

Focusing on fintech



QATAR

By Amjad Hussain

The Qatar FinTech Hub (QTFH), an initiative co-founded by Qatar Development Bank (QDB) and designed as a central entity to mobilize and promote fintech in Qatar, was announced this month. The QTFH has announced the first FinTech Incubator and Acceleration program to attract global companies in the fintech industry to establish a presence in Qatar. The QTFH is already engaged with some of the global fintech hubs and is keen to provide access to capital, local financial institutions and industry players to participating companies.

Moody's Investors Service has affirmed the long-term deposit rating on Qatar Islamic Bank (QIB) at 'A1' with a stable outlook. The rating agency stated that the rating reflects QIB's adequate capital buffers, good profitability and limited

market-funding reliance, supported by its established and growing retail and corporate Islamic banking.

Moody's also affirmed QIB's rating at 'A2' with a stable outlook. The affirmation of QIB's rating reflects the strength of QIB's financial position and its ability to overcome different market challenges.

Qatar has issued its public-private partnership (PPP) law earlier this month. The new PPP law is expected to accelerate Qatar's economic growth and industrial diversification. Local Islamic Qatari banks are keen to participate in the financing of PPP projects, including schools and hospitals, and are considering collaborating with big players in the PPP field.

S&P Global Ratings noted in May that the effects of the coronavirus pandemic have significantly slowed core Islamic finance economies due to economic

measures taken by governments to control the effects of the pandemic on their economies.

However, S&P suggests that Islamic instruments such as Qard Hasan, Social Sukuk, Waqf and Zakat can help Islamic finance economies, their banks and companies navigate the pandemic's economic impact. We have seen local Islamic Qatari banks putting more focus on such instruments, and this in turn is assisting many companies and individuals overcome the economic impact of the pandemic.

As the Qatari government eases the coronavirus lockdown measures and restrictions, we expect banks and companies to return to the market strongly given their World Cup 2022 commitments. (📌)

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First Shariah digital Australian bank within 12 months



AUSTRALIA

By Dr Pasquale Franzese

The concept of digital banking is relatively new in Australia. In 2017, the Australian government announced a more simplified process to apply for a digital banking license. Although the process to apply for a license has been simplified over the last two years, it is still a time-consuming and exhaustive process. At this time, only a handful of digital banking licenses have been issued. The regulatory body that issues digital licenses is the Australian Prudential Regulatory Authority (APRA).

To obtain a digital license, you will need a compliant digital banking platform, expertise in running a digital banking business and, of course, capital. Capital requirements range from AU\$3million (US\$2.07 million) to AU\$50 million (US\$34.53 million) depending on the type of digital license granted. The lower the capital employed, the more restrictions are likely to be imposed on the digital banking license granted by the APRA.

At this time, there is only one Shariah-based financial services licensed entity that has publicly announced its interest to obtain a digital banking license and submitted its application to the APRA.

IBA Group (IBA) first submitted its application to APRA nearly two years ago. Since then, it has engaged with the APRA on governance and other application requirements.

Typically, applicants for digital banking licenses raise capital while the application is being processed. IBA's capital requirement has been partially raised. A wholesale investor capital-raising by IBA in late 2019 raised AU\$7.6 million (US\$5.25 million).

The aim is to raise AU\$15 million (US\$10.36 million) to assist with its APRA application and its future digital banking business. IBA has launched an extensive social media campaign targeting Australia's Muslim community.

Based in Sydney, IBA is targeting the Sydney and Melbourne markets. Its deposit services will be structured as

Shariah compliant deposit facilities. The expectation by IBA is receipt of the license sometime in 2021. As with other digital banking providers, IBA's deposit-taking business will rely on apps and smartphone access and technology.

The road to a digital banking license is not easy. IBA will need to convince the APRA that it can meet the governance, system, liquidity and capital requirements that are needed to obtain an Australian digital banking license.

However, if a digital banking license is eventually issued to IBA, it will be a game-changer in the Australian Shariah banking, finance and investment landscape. (📌)

The views and opinions expressed in this article are those of Dr Franzese and do not necessarily represent the views and opinions of any organization that he may be associated with.

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