Jun 2014, <http://www.mas.gov.sg/news-and-publications/speeches-and-monetary-policy-statements/speeches/2014/islamic-finance-continued-growth.aspx>, accessed 11 March 2015

³ Singapore: Opportunities for Islamic finance, 24 September 2014, Volume11 Issue 38, www.islamicfinancenews.com, accessed 20 March 2015.

⁴ Liao Y-Sing, Yudith Ho and Lilian Karunungan (2014), Singapore *Sukuk* Hub Goal Leaves a Lonely Sabana: Islamic Finance, www.bloomberg.com/news/2014-10-02/singapore-sukuk-hub-goal-leaves-a-lonely-sabana-islamic-finance.html, accessed 01 April 2015

⁵ 71% of Islamic global funds. Thomson Reuters and Lipper (2015), *Global Islamic Asset Management Report 2014*, <https://www.zawya.com/ifg-publications/>, accessed 12 March 2015

⁶ WealthInsight (2013), *The Centre Cannot Hold: Singapore to Overtake Switzerland as Leading Offshore Hub by 2020*, <http://www.privatebankerinternational.com/Uploads/NewsArticle/829644/1a82a8ed-7130-4dae-a951-f8b214e6efd8.pdf>, accessed 11 March 2015

⁷ Wharton@Work, *Managing Family Wealth: Make it Last*, June 2013, <http://executiveeducation.wharton.upenn.edu/thought-leadership/wharton-at-work/2013/06/managing-family-wealth>, accessed 22 March 2015. 2250 families were analyzed in the study.

Marston⁸ clarified such problem will not arise if families start planning their wealth. He said “*The key is education, both about investments and family governance issues*”.

The action plans suggested by Richard Marston are as follows:

1. Carefully select and work actively with portfolio managers
2. Create open discussions with family about wealth and financial planning
3. Understand the roles and responsibilities of each of the family members

Wealth management (i.e. asset management, private banking, and insurance) in Singapore is in great demand. Several sources⁹ have shown that Singapore has a strong financial system to be the fastest growing wealth management centre in Asia Pacific region. According to Singapore Economic Board¹⁰, some key rankings of Singapore are as follows:

Economic performance	Competitiveness & business environment
No. 1 city with best investment potential	World’s easiest place to do business
Top 3 in the world for foreign trade and investment	Asia’s most network-ready country

According to MAS¹¹, assets under management (“AUM”) in Singapore has grown from SGD864 million in 2008 to SGD1.8 trillion in 2013, recording an average AUM growth rate of 10.7% per annum. According to AsiaBiz¹², the two (2) main reasons for Singapore enormous growth in global offshore wealth are attributed to its recent compliance to FATCA¹³ and influx of HNWIs¹⁴.

Singapore’s 3 largest banks, OCBC, DBS and UOB, also reported strong growth in income derived from wealth management business for the past 5 years¹⁵, signifying that wealth management is an important element in Singapore financial services.

⁸ Professor in finance and economics from Wharton school

⁹ AsiaOne Business News, PricewaterhouseCoopers’s Global Private Banking and Wealth Management Survey 2013, World Wealth Report 2014.

¹⁰ Singapore Economic Development Board, Facts and Rankings, <https://www.edb.gov.sg/content/edb/en/why-singapore/about-singapore/facts-and-rankings/rankings.html>, accessed 01 April 2015.

¹¹ 2013 Singapore Asset Management Industry Survey, http://www.mas.gov.sg/~media/MAS/News%20and%20Publications/Surveys/Asset%20Management/2013%20AM%20Survey%20Public%20Report_25072014_Final%20revised.pdf, accessed 13 March 2015

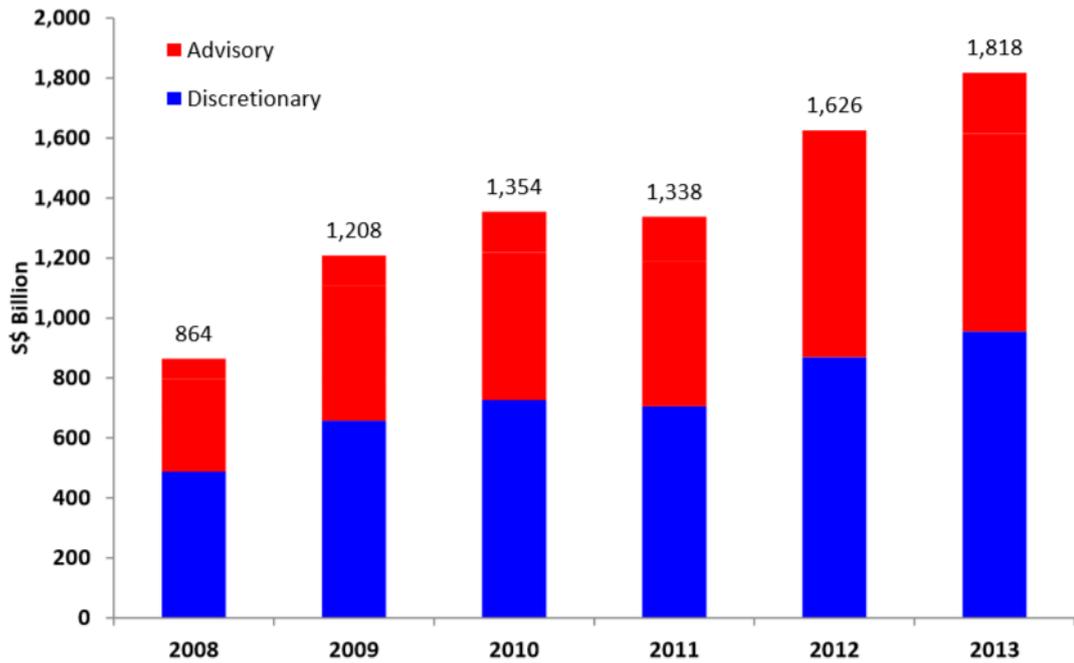
¹² AsiaBiz (2015), Singapore is Expected to Overtake Switzerland as the World’s Epicentre of Wealth Management, <http://www.asiabiz.sg/press-releases/singapore-expected-overtake-switzerland-worlds-epicentre-wealth-management/>, accessed 12 March 2015

¹³ Foreign Account Tax Compliance Act

¹⁴ High Net Worth Individuals

¹⁵ Singapore Business Review, Singapore’s largest banks triple wealth management income over 5 years, dated 02 April 2015, <http://sbr.com.sg/financial-services/news/singapores-largest-banks-triple-wealth-management-income-over-5-years-0>, accessed 01 April 2015

B. Assets under Management in Singapore



(Source: Monetary Authority of Singapore; 2013 Singapore Asset Management Industry Survey)

Out of SGD1.8 trillion assets in Singapore, SGD600 billion are in the fund management industry.

Despite the above strengths, Singapore face a major challenge. According to Ng Kok Song, adviser and chairman of GIC Pt Ltd, Singapore needs the locals to be at top positions in financial institutions. He said¹⁶:

One area I feel we need more emphasis on is how do we create more leaders for the industry, who are indigenous to Singapore. That's vital for Singapore if we are to expand the wealth management business.

¹⁶ The Business Times Wealth (Nov 2014): Ng Kok Song - [Shaping the wealth management landscape](http://www.btinvest.com.sg/system/bti/wealth_nov/Wealth_Nov2014.pdf), accessed 23 March 2015.

Part II - Islamic Finance – Is it Critical?

“The Vatican [from Pope Benedict XVI] said banks should look at the rules of Islamic finance to restore confidence amongst their clients at a time of global economic crisis.”

- Bloomberg¹⁷

A. Background

Islamic finance involves financial products and services based on Shariah approved underlying transactions and economic activities. Islamic finance contracts are in compliant with Shariah laws¹⁸ derived from both established primary¹⁹ and secondary²⁰ sources.

The main principles of Islamic finance are as below:

- Avoidance of Shariah non-compliant elements²¹;
- Earnings of profits through risk and labour; and
- Transparency in the disclosure, documentation and operations
- Asset-backed contracts evidencing real economic activity.

Some of the main restrictions on Islamic finance are avoidance of the following activities:

- Conventional financial services (including insurance)
- Industries relating to pork, alcohol, prostitution, entertainment and gambling

Islamic finance in Southeast Asia looks promising. As per [Appendix A](#), Malaysia, Indonesia, Thailand and Philippines have huge potential to grow Islamic finance.

¹⁷ Bloomberg, [Vatican Says Islamic Finance May Help Western Banks in Crisis](http://www.bloomberg.com/apps/news?pid=newsarchive&sid=aOsOLE8uiNOg), Dated 4 March 2009, accessed 01 April 2015

¹⁸ Defined by Oxford Dictionary of World Religions (2003) as “the description of the systematic organization of how Muslims should live, wherever there is no permitted freedom”.

¹⁹ Primary sources include the holy Koran (i.e. divine words of god in His last revelation) and Sunnah (i.e. words and behaviour) of god’s last messenger of the Semitic religion. The words of the prophet can be found mainly in the corpus of *hadith* namely *Sahih Bukhari*, *Sahih Muslim*, *Sunan Ibn Majah*, etc. Details will not be elaborated in this paper.

²⁰ The various secondary sources i.e. *ijma’*, *qiyas*, *maslahah*, *Sadd al-Zara’ii*, *Istishab*, *Istihsan*, *fatwa* of a Companion, etc.

²¹ According to Assoc Prof Ahcene Lahsasna (2014) in his book “[Shari’ah Non-compliance Risk Management and Legal Documentations in Islamic Finance](#)”, the Shariah non-compliant elements are *riba* (interest), *gharar* (uncertainty), *taghrir* (deception, fraud), *ghubn* (inequality), *ikrah* (duress), *ghalat* (mistake), wrong combination of contracts and sequence of documentation execution / signing.

Islamic Finance News²² mentioned in 1 April 2015 that there is a need to achieve scale, quoting a statement from Franklin Templeton below:

...this market [i.e. global Islamic asset management] requires a long-term strategy, commitment, focus, dedicated resources, and will take a few years to reach its potential. All the signs are fairly positive but it's a challenge getting scale and diversification.

- Mohieddine Kronfol²³

B. Philosophy of Islamic Wealth Management

The religion of Islam promotes the doctrine that everything in this universe, including wealth, belongs only to god.

To Him [god] belongs all that is in the heavens and all that is on the earth, and all that is between them, and all that is under the soil.

- Koran, *Surah Taha*, verse 6

Man is created by god to be a trustee²⁴ of the resources in this temporal world. Every soul in this earth will be given its provisions for sustenance, but he must work for it based on his limited knowledge and free will. Islamic wealth management involves the application of knowledge and skills to ensure that wealth is protected and growing. The second caliph of Islam, *Sayyidina Umar al-Khattab* ²⁵, mentioned the following that knowledge is necessary for anyone to do business:

No one should sell in our markets except one who has understanding in the religion.

- *Jami' al-Tirmidh*, Vol. 1, Book 3, Hadith 487

Human efforts will only bear fruits with god's permission, hence there is always reliance²⁶ on god in human lives.

"...and that a man shall not deserve but (the reward of) his own effort"

- Koran, *Surah Najm*: Verse 38

²² Islamic Finance News (2015), [Islamic asset management: A golden opportunity?](http://islamicfinancenews.com/listing_article_ID.asp?nm_id=40739) dated 1 April 2015, Volume12.Issue13, http://islamicfinancenews.com/listing_article_ID.asp?nm_id=40739, accessed 01 April 2015

²³ He is Founding Partner, Chief Investment Officer and Director at Franklin Templeton Investments (Middle East) Ltd.

²⁴ *I [i.e. god] will create a vicegerent on earth...* (Koran, *Surah al-Baqarah*, verse 30). The word "vicegerent" was defined by an Oxford dictionary to be "a person exercising delegated power on behalf of a sovereign or ruler".

²⁵ May god be pleased with him.

²⁶ *And whosoever puts his trust in Allah, then He will suffice him* (Koran, *Surah al-Talq*, verse 3)

While the conventional mindset may only define wealth in the context of physical assets only, Islam views that wealth will include the spiritual aspects as well (i.e. knowledge and wisdom). Hence, wealth management has the objective to analyze and organize financial affairs to achieve both financial and lifestyle goals, both in this world and hereafter. It deals with generation, accumulation, protection and distribution of wealth, including its purification. A bird's eye view of some of the Islamic wealth management tools²⁷ are as follows:

- Creation – employment, entrepreneurship, inheritance and gift
- Accumulation – Investment, capital gain
- Protection – *takaful, wassiyah*
- Distribution – estate planning, *faraidh, wassiyah, hibah ruqbah, waqf, nuzuriah*
- Purification – *zakah, infaq, sadaqah*

A wealth management report issued by Bank J. Safra Sarasin Ltd in 2010 mentions other wealth management tools including equities, real estate, Islamic funds, private equity and venture capital. Islamic wealth management incorporates the concept of social responsibility and accountability. As there is Shariah screening elements in such wealth management products, this provides a “risk screen”, therefore reducing exposure to toxic subprime debt.

It is not right for any Muslim person who has anything to bequeath that he may pass even two nights without having a Will written.

- Prophet Muhammad (ﷺ) in book of *Sahih Muslim* (Book 25, Hadith 1)

Imam Ghazali²⁸ concluded in *Kitab Adab al-kasb wal-ma'ash* (The Book of the Proprieties of Earning and Living) that wealth can be acquired through economic activities, but the art of doing business must be done taking into consideration ethical, pragmatic, legal and most importantly, eschatological²⁹ aspects. The objectives of wealth management is to ensure that the Muslims are always at peace with their financials, their earnings and lives are blessed not only in this world but in the hereafter.

²⁷ Dr Shaikh Hamzah, INCEIF notes – TK 1003 (Wealth Planning & Management), Pre-examination Seminar, 12 July 2014.

²⁸ His name is Muhammad Bin Muhammad Bin Ahmad or al-Imam al-Kabir Abu Hamid al-Ghazali. He is also known as *Hujjatul Islam* (proof of Islam) due to his immense knowledge in religion and mysticism. He died in 505 AH / 1111 CE.

²⁹ This relates to general theory of divinity regarding the ultimate destiny of mankind and the creation of this world.

A time will come when one will not care how one gains one's money, legally or illegally.

- Prophet Muhammad (ﷺ) in book of *Sahih Bukhari* (Book 34, Hadith 13)

C. Growth Prospects & Challenges Ahead for Singapore

... Singapore can be considered to be one of the pioneers of Islamic finance, with the launch of the Mendaki Growth Fund (Amanah Saham Mendaki) in Singapore in May of 1991, as one of the first few Islamic equity funds in the world.

- GASCIA³⁰

Growth Prospects

Singapore launched Islamic finance since the early 1990s. The major developments in Islamic wealth management are as per [Appendix B](#).

The recent World Islamic Banking Conference Asia Summit held in Singapore on 3 June 2014 (“WIBC 2014 Asia Summit”) saw promising ongoing growth of Islamic businesses. MAS³¹ Managing Director Mr. Ravi Menon mentioned three (3) matters during that conference:

- Islamic assets have globally grown to USD1.8mn since end of 2013. That is a 20% growth;
- The standards and policies set from time to time by recognized bodies such as IFSB³², AAOIFI³³ and IIFM³⁴ are to standardize market practices and regulatory treatment; and
- More players are joining the Islamic banking industry.

These favorable external conditions have benefitted Singapore to be among the top fifteen (15) global Islamic banking players. Almost half of Islamic assets in Singapore are under asset management industry while the remaining Islamic assets are in *sukuk* and *takaful*.

³⁰ Gulf-Asia Shari’ah Compliant Investments Association, Development of Islamic Finance - The Islamic Finance Story in Singapore, <http://gascia.org/development-of-islamic-finance.html>, accessed 15 April 2015

³¹ Monetary Authority of Singapore

³² Islamic Financial Services Board (www.ifsb.org)

³³ Accounting and Auditing Organization for Islamic Financial Institutions (www.aaofii.com)

³⁴ International Islamic Financial Market (www.iifm.net)

Hence, prospect for Islamic finance in Singapore is promising because:

- a) Clients from Asia and Middle East are always looking for *Shariah*-compliant funds; and
- b) More companies are interested to establish *sukuk* programmes in Singapore.

Challenges Ahead

A local news article³⁵ dated 22 July 2014 mentioned that “*Singapore, however, risks being left in the shade*”. Singapore may be losing steam since it was recently beaten by UK and US in 2013 Islamic Finance Country Index³⁶.

As Singapore has established a same level playing field³⁷ (i.e. in terms of tax treatment and financial incentives), Islamic finance did not really grow well. More proactive actions from the government can be done to grow Islamic finance in Singapore.

Some commercial risks faced by Singapore are as follow:

✓ Asset Management

Although Singapore is one of the world’s largest fund management industries, there have been no official figures to establish the amount of *Shariah* compliant funds. Singapore has some *Shariah* compliant equity funds and uses FTSE SGX Asia *Shariah* 100 Index, but investors in Singapore are still generally motivated by the returns of their investment, whether it is Islamic or conventional. *Sukuk* funds, like the Franklin Templeton Global *Sukuk* Fund is a great offering to investors in Singapore but considering that the *sukuk* market is still scarce, investors tend to hold their investments till maturity (i.e. stay-put strategy), hence, the secondary market is almost non-existent. It is feared that such fund may not succeed commercially due to lack of critical mass.

³⁵ The Straits Times, S’pore Should Sharpen Its Edge In Islamic Finance, 22 July 2014, Singapore Press Holdings.

³⁶ It was first launched in 2011 by Global Islamic Finance Report. It ranks countries in terms of their commitment and leadership role that contributed to the growth of the global Islamic financial services industry.

³⁷ MAS works with the Ministry of Finance and the Inland Revenue Authority of Singapore to ensure that *Shariah*-compliant products are not in any way disadvantageous in comparison to the conventional.

✓ Takaful

Halal Universe has reported that HSBC Group has stopped³⁸ offering *takaful* services in Singapore since mid-November 2012 as the investment criteria are not met. However, *takaful* seems to be back on business when the media company later reported ST&T³⁹ International launched a range of *takaful* products in April 2013, in collaboration with United Overseas Insurance.

✓ Legislation

Fund management in Singapore, whether Islamic or conventional shall be deemed a regulated activity governed by the Securities and Futures Act⁴⁰ (Chapter 289). This Act enforces rules and regulations concerning markets, market operators, clearing facilities, intermediaries and representatives.

To-date, there is no policy governing Islamic wealth management. The Guidelines⁴¹ on the Application of Banking Regulations to Islamic Banking is the closest match. This guidelines must be read in conjunction with other provisions of the Singapore Banking Act.

Singapore's legal framework relating to Islamic finance is yet to be fully tested, whereas, in Malaysia, there have been several disputes relating to Islamic players which have been settled in court. Being a secular country, Singapore's legislation and regulations does not reinforce Islamic law per se, but rather, common law. There are instances where the Singapore High Court has made decisions⁴² where a fatwa issued by the local Islamic authorities here will not bind the court. This is because religious rulings are meant to provide moral guidance to Muslims. Some Muslims in Singapore are very concerned such actions may weaken⁴³ the value of fatwa or even affect the growth prospects of Islamic finance in the country.

³⁸ HSBC to Exit Retail Islamic Finance Business in Many Countries Except Malaysia and Saudia Arabia; Stops Offering Takaful in Singapore, 08 October 2012, www.Halal-U.com, accessed 20 March 2015

³⁹ StnT International Soft Launches General Takaful Products To Muslims In Singapore; Filling Gap In Shariah-Compliant Products Market, 10 April 2013, www.Halal-U.com, accessed 21 March 2015

⁴⁰ See the Securities and Futures Act in Singapore Statutes Online: <http://statutes.agc.gov.sg/>,

⁴¹ It was first issued by MAS on 7 May 2009 and later revised on April 2010 for greater clarity in its policy and regulatory treatment on the Shariah structures, applicable for banks only, not fund managers. See: http://www.mas.gov.sg/~media/resource/legislation_guidelines/banks/guidelines/Guidelines_BankingRegns_%20to_IslamicBanking_Apr2010.pdf

⁴² The Singapore Straits Times, *General law will prevail over fatwa*, 25 March 2010, Singapore Press Holdings.

⁴³ An article titled "The Fate of Fatwa in Singapore" was written by a law student from National University of Singapore and issued by the Association of Muslim Professionals. See www.amp.org.sg/edisi/data/Publications/Karyawan%20-%20Vol%2010%20Issue%201/Vol10%20Iss1%20-%20Focus%20-%20Fate%20of%20Fatwa.pdf.

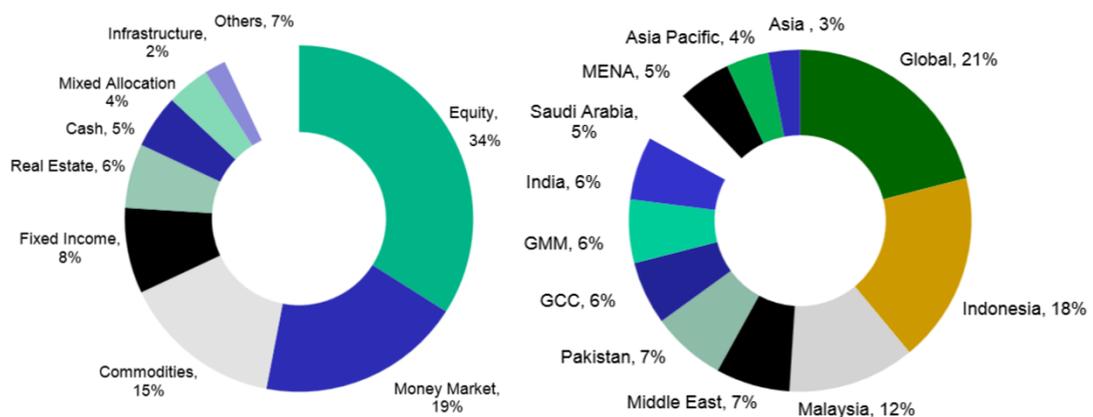
Ka Sing and Ian Yeo⁴⁴ believe Singapore will remain a niche market and MAS has made the right choice in making Singapore to have a single regulatory framework so it can be a financial hypermarket offering whole suite of financial solutions for all types of customers, leaving them to choose either Islamic or conventional products.

Ferzana Haq⁴⁵ clarified that the costs of Islamic finance transactions are increasing in Singapore, considering that its concessionary rate taxes imposed by the Monetary Authority of Singapore have lapsed in 2014. However, it is hoped that the recent establishment of the Singapore International Commercial Court will provide a suitable venue for hearing disputes in Islamic finance contracts based on interpretation of Shariah laws. Common law, just like Shariah law, also emphasize on contractual certainty and hence, there should be more commonalities rather than differences between the two (2) laws.

Part III – Islamic Wealth Management – An Expanding Market

A. Overview

As at December 2013, there are 1053 Islamic funds totaling USD 73.7 billion, making up 5% of all funds around the world. Islamic asset management around the world is depicted below:



(Source: Islamic Bank of Asia⁴⁶, 2014)

⁴⁴ Lee Ka Sing & Ian Yeo Tiang Chiang (2014), The Islamic Finance Handbook: A Practitioner's Guide to the Global Markets, Chapter 25: Singapore – An International Hypermarket of Financial Products, Wiley (Singapore).

⁴⁴ Gradualism

⁴⁵ Ferzana Haq (2015), Legal framework for Islamic finance transactions, Islamic Finance news Guide 2015 dated 11 March 2015, http://islamicfinancenews.com/listing_article_ID.asp?nm_id=40435, accessed 01 April 2015

⁴⁶ Islamic Bank of Asia (2014), IMAS Lunchtime Talk Series: Islamic Asset Management: The Future Ahead, http://www.imas.org.sg/uploads/media/2014/08/28/878_Islamic_Asset_Management_Slides_Final.pdf, accessed 12 March 2015.

Hence, Islamic asset management is relevant for Singapore because of two (2) factors:

1. QISMUT emerging economy

Qatar, Indonesia, Saudi Arabia, Malaysia, UAE and Turkey (QISMUT) alone represent 78% of Islamic banking assets in 2012.

2. Growing market opportunities

There is a need to develop Shariah-compliant institutional investors and investment products. In Singapore there is yet to have Shariah-compliant pension funds, *hajj* funds and *awqaf* endowments.

According to Lipper Thomson Reuters – Global Islamic Asset Management Report 2014, Islamic funds are 80% dominated by retail investors and 54% dominated by local equity. All these show the Islamic wealth management have potential to grow in Singapore.

B. Updates in Singapore

The first Shariah-compliant Asia-Pacific REITS Index⁴⁷ was launched in 11 March 2015. The purpose is to serve fund managers who need to benchmark REITs funds in the Asia Pacific, including Japan, Australia and Singapore. Eventually, the index intends to cover the entire REITs universe. Currently, the index, which was launched by Ideal Ratings, is calculated in US dollars.

According to Sani Hamid⁴⁸, there are about 500,000 Muslims in Singapore. Although the government is clearly supportive of Islamic finance, its focus is more on promoting the country as an international financial centre. Hence, the Muslim community is left by themselves to spearhead Islamic finance at ground level to capture the attention of the investors. This is where the market forces will determine supply and demand for Islamic financial products.

The Islamic funds and wealth management players in Singapore are listed in [Appendix C](#).

⁴⁷ Zawya, Ideal Ratings launches the first Shariah Compliant Asia-Pacific REITS Index, 11 March 2015, http://www.zawya.com/story/Idealratings_launches_the_first_Shariah_Compliant_AsiaPacific_REITS_Index-ZAWYA20150312045829, accessed 20 March 2015

⁴⁸ Hamid Sani (2013), Selling Islamic Products – Approaches & Challenges, Islamic Financial Services Conference, 1st October 2013, Financial Alliance Islamic Wealth Advisory, Singapore

C. Solutions to Grow Islamic Wealth Management in Singapore

As Islamic finance tries to make its way to the business world, there are many challenges faced. I would like to propose the following actions to be taken:

- **Shariah-compliant Family Office**

A family office is an entity established by wealthy families to manage their wealth and provide other services to family members, such as tax and estate planning services. The main focus is on wealth creation and intergeneration wealth transfer. It is defined by the US Securities and Exchange Commission as a company that:

- (i) *has no clients other than "family clients,"*
- (ii) *is wholly owned by "family clients" and exclusively controlled by one or more "family members" and/or family entities, and*
- (iii) *does not hold itself out to the public as an investment adviser*

Singapore and Hong Kong are the financial hubs⁴⁹ for family offices in Asia. As a family office Singapore is not a financial intermediary and does not have to be registered, it is difficult to estimate the number of family offices operating in Asia and the total wealth managed.

Many HNWI's prefer to set up a family office in Singapore due to the following factors⁵⁰:

- Tax neutrality
- Fiscal advantages
- Confidential, world-class dispute resolution

It is obvious that Shariah-compliant family office will be of interest in years to come. It will include zakat planning and perhaps some form of philanthropy. Shariah-compliant funds and ethical funds are likely to overlap. Hence, it would be ideal to see Islamic wealth managers (particularly from Financial Alliance) and conventional ethical investment funds to work together to market investment products not just exclusive to Muslim investors. This strategy will

⁴⁹ VP Bank, *Family Offices in Asia* (2008), http://www.vpbank.sg/data/docs/en_SG/1713/Family-Offices-in-Asia.pdf, accessed 03 April 2015

⁵⁰ Wong Partnership, *Singapore: Rolling Out the Red Carpet for Family Offices*, dated April 2014, www.wongpartnership.com/index.php/files/download/1240, accessed 05 April 2015

create a “virtuous circle of innovation⁵¹” leading to a growth in investment products available to Shariah compliant family offices.

- **Public Perception, Education and Awareness**

One controversy is the use of hedging products in Islamic finance. Such products sold in the market today include Islamic profit rate swaps, Islamic cross currency swaps, Islamic foreign rate swaps, Islamic spot and forward. Many Islamic investors believe hedge funds are not linked to the real economy and involve short selling - a clear prohibition in Shariah. Despite various scholarly opinions which allows conditional hedging, the original public perception remains unchanged, effectively stopping the development of this sector.

There is still lack of awareness on Islamic finance among in Singapore and hence, people are generally not confident of doing Islamic finance businesses here. There is also a huge disparity between the interests of Islamic and conventional finance among the public in Singapore. To make matters worse, the Muslim community still have the general impression that the word “*halal*” is always associated with food⁵².

The educational service providers in Singapore also do not offer Islamic finance courses in Singapore extensively. I noticed that several educational and awareness talks⁵³ have been organized by private companies – these may not suffice as MAS and other financial regulators also need to be proactive in boosting Islamic finance in terms of awareness and building the infrastructure.

There must also be ongoing education to dispel myth that Islamic products are unsafe and losing money. According to Sani Hamid, Islamic funds can make money and sometimes more than the conventional. However, a fund does not mean risk free just because it happens to be Shariah-compliant – the concept of risk-return tradeoff⁵⁴ will apply in both Islamic and conventional funds. Shariah funds, like the conventional counterpart, also has different categories

⁵¹ Islamic Finance New Guide 2015, Developments and opportunities for Shariah compliant family offices, Dated 11 March 2015, http://islamicfinancenews.com/listing_article_ID.asp?nm_id=40430, accessed 05 April 2015.

⁵² Consulus, On Shariah-compliant Investments: Interview with Managing Editor of Halal Universe, dated 27 September 2013, <http://consulus.com/on-shariah-compliant-investments-interview-with-managing-editor-of-halal-universe/>, accessed 01 April 2015.

⁵³ CIMB, Financial Alliance and Ethis held occasional talks on Islamic finance and personal financial planning. The last major seminar was Islamic Funds & Asset Management held last year (“IFAM 2014”) in Singapore.

⁵⁴ This is the portfolio theory where “rational investors are averse to taking increased risk unless they are compensated by an adequate increase in expected return.” (Oxford Dictionary of Finance & Banking, 2003)

of risks. For example, Islamic equities has the highest risk. *Sukuk* funds have lower risk while Islamic savings accounts or fixed deposits have the least risks.

In terms of performance, there is a strong correlation between both the Islamic and conventional funds, hence one can say that the Islamic funds are riskier than the conventional version. A graphical representation by Halal-U website can be shown as below, showing that both Islamic (i.e. DWS Noor Precious Metals) and conventional funds (i.e. United Gold & General Fund) fare in a similar pattern due to market forces. Although the Islamic funds may give a slightly lower return, this is attributed to the fact that the asset allocation⁵⁵ is different. Business sectors which have been excluded from the Islamic funds include banks, insurance, gambling, adult entertainment, brewery, tobacco and so on.



Source: iFast Financial

Hence, education is a long-term solution and needs a lot of effort to reach the masses because it requires a paradigm shift for the public to appreciate the philosophy of Islamic finance and its worldview.

- **Creating a Good Alternative to Top Conventional Financial Institutions**

The strategy is to leverage on its strength based on the existing financial infrastructure. In the conventional space, wealth management is supported by these top-notch players:

1. Monetary Authority of Singapore
2. Institute of Banking and Finance
3. Wealth Management Institute
4. GIC Pte Ltd

⁵⁵ Sani Hamid (2013), *Shariah-Compliant Unit Trusts Don't Make Money? That's a Falacy*, <http://www.halal-u.com/unit-trusts/148-shariah-compliant-unit-trusts-dont-make-money-thats-a-fallacy-says-sani-hamid>, accessed 17 March 2015

5. Temasek (Singapore sovereign wealth fund)
6. Singapore Management University
7. Swiss Finance Institute
8. Yale School of Management
9. CFA Institute

Should Islamic wealth management take off successfully, such initiatives can be much facilitated by the proactive measures taken by the above-mentioned players.

Suhaimi Zainul-Abidin⁵⁶ mentioned that the launch of the APEC Asia Region Funds Passport⁵⁷ and ASEAN CIS Framework⁵⁸ in 2015 may boast more capital inflows from foreign investors in Singapore. As these investors particularly come from Muslim countries such as Malaysia, Indonesia and the Gulf, this will naturally trigger the need for Singapore to look into Islamic fund management strategies.

- **Branding as a Socially Responsible Investment Strategy**

The marketing and awareness of Islamic wealth management should not be obligatory in nature but instead portrayed as a solid alternative with excellent product structure. The Islamic wealth management players have to show they care about the Muslim community. While everybody must work hard to economically help themselves, Islamic wealth management also promotes the doctrine Muslims they must help others along the way.

Hence, scholars have proposed that *tabarru`* (i.e. charity) to be applied a unique feature of an ideal economic system. According to IBFIM⁵⁹, the possible tools that can be applied are listed below, together with my own analysis of the recent developments in Singapore. Although the table below shows that much have been done to prove Singapore as a possible Islamic wealth management hub, there is no single body or institution that regulates this, resulting in the

⁵⁶ Islamic Finance news Guide 2015, [Singapore finding its second wind](http://islamicfinancenews.com/listing_article_ID1.asp?nm_id=40485&searchid=15143), 11-Mar-2015, accessed 26 March 2015

⁵⁷ A formal arrangement between Singapore, Australia, New Zealand and Korea to facilitate the growth of financial markets and the fund management industry by creating a common framework to reduce the regulatory inconsistency. See <http://fundspassport.apec.org>, accessed 01 April 2015

⁵⁸ The ASEAN Collective Investment Scheme (CIS) framework was established by Monetary Authority of Singapore, Securities Commission Malaysia and Exchange Commission of Thailand. It aims to facilitate the offerings of investment products directly to retail investors in those three countries efficiently. See <http://www.asean-investor.com/>, accessed 02 April 2015.

⁵⁹ Islamic Banking and Finance Institute Malaysia (2015), [Shariah Contracts : Tabarru` \(Charity\) Contracts](http://e-muamalat.gov.my/sites/default/files/kertas_ilmiah/2011/03/tabarru_contract-zakirullah_ibfim_portal.pdf), accessed 30 March 2015

developments to be seen as fragmented and piecemeal. As a country that applies *fiqh aqalliyat*⁶⁰, it is important that all the efforts to promote Islamic wealth management must be well coordinated and concerted to produce a synergistic result.

Tools	Applications in Singapore
<i>Ariyah / I'arah</i>	<p>A loan contract relating to a tangible asset. In Singapore, <i>Darul Arqam</i>⁶¹ has set up a library⁶² for the public, containing rare and classical Islamic reference and literature for academic purpose.</p> <p>It is hoped that ariyah can be applied for other purposes, such as loan of laptops and school textbooks, to help those in needy, through the Muslim philanthropists.</p>
<i>Hibah</i>	<p>A gift contract. Scholars have made it permissible for gifts to be given on conditional basis. LBKM⁶³ has given put several scholarships and bursaries to outstanding Muslims students in Singapore.</p>
<i>Qard</i>	<p>A loan contract relating to money. Some needy Muslim families need to get Shariah-compliant loans to further their studies. Mendaki⁶⁴ has several interest-free loan schemes to uplift the education performance of the Muslims in Singapore.</p>
<i>Rahn</i> ⁶⁵	<p>A contract of security where buyer's valuable assets are held as collateral for the financing / loan given.</p> <p>This is a lucrative market in Malaysia as a microcredit instrument. When compared against conventional pawn shops and unsecured personal loans, <i>Rahn</i> has advantages.</p> <p>PERGAS intends to launch this Islamic pawn-broking businesses soon in Singapore. It is assumed that such initiative will be the first in Singapore to facilitate Muslims in getting additional financing through Shariah-compliant means.</p>
<i>Kafalah</i>	<p>This is essential a guarantee of a third party to settle the obligations of another person incurring liability. Modern applications include personal and corporate guarantee (proportionate or joint and several) which is currently practiced by many banks in Singapore offering Islamic</p>

⁶⁰ This is defined as "Islamic jurisprudence for a community that lives as a minority". It is defined by Islamic Religious Council of Singapore in its Friday sermon dated 14 November 2014 (21 Muharram 1436) entitled "Fiqh Aqaliyyat – Dealing with the Realities of Life" accessible at www.muis.gov.sg, accessed 01 April 2015.

⁶¹ Muslim Converts' Association of Singapore (2015), <http://www.darul-arqam.org.sg>, accessed 05 March – 30 March 2015.

⁶² Al-Mawrid Resource Library was opened in Darul Arqam since 2012 (The Galaxy, 32 Onan Road, Level 3)

⁶³ Lembaga Biasiswa Kenangan Maulud (Prophet Muhammad's Birthday Memorial Scholarship Fund Board), <http://lbkm.org.sg/>, accessed 10-27 March 2015

⁶⁴ A group set up by Muslim leaders and the Singapore government to help the Muslim society as a whole. See <http://www.mendaki.org.sg>; accessed 01 April 2015.

⁶⁵ This is an Islamic equivalent of a pawn-broking business. The Shariah concepts used are *Qardhul Hasan*, *Ar-Rahnu*, *Al-Wadi'ah* and *Al-Ujrah*.

	<p>financings, such as Maybank, CIMB and Islamic Bank of Asia.</p>
<p>Waqaf⁶⁶</p>	<p>The Islamic Religious Council of Singapore⁶⁷ has defined it as “a <i>voluntary charitable endowment, from ones’ personal belongings or wealth in the form of cash / property for shariah compliant causes</i>”. The current state of <i>wakaf</i> in Singapore is as per Appendix D.</p> <p>New <i>wakaf</i> models have been applied in Singapore i.e. <i>waqf cash</i> and <i>waqf</i>. According to Ahmad Nizam Abbas⁶⁸, the Muslims in Singapore have been contributing regular amounts of amount via deduction of their salaries for more than 30 years through the Mosque Building Fund enacted by law.</p> <p>Another recent version, called <i>Wakaf Ilmu</i>, intends to evidence that <i>wakaf</i> is not just for rich people with houses and land, but it can be done voluntary with a small donation for the purpose of developing an Islamic education system in Singapore.</p>

- **Business Development – Wealth Managers & Islamic Funds**

The local newspaper Straits Times mentioned that Singapore can do the following⁶⁹ to boost Islamic finance:

- ✓ Focus as a niche on Islamic wealth management products and rely on its existing strength and reputation as a global financial centre.
- ✓ Follow Hong Kong’s way to grow Islamic finance by collaborating with Malaysia to get more investors from both Islamic and conventional markets.
- ✓ Promote the Singapore Exchange as a platform to grow *sukuk* since there is already a demand for it.
- ✓ Singapore government should consider issuing *sukuk* more frequently, perhaps with more different maturities to provide more choices for institutional investors.
- ✓ Provide an Islamic market index should there is sufficient growth in Islamic equity investments.
- ✓ Grow the human capital by investing in research and education in Islamic finance.
- ✓ Re-introducing the special tax incentive just for Islamic finance that has expired in 2013.

⁶⁶ The terminology can be used interchangeably with the word “*wakf*” or “*wakaf*”.

⁶⁷ MUIS (2015), *Religious Aspect of Wakaf*,

http://www.muis.gov.sg/cms/services/Wakaf_abt_sub.aspx?id=17058, accessed 01 April 2015

⁶⁸ Straits Law, *Legal Updates – 14 August 2013*, <http://www.straitslaw.com.sg/legal-update/waqf-wakaf-islamic-asset-management-%E2%80%93-singapore-perspective>, accessed 20 April 2015

⁶⁹ The Straits Times, *S’pore Should Sharpen Its Edge In Islamic Finance*, 22 July 2014, Singapore Press Holdings.

Demand has to be nurtured. Business development can be done by hiring more skilled Islamic wealth managers and bringing in more Islamic funds to Singapore.

Currently, Financial Alliance is the largest independent financial advisory firms in Singapore and regulated by MAS. It serves individuals of all income groups, corporations and institutions. It has Islamic wealth advisory unit, FAiWA, which Shariah-compliant investment, protection, inheritance, *wakaf*, *zakat*. As far as I am aware, Financial Alliance is the only local advisory firm that has its own Shariah advisor⁷⁰ and recognition by MUIS as an authorized zakat collector. Risk-based portfolios are created for investors so that they can choose the most suitable Shariah-compliant funds based on their risk appetite, based on proportion of equity and *sukuk* funds.

I feel that Singapore should consider the potential of getting on board global Islamic wealth management players, some of them include the following:

- SEDCO Capital⁷¹ (“Saudi Economic and Development Company”)

SEDCO Capital is a Jeddah-based asset manager which has divest its assets in France, Malaysia, Singapore and Mexico. It has recently won “Best Shariah Compliant Real Estate Fund Management Team⁷²” due to its strength in REITS both locally and globally.

SEDCO CEO Hasan Al-Jabir said that his company is interested to grow its business in the next two years⁷³ in Emerging Asia (including Malaysia and Indonesia) due to its strong fiscal and monetary policies.

SEDCO Capital has previously set up a Shariah-compliant investment platform in Singapore⁷⁴ back in 2013. It is possible for Singapore to revisit this matter in order for institutional investors in Singapore to gain access to

⁷⁰ Dr Mohamad Akram Laldin is currently an Executive Director of International Shari’ah Research Academy for Islamic Finance (“ISRA”). He is also a member of Shariah boards of HSBC, Equity Trust Malaysia Berhad and Zaid Ibrahim (i.e. a law firm in Malaysia).

⁷¹ SEDCO <http://www.sedco.com>, accessed 20 March – 04 April 2015

⁷² Zawya, SEDCO Capital sweeps "Best Shariah Compliant Real Estate Fund Management Team" award, dated 30 March 2015,

https://www.zawya.com/story/SEDCO_Capital_sweeps_Best_Shariah_Compliant_Real_Estate_Fund_Management_Team_award-ZAWYA20150330104150/, accessed 02 April 2015

⁷³ Thomson Reuters and Dinar Standard, Islamic Growth Markets Investment Outlook 2015 – Selected Interviews, <http://www.dinarstandard.com/islamic-growth-markets-investment-outlook-2015/>, accessed 20 April 2015

⁷⁴ The Asian Banker, SEDCO Capital launches shariah-compliant investment platform, dated 25 March 2015, <http://www.theasianbanker.com/press-releases/sedco-capital-launches-shariah-compliant-investment-platform>, accessed 01 April 2015

one of the world's largest and most diverse ranges of customised Shariah compliant investment funds.

▪ Arabesque Asset Management⁷⁵ ("Arabesque")

Awarded by Islamic Finance News⁷⁶ as "Most Innovative Asset Management Firm in 2014", Arabesque also tops in top 10% of all global equity funds in terms of performance. It provides value-based investment strategies by using quantitative models to combine both Islamic and ESG⁷⁷ values with class portfolio technology, in consultation with professors from top universities⁷⁸. It is also a member of United Nations Global Compact, the United Nations Principles for Responsible Investments and AAOIFI.

Some of the tools used by Arabesque are as follows:

- ✓ Liquidity check
- ✓ Forensic accounting
- ✓ UN Global Impact
- ✓ Value system
- ✓ F/G scoring
- ✓ Earnings pressure
- ✓ Quantitative analysis
- ✓ Risk Management

Although Arabesque has not started business in Singapore, its presence in Singapore will definitely be invaluable to the growth of Islamic fund management based on these unique selling propositions:

- ✓ Values-based investing & asset management
- ✓ Sustainable and socially responsible investing ("SRI")
- ✓ Islamic (i.e. faith-based) investing

▪ Takseem

Unlike SEDCO and Arabesque, Takseem is an open architecture institutional sales platform, providing sales coverage to markets from GCC and SEA. While Takseem can potentially bring in a suite of Islamic funds

⁷⁵ <http://www.arabesque.com> , accessed 24 March - 4 April 2015

⁷⁶ Islamic Finance News, Interviews - Breaking the mold: Arabesque pushes the boundaries in Islamic asset management, 2-Mar-2015, IFN Awards Guide 2015,

http://islamicfinancenews.com/listing_article_ID.asp?nm_id=40291&com_name=, accessed 03 April 2015

⁷⁷ Environmental, Social and Governance.

⁷⁸ Universities of Stanford, Oxford, Cambridge, Maastricht and the German Fraunhofer Society

to Singapore through their strong network of several international asset managers who offer Shariah and SRI or ESG funds, they provide other services, such as capital raising (for private placement transactions) and CRM to protect existing AUM and revenue.

D. Shariah Compliance Matters

Islamic wealth management must be implemented without compromising Shariah. Singapore took the stand⁷⁹ that “MAS will not determine what constitutes ‘Shariah acceptability’; hence, it relies on the individual banks to have a sound Shariah governance infrastructure as part of their usual risk management process”. For fund managers, proper Shariah governance must also be in place. I have provided some guidelines which fund managers can adopt.

✓ Acceptance of Deposits from Customers

Generally, fund managers are not required to establish whether the source of deposits is from *halal*⁸⁰, *haram*⁸¹ or *syubhat*⁸² sources. However, if in any case, the fund managers is certain that the source is not *Shariah*-compliant, they can reject the monies or inform the customers that those *haram* funds can be placed in conventional funds instead. Certainty can be reached if e.g.:

- The corporate customer is indeed non-*Shariah* compliant (e.g. beer company)
- There is sufficient evidence that the monies are not *halal* (e.g. customer may declare as such, the cheque states that it is from a lottery company or there is adverse public news about the customer doing *Shariah* non-compliant activities)

✓ Investment Using Customer’s Monies

A fund manager can generally invest customers’ funds in *Shariah*-compliant shares, *sukuk*, unit trusts, structured products and derivatives. Where investment in listed shares is concerned, a fund manager can make reference to many Islamic indices to establish they are *Shariah*-compliant. These indices can be Bursa Malaysia, S&P Dow Jones Islamic Market Index, FTSE *Shariah*

⁷⁹ MAS, [Guidelines on the Application of Banking Regulations to Islamic Banking](http://www.mas.gov.sg/~media/resource/legislation_guidelines/banks/guidelines/Guidelines_BankingRegns_%20to_IslamicBanking_Apr2010.pdf), http://www.mas.gov.sg/~media/resource/legislation_guidelines/banks/guidelines/Guidelines_BankingRegns_%20to_IslamicBanking_Apr2010.pdf, accessed 26 March 2015

⁸⁰ Permissible

⁸¹ Forbidden

⁸² Dubious

Global Equity Index Series, MSCI Islamic Index Series, HSBC/Nasdaq Dubai. In Singapore, the Islamic index used is the FTSE-SGX Asia Shariah 100 Index launched on 21 February 2006⁸³, in collaboration by Singapore Exchange and Yasaar Consultants.

If the shares are unlisted, Islamic banks can use financial ratio benchmark to ascertain that cash over total assets or debt over total assets do not exceed the thresholds given based on e.g. AAOIFI standards.

In any case, the funds or income from Shariah-compliant investment should never co-mingle with those of conventional. Ahcene⁸⁴ also mentions that there could be lack of monitoring in some cases where lease assets under *sukuk ijarah* are mistakenly insured with the conventional insurance. In this case, *takaful* should be used instead.

In summary, Ahcene said the major causes of SNC risks in Islamic finance operations (including management of Islamic funds) are as below:

- Lack of training to staff and lack of knowledge, skills and competency of staff
- Lack of close monitoring and proper supervision
- Weakness of the internal control system
- Weakness in I.T. infrastructure
- Human error and moral hazard
- Dual financial services (especially in non-Muslim countries or where Islamic windows is based on the conventional financial infrastructure)
- Miscommunication among stakeholders

Shariah Non-Compliant (“SNC”) risks need to be managed to prevent an Islamic financial institution from failing. Some possible implications of SNC risks include the following:

- Exposure of reputational and business risk to the institution
- Invalidation of the *aqad*
- Tainted income (i.e. purification required)
- Imposition of higher standards of reporting by the regulator

⁸³ Launch of FTSE-SGX Asia Shariah 100 Index, 21 February 2006 - Congratulatory Remarks by Mr Heng Swee Keat, Managing Director, Monetary Authority of Singapore, <http://www.mas.gov.sg/news-and-publications/speeches-and-monetary-policy-statements/speeches/2006/launch-of-ftsesgx-asia-shariah-100-index-21-february-2006.aspx>, accessed 18 March 2015

⁸⁴ Ahcene Lahsasna (2014), *Shari'ah Non-compliance Risk Management and Legal Documentations in Islamic Finance*, Wiley Finance.

- Injunction by the regulator to the financial institution to stop selling Islamic products activities for a period of time
- Permanent revocation of Islamic financial license by the regulator
- Punishment or penalty by regulator

Hence, it is important that all fund managers offering Shariah compliant solutions to be implement risk policies and procedures to manage SNC risks.

Part IV - Conclusion

“As Islamic finance grows and becomes increasingly mainstream, it becomes more and more important for safeguards to be taken with respect to its reputation and robustness.”

- Zainal Abidin Rasheed⁸⁵

Zainal Abidin elaborates that complex Islamic financing deals should not be easily subject to legal disputes or easily unenforceability, hence each jurisdiction has to carefully assess the possible risks. He also emphasized that legal and commercial considerations should not be compromised merely for the sake of *Shariah* compliance.

Singapore has a sound financial system and aims to grow its conventional wealth management business and infrastructure, hence, it is important for Islamic finance players to learn, leverage and adapt to provide a competitive alternative finance to investors.

“Moving forward, we expect an enlargement of the wealth management eco-system. This will include trust companies, philanthropy, family offices and the ancillary service providers such as tax, legal advisors, consultants and technology platform providers”.

- Speech by Ong Chong Tee⁸⁶

On the other hand, Suhaimi Zainul-Abidin⁸⁷ from GASCIA mentions that *“in the absence of artificial government-led stimulus for the industry, Islamic finance players*

⁸⁵ Mr Zainul Abidin Rasheed is currently the Singapore Ambassador to Kuwait and Foreign Minister’s Special Envoy to the Middle East. He gave a speech in his keynote address during the WIBC 2014 Asia Summit See <http://worldislamicbankingasia.megaevents.net/presentations/main/a.pdf>, accessed 20 March 2015

⁸⁶ MAS, Speech by Mr Ong Chong Tee, Deputy Managing Director, MAS, at Private Wealth Management Conference, Dated 12 Dec 2014, <http://www.mas.gov.sg/news-and-publications/speeches-and-monetary-policy-statements/speeches/2006/private-wealth-management-conference.aspx>, accessed 27 March 2015

⁸⁷ Islamic Finance news Guide 2015, [Singapore finding its second wind](http://islamicfinancenews.com/listing_article_ID1.asp?nm_id=40485&searchid=15143), 11-Mar-2015, accessed 26 March 2015

[in Singapore] will have to be more innovative in order to capture a greater share of the market”.

In my opinion, Singapore has potential to grow Islamic finance, but this does not come only from the players only; it needs long-term governmental pro-active support as well in terms in providing the banking infrastructure, business opportunities and a sound risk management framework to mitigate specifically SNC risks. Mohd Yazid⁸⁸ (2013, p 301) mentions that the problems and challenges faced by financial institutions in Singapore are more “*related to operations, regulations, clarity of concepts and practicality*” and must be addressed systematically from both Islamic and conventional scholars collectively.

I feel that since Singapore has the competitive advantage of a sound financial framework, politically stable country and skilled human resource, it is possible that through *tadarruj*⁸⁹, Singapore can implement Islamic finance on a larger scale and perhaps provide a separate framework for Islamic financial transactions both domestic and cross-border deals. MAS, like BNM⁹⁰ or SCM⁹¹, should play a more proactive⁹² approach in ensuring the significant growth of Islamic finance in Singapore, especially in wealth management.

It also is hoped that Islamic wealth management in Singapore will be established in the next 5 years, such that Muslims can perhaps embark on a medium-to-long term investment horizon and in the process to build sources of passive income that they could rely on when they retire, without compromising their religion and financial status of their future generations.

APPENDICES

- E. Islamic finance in Southeast Asia
- F. Developments of Islamic Wealth Management in Singapore
- G. Wealth Management Products & Players in Singapore
- H. Current state of *Wakaf* in Singapore

⁸⁸ Mohd Yazid Bin Zul Kepli (2013), Islamic Finance in Singapore: Legal & Regulatory Challenges, Singapore Law Review, (2013) 31 Sing L Rev

⁸⁹ Gradualism

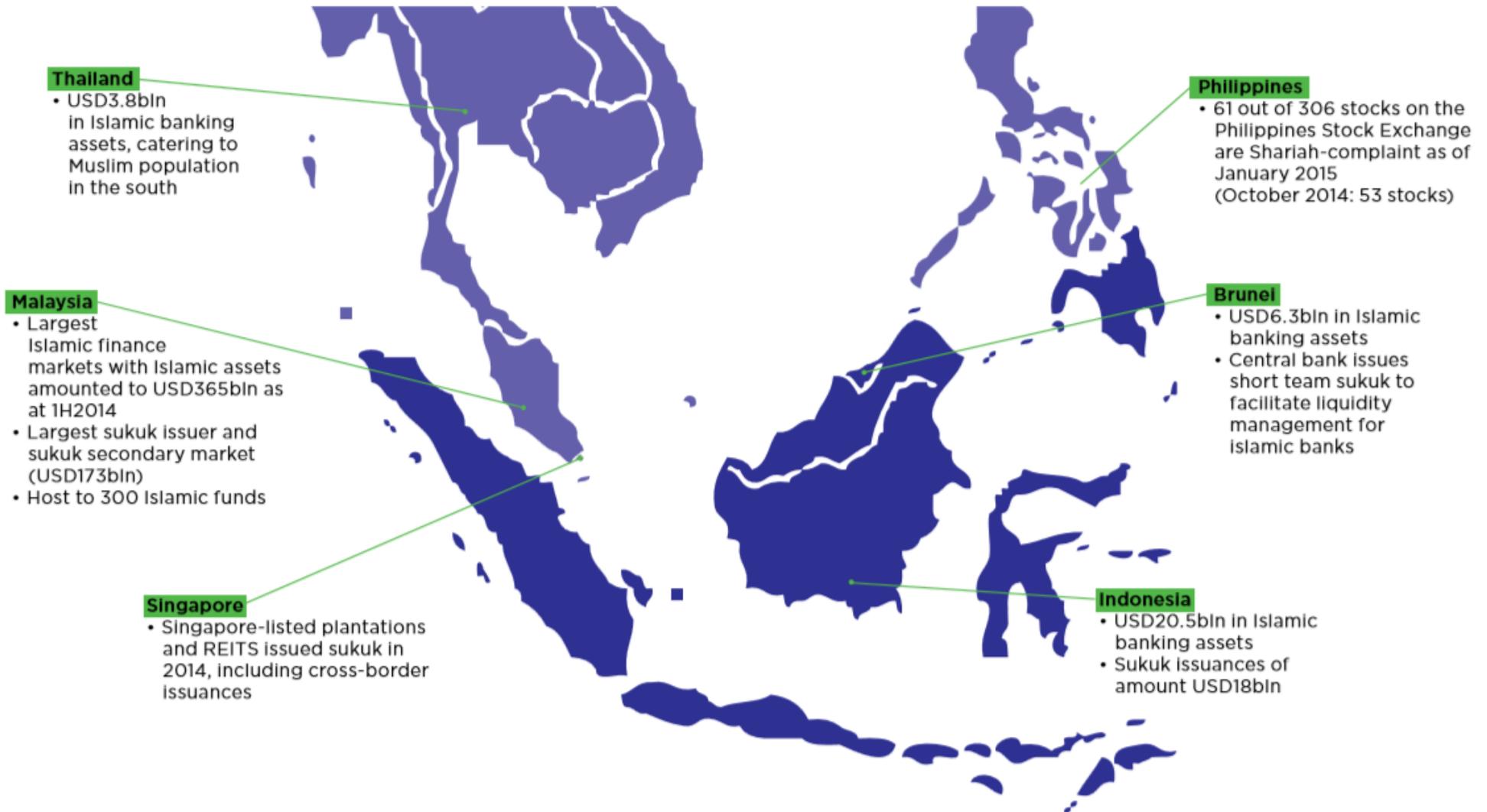
⁹⁰ Bank Negara Malaysia (or Central Bank of Malaysia)

⁹¹ Securities Commission Malaysia

⁹² For example, prior to the enactment of the Islamic Financial Services Act 2013 by BNM, SCM has issued its Guidelines on Islamic Fund Management as early as back in 3 December 2007. Later in 7 Oct 2014, SCM issued Shariah Parameters on Islamic Exchange-Traded Fund Based on Gold and Silver.

Appendix A

Islamic Finance in South East Asia (2014*)



(Source: Malaysia International Islamic Financial Centre, Islamic Finance and Economic Growth, 14 January 2015)

APPENDIX B – Developments of Islamic Wealth Management in Singapore

(Source: Gulf Asia Shari'ah Compliant Investments Association, *Development of Islamic Finance – The Islamic Finance Story in Singapore*, <http://gascia.org/development-of-islamic-finance.html>, accessed 11 March 2015)

1991:

Mendaki Growth Fund (Amanah Saham Mendaki) was launched. This was one of the earliest shari'ah compliant funds worldwide.

1995:

Takaful products were first introduced in Singapore by Keppel Insurance.

1999:

Centre for Islamic Management Studies (CIMS) was set up with the aim of equipping professionals with the necessary knowledge in Islamic Banking and Finance through its Islamic Banking and Finance Certificate and Diploma programs .

2001:

Majlis Ugama Islam Singapura (“MUIS”) launched a **S\$25 million Musharakah bond to purchase an office building to replace certain wakaf properties originally held on trust by MUIS.**

Malayan Banking Berhad (“Maybank”) introduced the **shari'ah compliant Singapore Unit Trusts Ethical Growth Fund.**

2002:

United Overseas Bank Limited acted as arranger of the US\$35 million Musharakah bonds issued by MUIS for the purpose of developing a mixed-use wakaf property.

2003:

Keppel Insurance was acquired by HSBC Insurance (Asia-Pacific) Holdings Limited in 2003 and renamed HSBC Insurance (Singapore) Pte Limited, which remains one of the biggest takaful providers in Singapore. The Takaful Global Fund established in 1995 has since been renamed as **HSBC-Link Ethical Global Equity Fund.**

MAS joined IFSB as an observer member.

2004:

Islamic Far Eastern Real Estate Fund was set up by Singapore's **ARA Asset Management** in partnership with **Dubai Islamic Bank.**

2005:

Banks in Singapore are allowed to offer Murabaha financing through a **new Regulation 22 of the Banking Regulations.** The first Murabaha transaction in Singapore under the new Regulation 22 of the Banking Regulations was entered into by **Baitak Asian Real Estate Fund I (Labuan) Limited**, a US\$600 million Asian real estate fund launched by **Kuwait Finance House** and **Pacific Star.**

Maybank introduced Shari'ah-compliant online savings accounts and Shari'ah-compliant savings cum checking accounts.

HSBC Insurance launched the **Takaful Sinaran Fund.**

MAS became a full member of IFSB.

2008:

CIMB arranged a **S\$1 billion sukuk programme** established by **City Developments Limited** through its subsidiary, **CityDev Nadah**, as the first sukuk programme established by a company in Singapore. **A&G** was also awarded the “*Debt Market Deal of the Year*” by Asian Legal Business for its work on the City Development Islamic trust certificate program.

The **Ministry of Finance of Singapore** announced a **concessionary 5% tax on income derived from approved Shari'ah-compliant investments and activities.**

2009:

Banks in Singapore are allowed to enter into Ijara financing arrangements through a **new Regulation 23B of the Banking Regulations.**

SCB and **IBA** arranged a **S\$200 million sukuk programme established by MAS through its subsidiary, Singapore Sukuk Pte. Ltd.,** for the purpose of issuing sukuk with equal regulatory treatment given to Singapore Government Securities. A&G was awarded the “*Singapore Deal of the Year*” by Islamic Finance News for its work on the S\$200 million Monetary Authority of Singapore (MAS) Sukuk Ijarah Program.

2010:

Khazanah Nasional Berhad issued **S\$1.5 billion sukuk in Singapore**, the single largest sukuk issuance by Khazanah at the time, the largest and longest term sukuk issuance in Singapore and one of the largest Singapore dollar bond issuances by a foreign issuer in Singapore. A&G's work on the Danga Capital (Khazanah) deal won the “*Singapore Deal of the Year*” and “*Corporate Finance Deal of the Year*”, awarded by Islamic Finance News. A&G was awarded the “*Islamic Finance Deal of the Year*” by Asian Legal Business for its work on **Danga Capital's S\$1.5 billion sukuk issue**, the largest and longest term sukuk issuance in Singapore and one of the largest Singapore dollar bond issuances by a foreign issuer in Singapore.

Sabana Shari'ah Compliant REIT was listed on the Singapore stock exchange as the world's largest Islamic REIT, where approximately S\$666 million was raised at initial public offering. A&G also won the “*IPO Deal of the Year*” and “*Real Estate Deal of the Year*” awarded by Islamic Finance News for its work on Sabana's REIT. The Danga Capital and Sabana deals also received **honourable mention for “(Global) Deal of the Year”** for the Islamic Finance News Awards.

Securus Data Property Fund established by **Keppel Telecommunications & Transportation** and **AEP Investment Management**, as the world's first Shari'ah compliant data centre fund.

Parkway Holdings Limited entered into a **S\$750 million syndicated Murabaha financing facility**, the largest Singapore dollar Murabaha financing facility to date and one of the largest Murabaha financing facilities worldwide.

APPENDIX B – Developments of Islamic Wealth Management in Singapore

2011:

Sabana Shari'ah Compliant REIT **obtained S\$144.3million additional term and commodity Murabaha financing**, which was structured innovatively to include a profit rate hedge.

Sabana REIT received **"The Most Outstanding Islamic REIT"** at the **KLIFF Islamic Finance Awards Ceremony**, which was organised in conjunction with the 8th Kuala Lumpur Islamic Finance Forum.

Sabana REIT's efforts to raise investor familiarity with Shari'ah compliant products during its IPO were recognised by the **International Public Relations Association (IPRA)**, which gave Sabana REIT a **"Golden World Award"**.

Sabana REIT was awarded the **Triple A Award for "Best Islamic Deal in Singapore"** and **"Most Innovative Islamic Deal"** by **The Asset**, Asia's leading issuer and investor-focused financial monthly publication.

Sabana REIT was awarded **"Best Domestic Securitization"** at **The Asset Triple A Regional Deal Awards 2011** for the S\$132 million Islamic securitisation facility it launched in November 2011.

MAS circular was issued confirming that **double or triple stamp duties would be waived on Murabaha deposits where the asset is an immovable property**.

2012:

Singapore Management University **launches its postgraduate Master of Laws in Islamic Law & Finance** to meet the increasing demand for talent within the industry.

Sabana REIT was voted **"Most Innovative Asset Management Company"** and **"Best Investor Relations by an Asset Management Company"** in the **2nd Islamic Finance News Islamic Investor Poll**, which was participated by recognized investors globally.

Sabana REIT was named **"Equity Deal of the Year"** and **"Real Estate Deal for the Year"** for its S\$80.0 million Convertible Sukuk al Ijarah by Islamic Finance News' 2012 Deals of the Year awards.

A&G Partners, Suhaimi Zainul-Abidin and Yeo Wico, were recognised by Islamic Finance News as Leading Lawyers. Suhaimi was recognised in the areas of Asset & Fund Management, Banking & Capital Markets, Corporate & Commercial, Insolvency & Restructuring, Structured Finance, Real Estate & Property, Project & Infrastructure Finance, Litigation & Dispute Resolution, Takaful and Re-Takaful. Wico was recognised in the areas of Banking & Capital Markets, Corporate & Commercial, Cross Border, Energy & Natural Resources, Mergers & Acquisitions, Offshore Finance, Private Equity and Tax.

A&G was awarded **"Deals of the Year 2012"** by **Asian-MENA Counsel** for its work on the first convertible sukuk issuance in Singapore due 2017.

2013:

The concessionary tax on income derived from approved Shari'ah-compliant investments and activities was extended by another 5 years to end 2018 (QDS and QDS+ schemes).

Swiber Capital Pte Ltd becomes the **second Singaporean company to issue a sukuk, being a 5-year S\$150 million sukuk at a periodic distribution rate of 6.50%**. This represents the first drawdown of its US\$500 million Multi-Currency Islamic Trust Certificates Issuance Programme announced on the Singapore Exchange.

Sabana REIT announces a Private Placement Equity Deal worth S\$40 million.

Sabana REIT obtained a S\$48 million financing deal for a Commodity Murabaha Refinancing and Profit Rate Swap. Sabana REIT was conferred **"Most Outstanding Islamic Real Estate Product"** to recognise its successful issuance of an S\$80 million Convertible Sukuk - the first in the world to be convertible into units in a real estate investment trust by KLIFF 2013.

A&G was awarded the **"Equity Deal of the Year"** and **"Real Estate Deal of the Year"** for its work on the Sabana REIT S\$80 million Convertible Sukuk al Ijarah by Islamic Finance News.

A&G won the **"Best Law Firm in Real Estate & Property 2013"** under **The Islamic Finance News Law Poll 2013**.

A&G was awarded the prestigious **"Firm of the Year 2013: Islamic Finance"** by **Asian-MENA Counsel**.

For its work on the **Pandu Logistics Musharakah deal**, A&G received honourable mention in the Musharakah category and Indonesia category under the **"Islamic Finance News (IFN) Deals of the Year 2013"**.

A&G also received honourable mention in the sovereign category under the **"Islamic Finance News (IFN) Deals of the Year 2013"** for its work on **Indah Capital (Khazanah Nasional) sukuk deal**.

A&G partner Suhaimi Zainul-Abidin was ranked Band 1 for Islamic Finance in the Chambers Asia-Pacific 2013 Edition, the only local lawyer to be ranked in Band 1.

2014:

Sabana REIT issued a S\$90 million worth of multicurrency Islamic Trust certificates as part of the S\$500 million multicurrency Islamic Trust certificate issuance programme.

Sabana REIT issued a further S\$100 million worth of multicurrency Islamic Trust certificates as part of the S\$500 million multicurrency Islamic Trust certificate issuance programme.

Sabana REIT's Annual Report 2013 was awarded the winning status of **'Honors' in the category of Non-Traditional Annual Report for REITs at the 28th International ARC Awards Competition**.

Appendix C - Wealth Management Products & Players in Singapore

In Singapore, the Islamic products in fund management to-date are as follows:

- Franklin Templeton Shariah Asian Growth Fund
- Franklin Templeton Shariah Global Equity Fund
- Franklin Templeton Global Sukuk Fund
- DWS Noor Precious Metal
- Sabana Shariah REIT
- Emirates MENA Opportunities Fund
- Emirates Global Sukuk Fund
- AMB Dana Arif Fund
- HSBC Insurance Ethical Global Equity Fund
- CIMB Why Wait Fixed Deposit-i
- CIMB StarSaver-i
- Maybank Islamic Term Deposit
- Maybank Ar-Rihla Regular Savings Account-i
- Syariah Asia ex-Japan equities fund¹

The Islamic finance players for wealth management and financial planning:

Entities	Details
Financial Alliance Pte Ltd – Islamic Wealth Advisory (“FAiWA”) (http://www.fa.com.sg/services_solutions/faiwa)	An independent Islamic wealth consultancy firm that provides financial solutions to individuals, corporations and institutions in Singapore. It deals with investments, wealth protection, estate planning and zakat planning.
Halal-U.com (http://www.halal-u.com)	A local news portal focused on Shariah-compliant investments for retail investors. It is mentioned to be the first ever portal of its kind in the world.
IdealRatings (http://www.idealratings.com)	A service provider for investors, asset managers and index providers. It analyses and screen all types of asset classes that cover equities, REITS and sukuk. It covers 42,000 equities in 106 countries.
ST&T International Pte Ltd (http://www.stntinternational.com)	A local company that offers various <i>takaful</i> products for pilgrimage, overseas travel, mosque, motor and maid.

¹ Launched in third quarter 2014 by DCG Capital and Fortune Capital Management. Business Times, [Asean shines as investor destination](http://business.asiaone.com/news/asean-shines-investor-destination), dated 09 September 2014, <http://business.asiaone.com/news/asean-shines-investor-destination>, accessed 30 March 2015

Appendix C - Wealth Management Products & Players in Singapore

<p>HTHT Advisory Services Pte Ltd (http://www.htht.com.sg)</p>	<p>A local company that provides independent advice in Islamic estate planning solutions to Muslims in Singapore. The various tools used are <i>wasiyyah</i>, <i>hibah ruqba</i>, <i>faraidh</i>, <i>nuzuriyyah</i>, <i>waqf</i>, etc, harmonizing the rules between Singapore law and Shariah law to meet the clients' intended objective.</p>
<p>Gulf-Asia Shari'ah Compliant Investments Association (http://www.gascia.org)</p>	<p>A non-profit organisation in Singapore that assists and facilitates Islamic finance awareness and businesses in Asia and Middle East.</p>
<p>Warees Investments (http://www.warees.sg)</p>	<p>A local government-linked endowment asset management companies that develops commercial and residential properties to conserve of culture and heritage of Singapore and Muslims.</p>
<p>Amanah Asset Management Pte Ltd (http://www.amanahassets.com)</p>	<p>A local private company that promotes Islamic finance by organizing events and advising customers on estate management and halal investments.</p>
<p>Muslim Financial Planning Association (http://muslimfinancialplanning.org.sg)</p>	<p>An association formed by working professionals, with the aim of promoting awareness among Muslims in Singapore to financially plan their lives.</p>
<p>Barakah Capital Planners (http://barakahcapital.com.sg/)</p>	<p>A local company specializing in estate planning using knowledge of accounting, auditing, law and Shariah to educate the locals and provide services such as documentation and advisory on <i>wasiyyah</i>, <i>nuzurriyyah</i>, <i>hibah</i> and estate meditation.</p>
<p>Syariah Consultancy (http://syariahconsultancy.com)</p>	<p>A local private company that focuses on estate distribution, drafting of wills, zakat calculation and Shariah consultancy for business purpose.</p>
<p>Singapore Islamic Scholars and Religious Teachers Association ("PERGAS") (http://www.pergas.org.sg)</p>	<p>An NGO that aims to raise standards of Islamic scholars in Singapore. It has a dedicated Financial Shariah Advisory Council that provides consultancy services on estate planning. Recently, in August 2014², PERGAS signed an MOU with MIT Global to implement Islamic pawn-broking businesses in Singapore.</p>

² Wijeya Newspapers Ltd, MIT Global mandated to advice PERGAS Investments on ArRahnu business initiative, 16 August 2014, <http://www.educationtimes.lk/print-edition-2/2640-mit-global-mandated-to-advice-pergas-investments-on-arrahnu-business-initiative>, accessed 30 March 2015.

Appendix D - Current state of *Wakaf* in Singapore

Some developments of Wakaf properties in Singapore:

1. Residential properties at Duku Road, Telok Indah (Wakaf Kassim)
2. Service apartments at Somerset Bencoolen (Wakaf Syed Omar Ali Aljunied)
3. Commercial properties at Dunlop Street, Kandahar Street, Pagoda Street, South Bridge Road, Telok Ayer Street, Temple Street, Changi Road, North Bridge Road, Upper Dickson Road and Joo Chiat Road.
4. Wakaf mosques i.e. Masjid Haji Md Salleh (Makam Habib Nuh), Masjid Khalid, Masjid Khadijah, Masjid Kassim and Masjid Bencoolen.
5. The Chancery Residence, an exclusive cluster housing in a prime district (Wakaf Shia Dawoodi Bohra)
6. Madrasah Al-Maarif Al-Islamiah at Lorong 39 Geylang (Asset Migration Wakaf)
7. Sale and asset migration to 11 Beach Road for enhancing returns to beneficiaries

(Source: Islamic Religious Council of Singapore¹, 2015)

¹ http://www.muis.gov.sg/cms/services/Wakaf_abt_sub.aspx?id=17059#information, accessed 01 April 2015