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FinTech In Islamic Finance Public Lecture

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The ***University of East London Centre for Islamic Finance, Law and Communities*** held a public lecture on 22 February 2017 focused on FinTech in Islamic Finance. The keynote speaker was Professor Volker Nienhaus, a Professor at the International Centre for Education in Islamic Finance in Malaysia. Professor Nienhaus dealt with four topics:

1. Islamic FinTech and crowdfunding regulations.

Research indicated that only three equity-based and two loan-based crowdfunding platforms were active and Shari'ah compliant in 2016. This was an indication that there was much more room for development in this area. FinTech in many Middle East countries is still unregulated despite recent movements in that direction via sandboxes and other methodologies.

2. Shari'ah limits to innovation in FinTech

Nienhaus detailed that the issues that some Shari'ah scholars found with cryptocurrencies, peer to peer lending and other FinTech innovations are a hindrance to the development of Shari'ah compliant FinTech. There needed to be further specific questions put to Shari'ah scholars once the technology aspects became clear.

3. Shari'ah encouragement for FinTech solutions

For example, in the insurance sector, there were takaful (Islamic-compliant insurance) platforms aimed to create trust between the policyholder and the insurer – which would improve claim discipline and reduce premiums and pay-outs.

4. The potential disruption of Islamic consumer banking by genuine trade credit

Nienhaus predicted that Islamic consumer banking could be disrupted in the future by genuine trade credit. Islamic-compliant cash rich e-commerce platforms could provide financial services equivalent to Amazon or Alibaba on a Shari'ah-compliant basis. These platforms could sell halal goods and approve Shari'ah compliance. They could also offer the goods at two prices: 1) a cash price and 2) a deferred payment price (the latter being acceptable under Shari'ah principles). These platforms could instantly check the credit worthiness of buyers and would have a higher credit risk tolerance than traditional banks.

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