



cutting through complexity

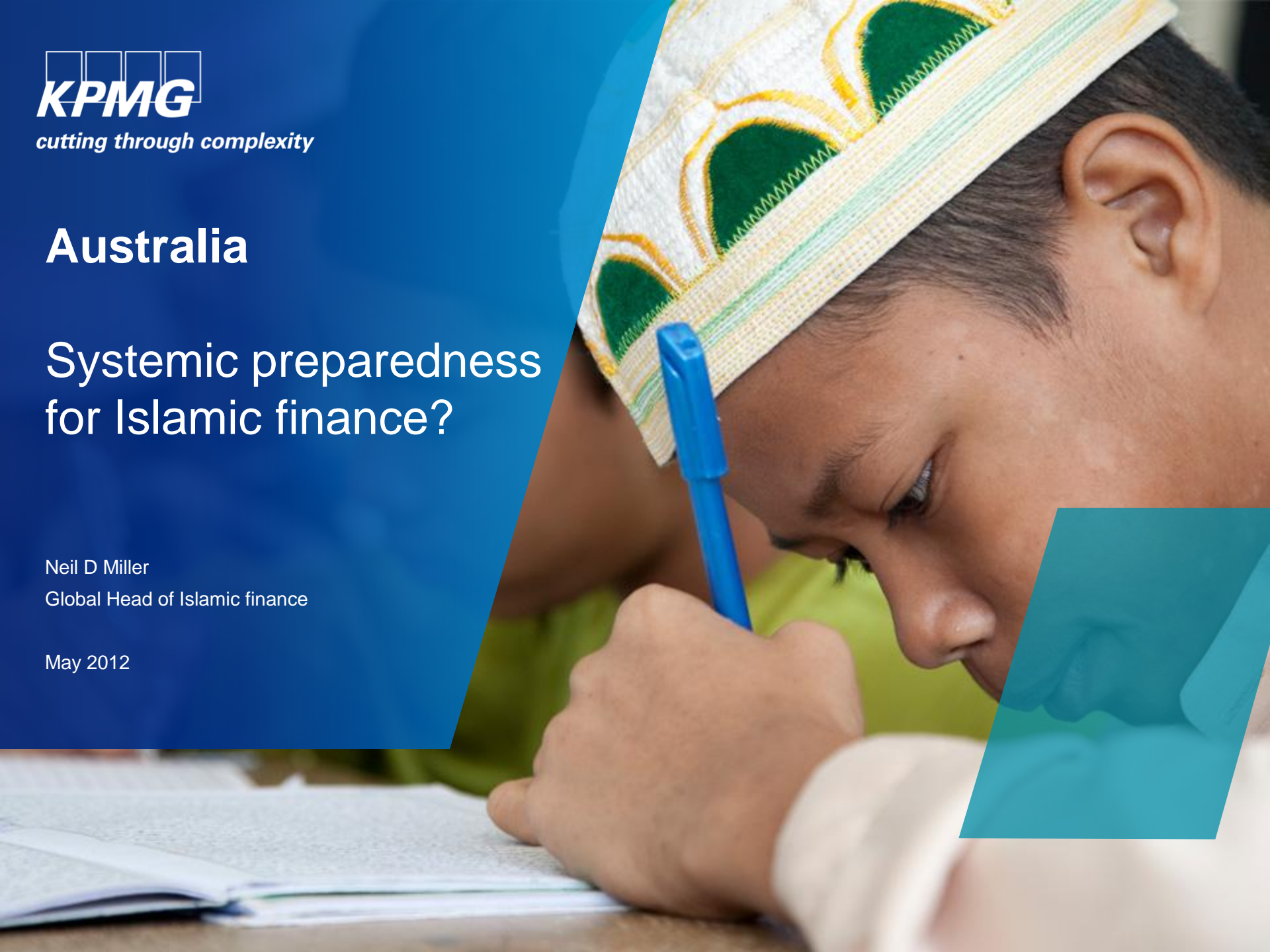
Australia

Systemic preparedness for Islamic finance?

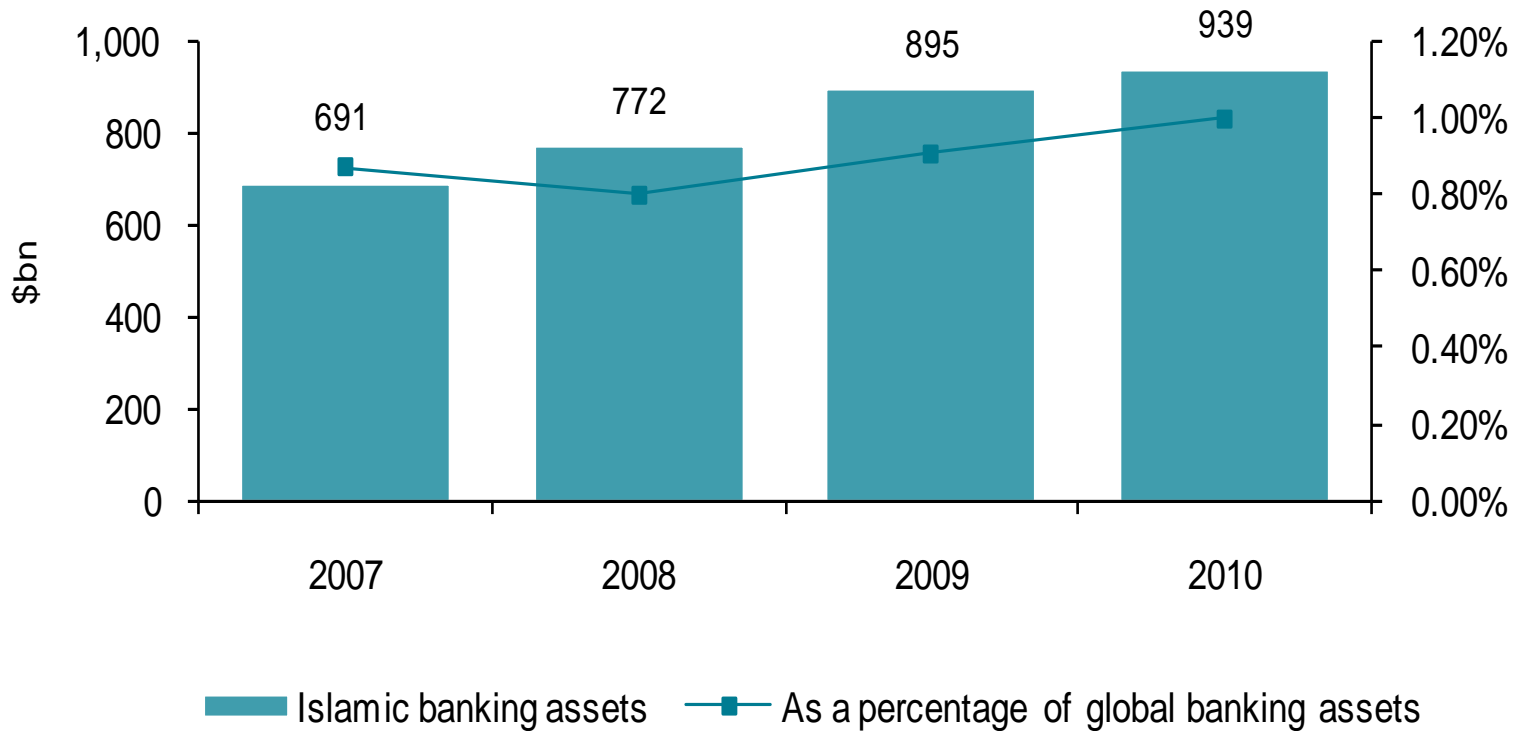
Neil D Miller

Global Head of Islamic finance

May 2012

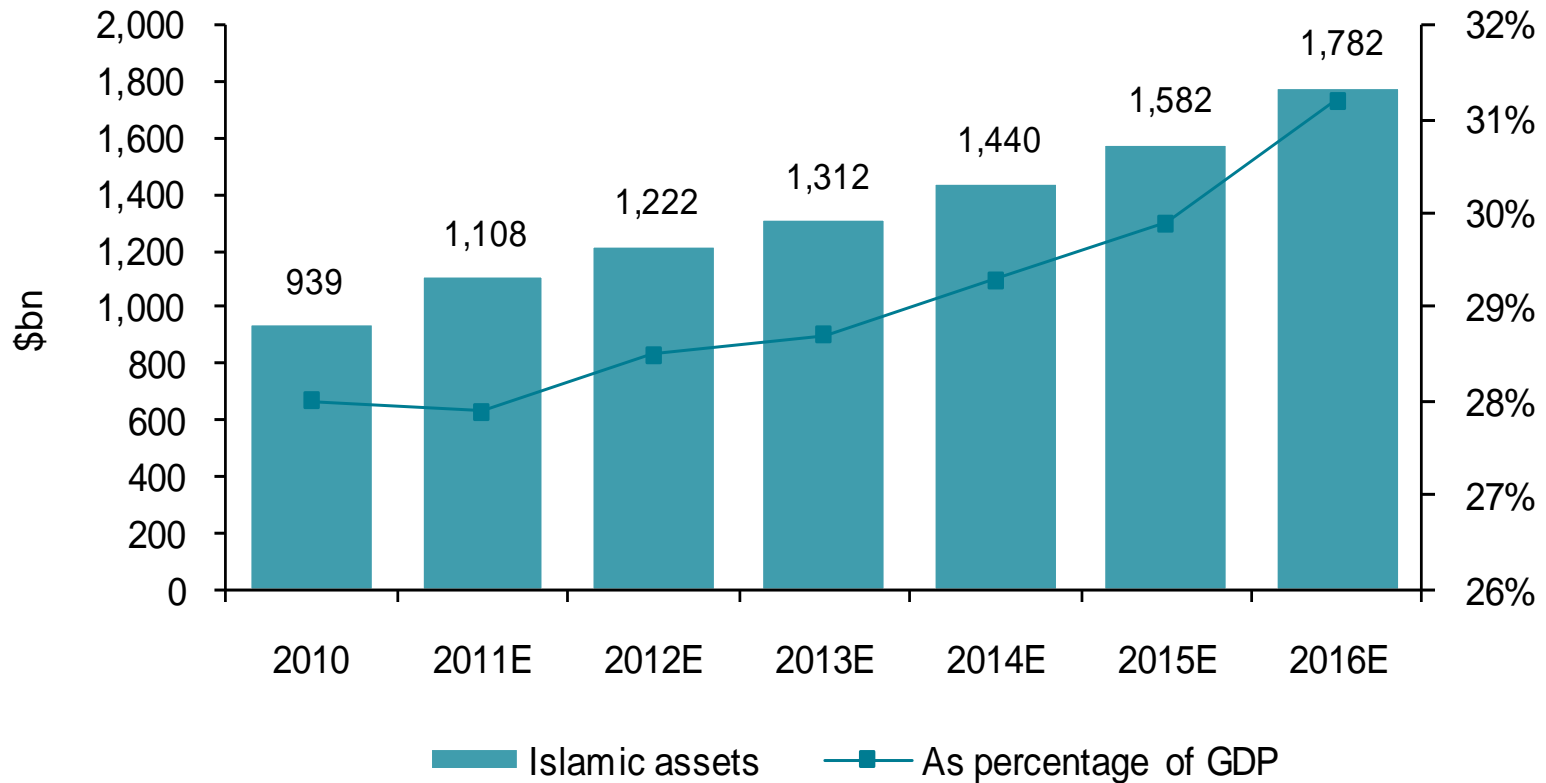


Global Islamic banking assets are growing...



Source:: Deutsche Bank, company data, Central Banks, The Banker

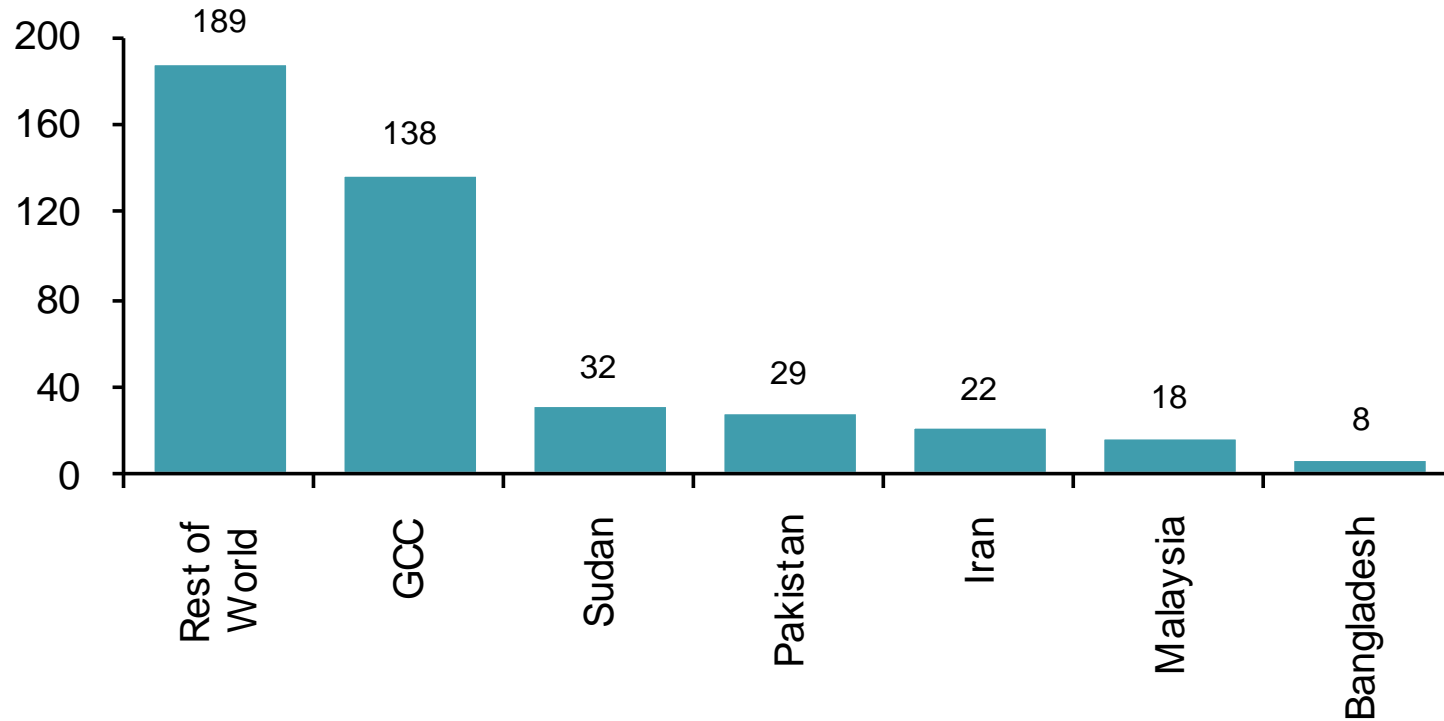
... and forecast to continue growing.



Source: Deutsche Bank, company data, IMF, Central Banks (The sample group of countries includes Iran, Saudi Arabia, Malaysia, UAE, Kuwait, UAE, Qatar, Bahrain, Turkey, Indonesia, Jordan, Bangladesh and Pakistan) .

Islamic finance is spreading across the Islamic world...

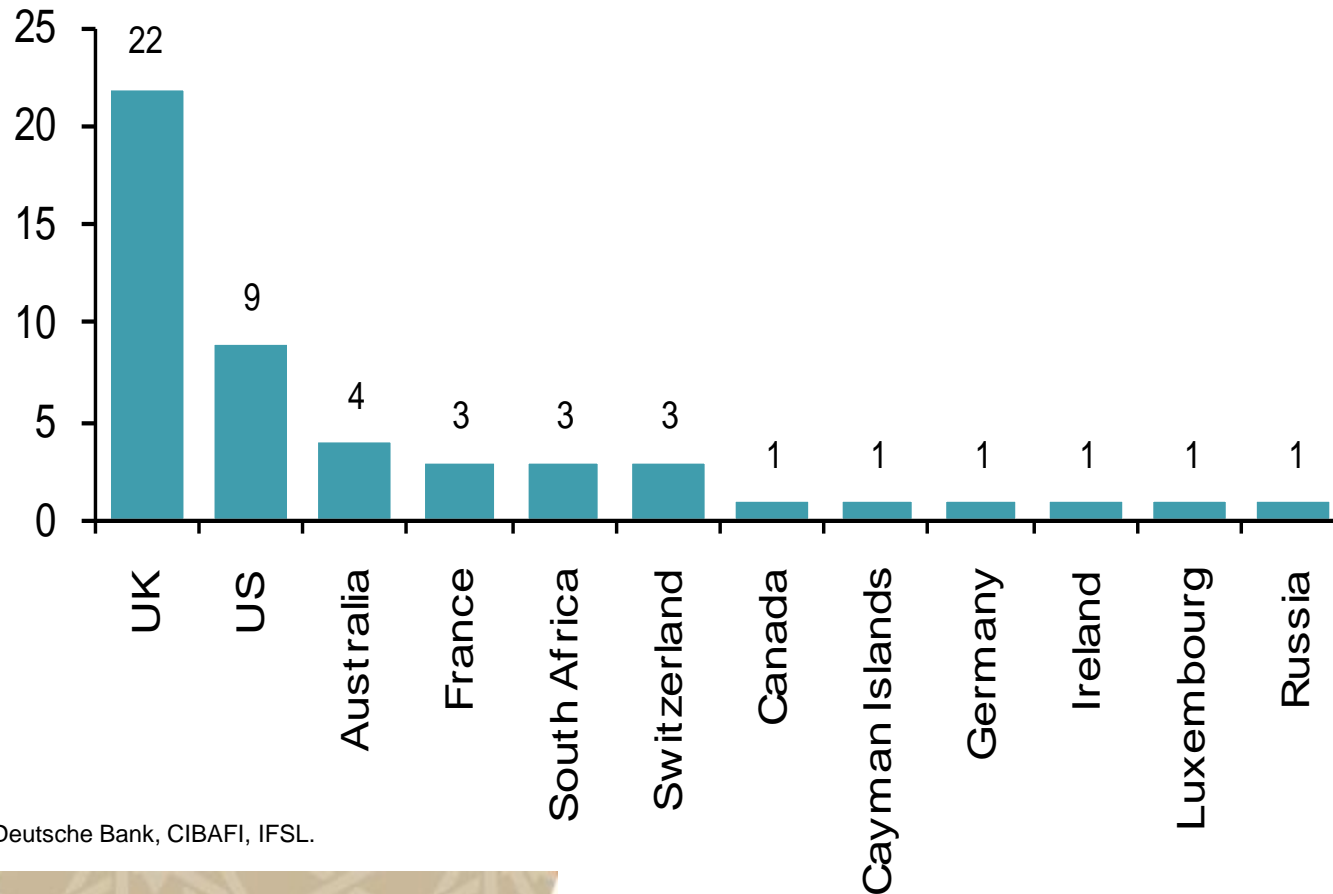
Number of institutions offering Islamic finance products



Source: Deutsche Bank, CIBAFI, IFSL.

...and across the secular world.

Number of institutions offering Islamic finance products



Source: Deutsche Bank, CIBAFI, IFSL.

Should the Australia Government or Private sector do anything?

Is it worth it?

Could it attract capital and funding?

Would it makes us internationally competitive?

Does it force innovation and up skilling?

Is it inclusive for our citizens?

Will it create employment?

Will it enhance our global reputation?

Does it support the vision for our country?

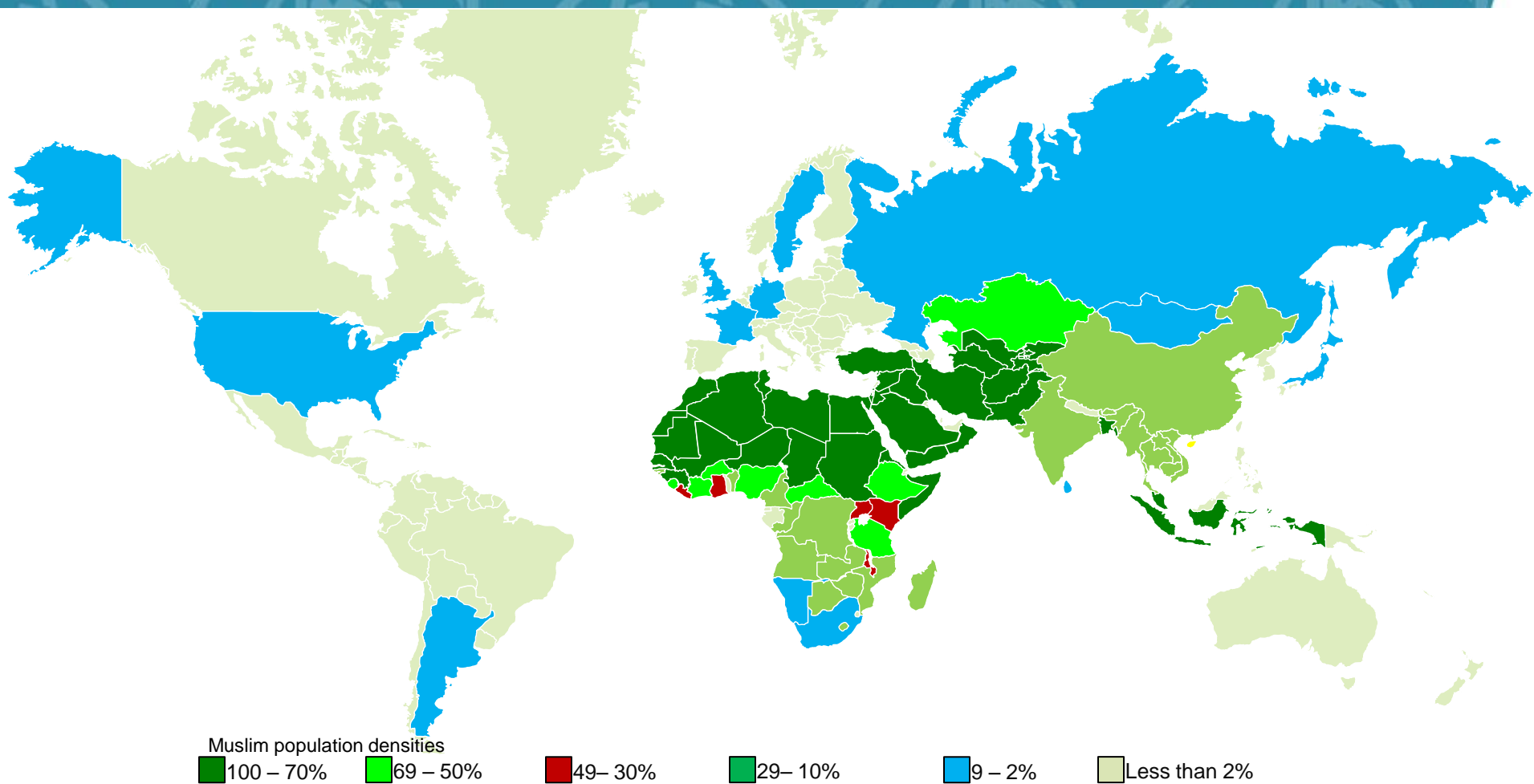
Is it ethical and morally right?

Does the cost benefit balance work?

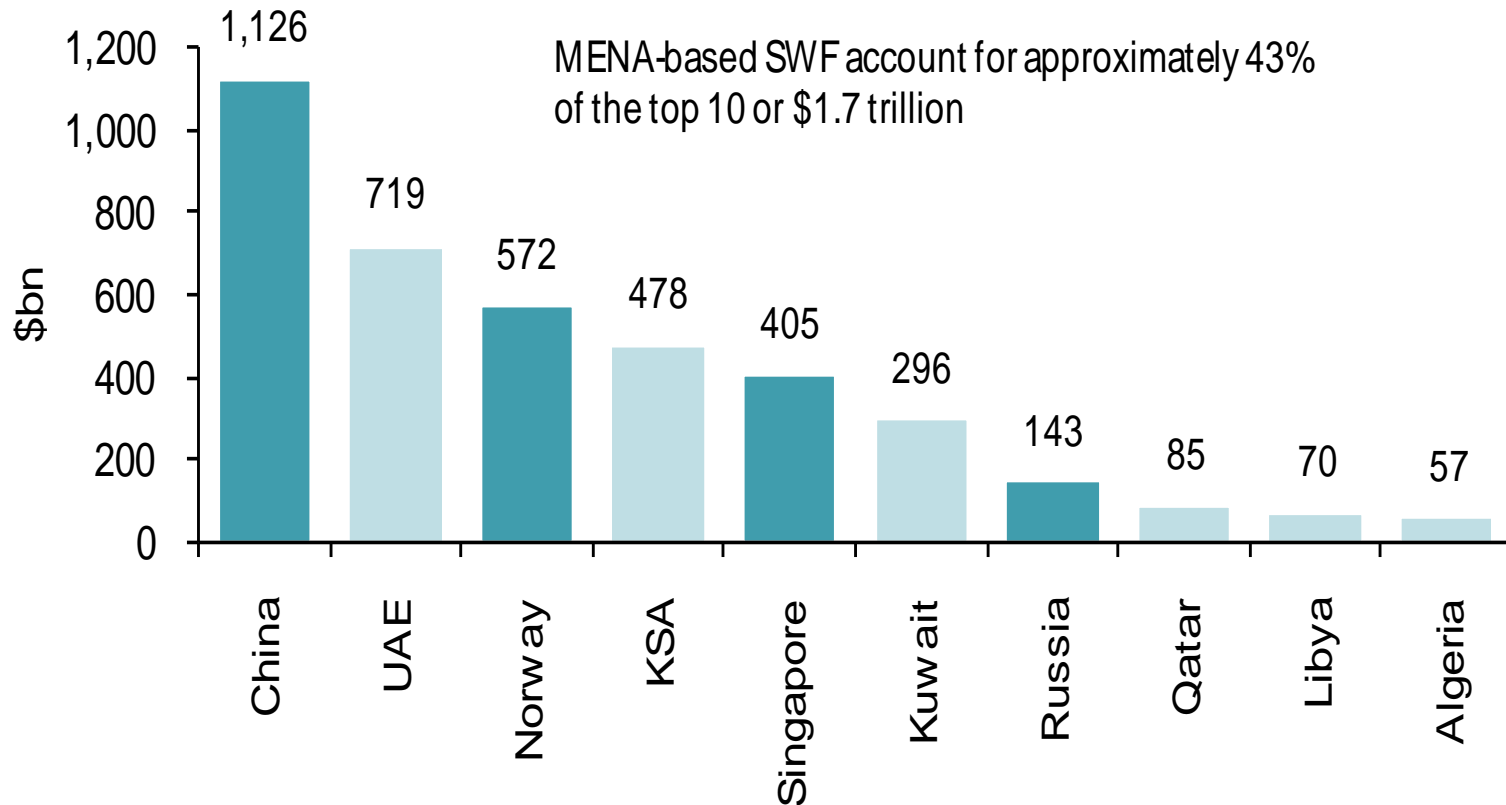
Is it profitable?

It is inevitable in the long term?

Muslims are 25% of the worlds population...

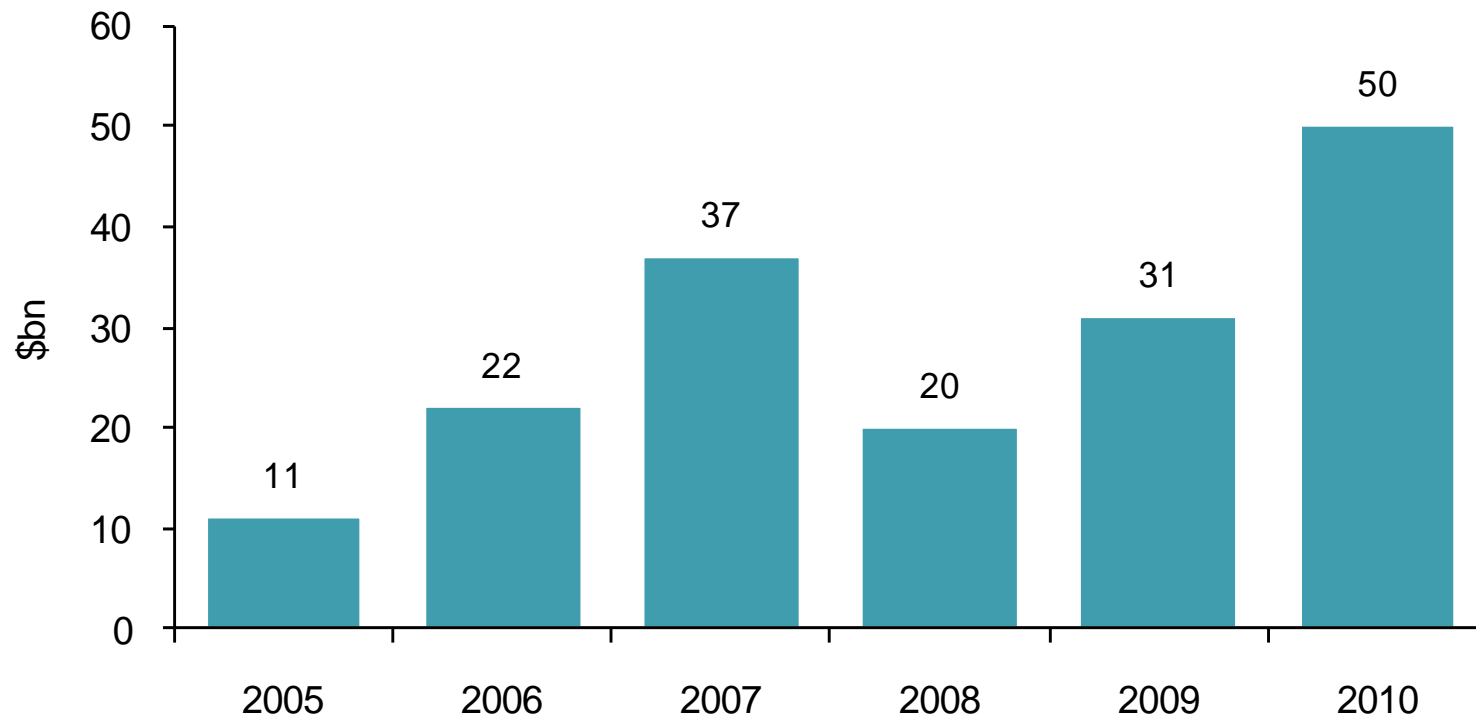


...and are investing immense wealth across borders...



Source: Deutsche Bank, Sovereign Wealth Fund Institute.

...and lending/borrowing through the use of Islamic Sukuk.

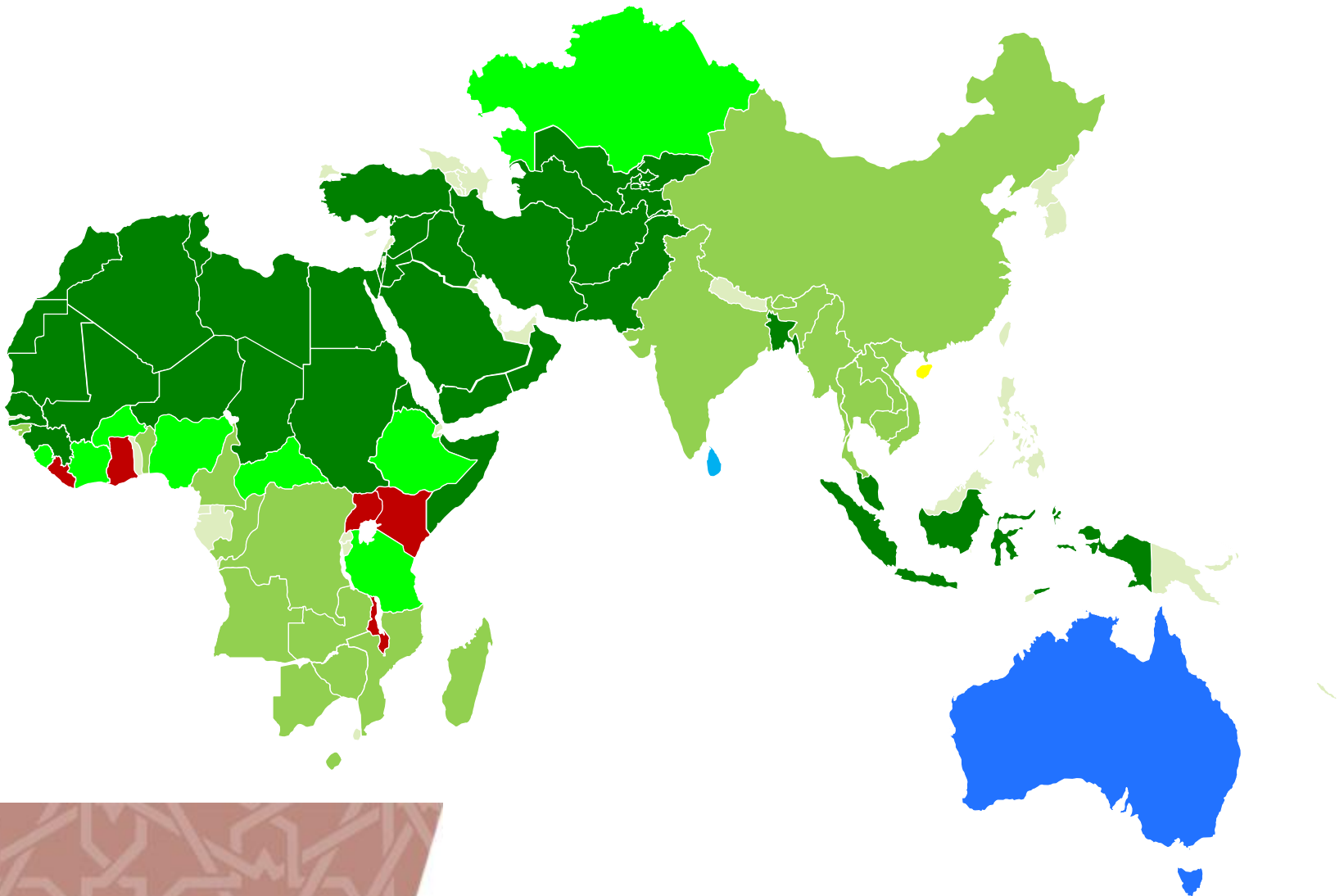


Source: Deutsche Bank, Bloomberg Finance LP, Zawya

Australia needs inward investment...



...and can exploit the regional trade opportunity...



... and pursue its ambition of becoming the ASPAC financial centre



City of London

But this will not happen without strengths in Islamic finance!



dreamstime.com

The commercial case is clear

Is it worth it?

Could it attract capital and funding?

Would it makes us internationally competitive?

Does it force innovation and up skilling?

Is it inclusive for our citizens?

Will it create employment?

Will it enhance our global reputation?

Does it support the vision for our country?

Is it ethical and morally right?

Does the cost benefit balance work?

Is it profitable?

It is inevitable in the long term?



Some steps have been taken...

- ❑ In 2004, the State of Victoria removed the Stamp duty disadvantage on certain residential property purchases using Islamic financing transactions.
- ❑ In 2004, the State of Victoria reorganised the principles of profit sharing and allowing Islamic contracts to avoid the use of 'interest'.
- ❑ In 2005, Australia universities begun to evaluate whether they could offer Islamic finance courses (Supported by Commonwealth Grant)
- ❑ In 2007, the National Centre of Excellence for Islamic Studies was established with Commonwealth support.
- ❑ In 2009, the Commonwealth Government declared treatment of
 - Debt instruments as assets
 - Interest as income and return
 - Islamic finance customers similar to existing financial frameworks and
 - Opened market to Sukuk by introducing securitised commercial bills.
- ❑ In 2010, the Australian Financial Centre Forum's Johnson report underscored the importance of creating a level playing field in the taxation of Islamic finance products.
- ❑ In 2010, the Commonwealth Board of Taxation launched a consultation on the 'Review of the taxation treatment of Islamic Finance'. The final report and the Governments response remains to be released.

...and the Private sector has responded.



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ISLAMIC FINANCE & INVESTMENTS

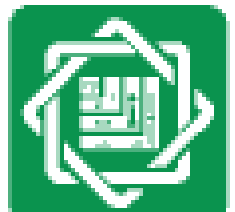


Iskan Finance

ISLAMIC CO-OPERATIVE FINANCE AUSTRALIA LIMITED



Kuwait Finance House
بيت التمويل الكويتي



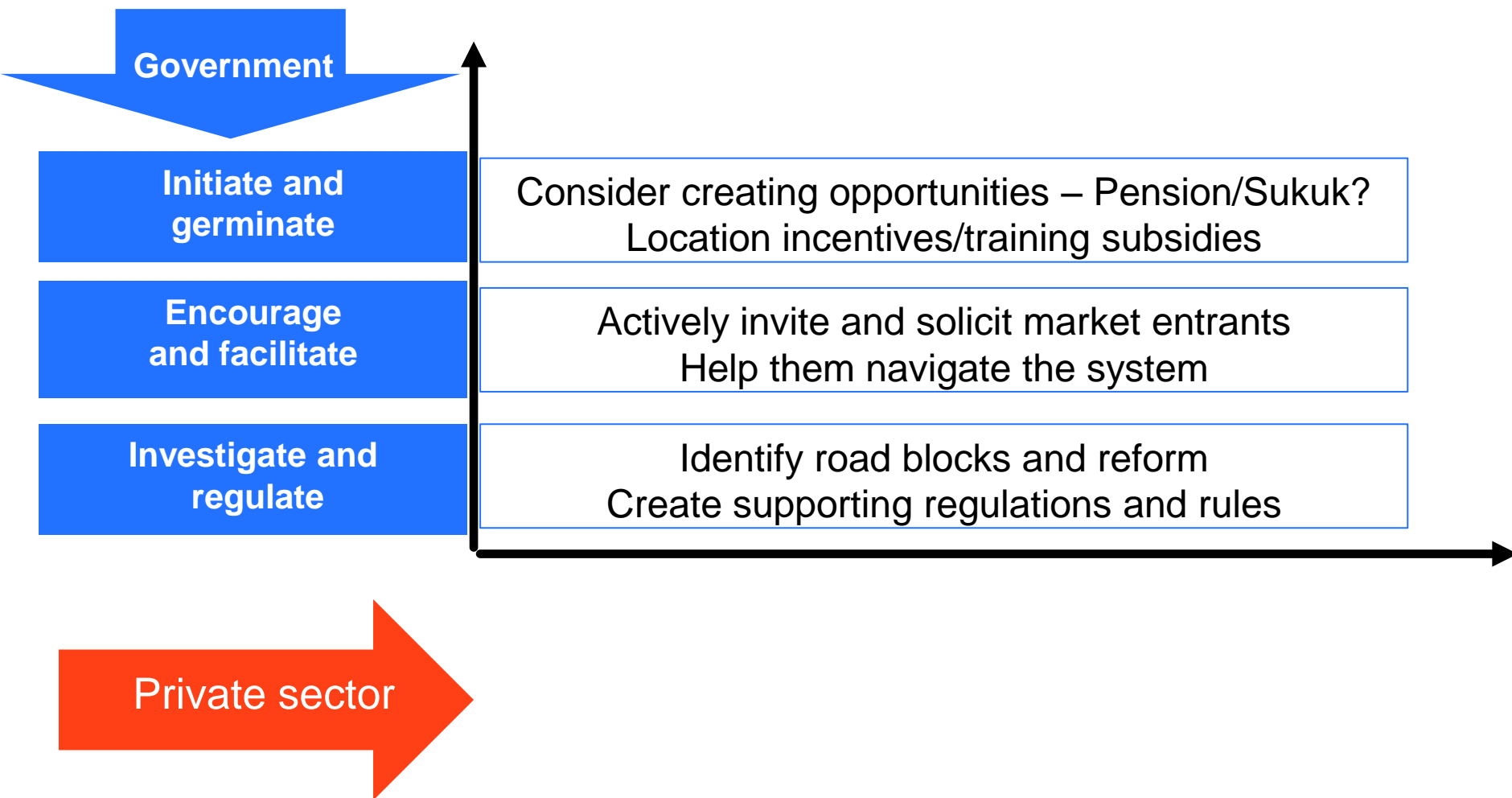
Australia's first Islamic Wealth Manager



MACQUARIE
BANK

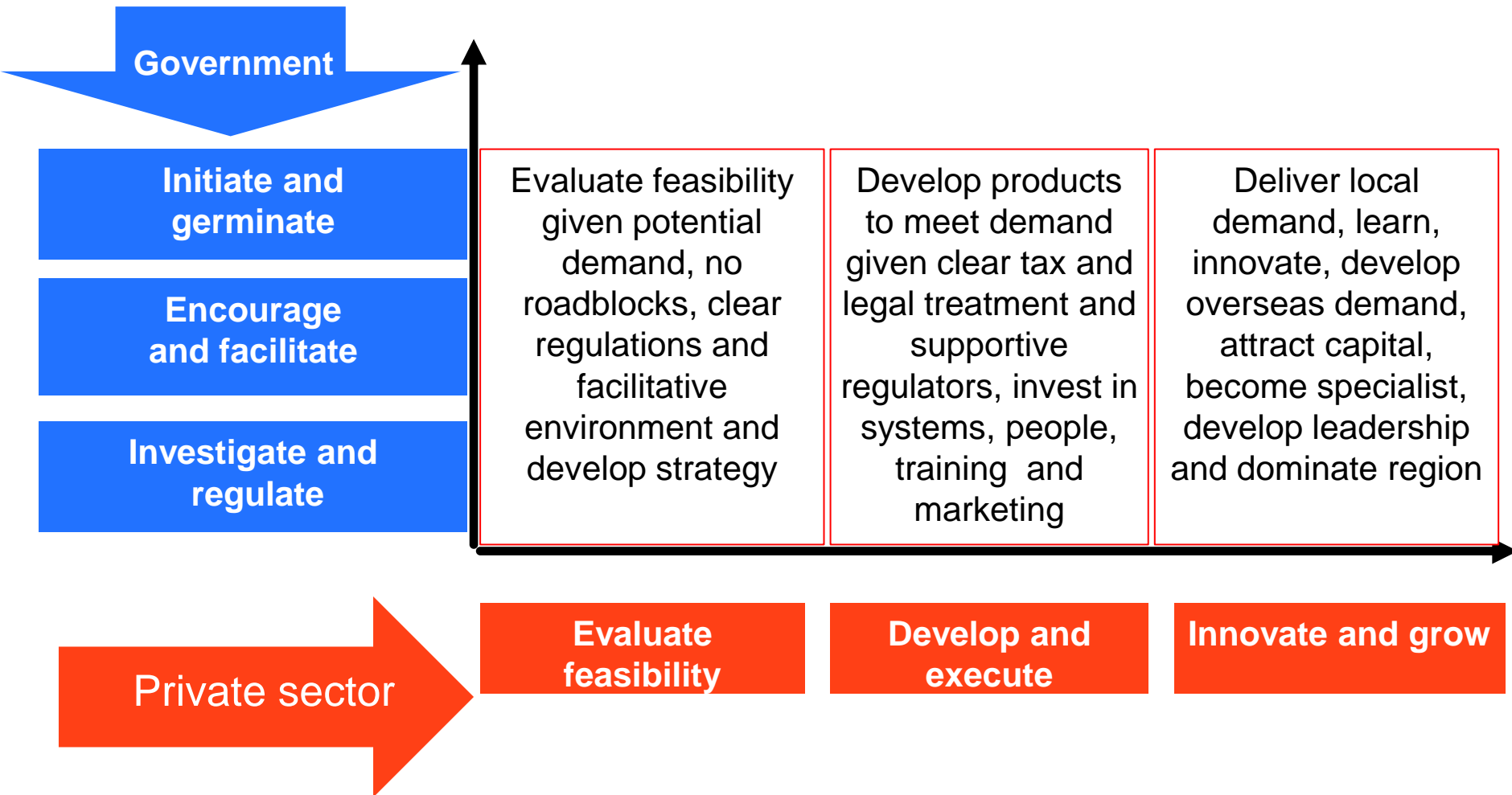
What next for Australia?

The Market/Industry readiness matrix



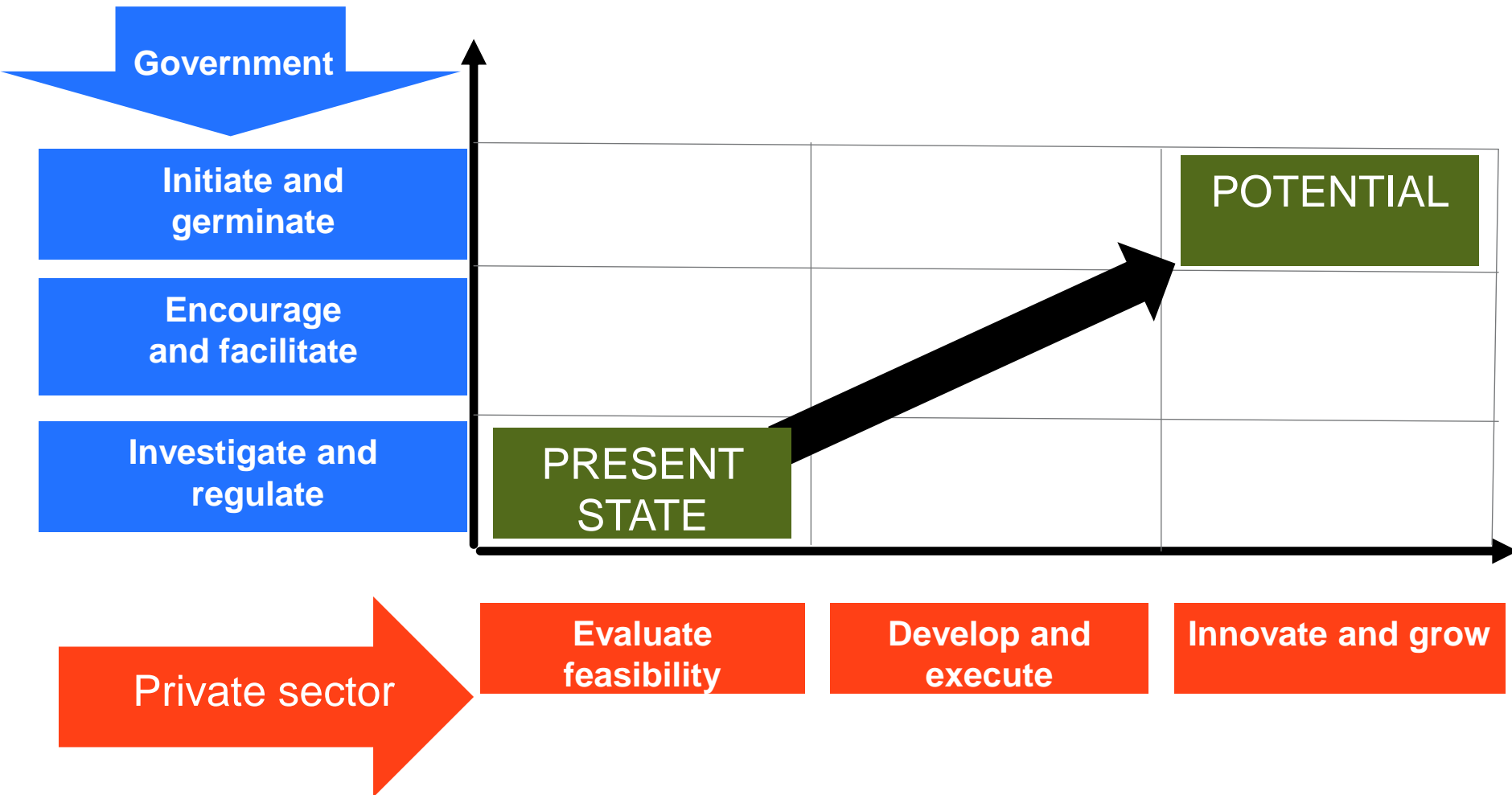
What next for Australia?

The Market/Industry readiness matrix



What next for Australia?

The Market/Industry readiness matrix – Where is Australia now?



What next for Australia?

Immediate actions for Australia

Government

Basic elements

Vocal and welcoming government support

Facilitative and clear legal framework

Accommodative banking and supervisory regulations

Level playing field in Commonwealth and State tax

Supportive elements

Liquidity management tools

Dispute resolution framework

Deposit insurance mechanism

Lender of last resort

Private sector

Thank You

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Questions?

