

The Governor of the Central Bank of Kuwait:
Patron and Keynote Speaker of the 8th Shura Fiqh Conference

His Excellency the Governor of the Central Bank of Kuwait (CBK) Dr. Mohammad Y. Al-Hashel delivered a keynote address at the 8th Shura Fiqh Conference on 8th December 2019 at the Four Seasons Hotel, Kuwait. The event took place under the Governor's patronage.

The opening ceremony's keynote address titled "Islamic Finance: Noble Goals, Innovative Approaches" introduced the challenges facing the economy and the banking industry in general, with a specific focus on Islamic banking. He noted that the industry needs to embrace change in order to harness its potential and to play a bigger role in economic and social development, and that having succeeded locally, the industry is now set to expand globally.

Amidst a constantly changing environment, His Excellency mentioned that success lies in the intersection of three dimensions; bridging gaps, building upon existing foundations, and innovating. Dr. Al-Hashel first said that the gaps the industry needs to bridge include the scarcity of scholars and specialists, weak governance, and insufficient product diversity. The first gap is considered the most serious as there is a scarcity of scholars combining both knowledge of Sharia and Fiqh with banking and financial expertise. Stressing this point, he noted that, globally, eight scholars currently hold 30 posts in Sharia bodies, three of them are members of 70 Sharia boards.

To tackle weak Sharia-compliant governance, Sharia auditing needs to reinforce independence and competence. Currently, Sharia auditing bodies are interconnected to a degree that creates conflicts of interest. This could, he cautioned, impact credibility and trust of Islamic Finance. When it comes to products, rather than exploring new opportunities, there is an excessive focus on Murabaha and Ijara, which mostly center on imported consumer goods, and do not truly contribute to economic development.

The second dimension, building upon existing foundations, revolves around the principles of Islamic Finance, which are well regarded globally due to their contribution to sustainable economic development, being asset backed, featuring profit and loss sharing, and forbidding deception arising from ignorance and uncertainty. However, Dr. Al-Hashel believes that we have failed to invest in these principles. As a result, decades after kickstarting the industry, Islamic Finance, today, accounts for a mere 2% of the global finance market. Studies indicate that, within a decade and a half, Salam, Istisna, and Musharaka have the potential create 150 million jobs, or a quarter of the number of jobs needed globally.

In the third dimension, to take Sharia-compliant transactions beyond current narrow viewpoints, Dr. Al-Hashel stressed the need for creative and innovative thinking. In line with the Islamic exercise of judgement (Ijtihad) and placing humanity's needs center-stage, Islamic finance transactions should embrace a holistic view, and threats such as high unemployment, lagging scientific research, low education levels, and environmental pollution are to be addressed. Meanwhile, diversifying the economy, supporting productive sectors, financing of small enterprises, and embracing new technologies are opportunities to be sought. Mimicking conventional products, the CBK Governor underlined, is a flawed approach that limits the role of Islamic Finance and curbs its creativity.

Elaborating further, Dr. Al-Hashel said the fourth industrial revolution is taking the world by storm today and presents immense opportunities for those up to the challenge. However, it simultaneously poses existential threats to slow and shortsighted organizations. Both Islamic Finance institutions and members of Sharia-compliance and Sharia auditing have a responsibility to brave this storm.

Governor Al-Hashel shed some light on the Central Bank of Kuwait's contributions in supporting the Islamic Finance industry both locally and globally. On the local front, after first allowing the establishment of Islamic banks, and then allowing conventional banks to convert to sharia-compliant institutions, half the number of banks in Kuwait today are Islamic, after factoring in the conversion of two conventional banks. This had a positive effect on other sectors and services such as Takaful insurance, Ijara, health services, educational services, and more.

The CBK also issued Instructions on Sharia Supervisory Governance, which are acknowledged internationally for strengthening the soundness and stability of the Islamic banking sector. The Bank had also sought parliament approval to amend the

CBK Law and to pave the way for establishing a central Sharia audit authority at the CBK. The approval is expected to be granted soon.

The Bank also realizes the importance of capacity building and communicates with universities to encourage the development and fine-tuning of curricula to better equip graduates for work in the sector. It also recently introduced a Certified Sharia Auditor Program, which is a compulsory qualification for those engaged in such auditing.

On a global level, the CBK was among the founding members of the Islamic Financial Services Board (IFSB), which issues the unified criteria governing Islamic Finance, supported the establishment of the International Islamic Liquidity Management Corporation (IILM), and organized a series of specialized international conferences addressing the issues of the industry.

Summing up his address, His Excellency the Governor of the Central Bank of Kuwait (CBK) Dr. Mohammad Y. Al-Hashel said the Islamic Finance industry was conceived and born out of the box. Having conquered immense trials, it has an even greater chance for success today amid a conducive environment and international appreciation and recognition.

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