

Islamic Finance in the United Kingdom

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A recent report* published in February 2009 by International Financial Services London (IFSL) shows that the United Kingdom is the eighth largest global centre for Islamic finance, behind countries such as Saudi Arabia and the majority of the GCC countries, but surprisingly ahead of Pakistan and Egypt.

Table 1 Islamic finance by country
Banking, Takaful & Fund assets, \$bn

	Banks	\$bn, 2007		Total 2007	2006	Number of firms
		Takaful	Inv.firms			
Iran	233.0	2.3	---	235.3	154.6	25
S.Arabia	91.2	0.8	---	92.0	69.4	17
Malaysia	65.7	1.3	0.1	67.1	65.1	38
Kuwait	54.0	0.2	8.9	63.1	37.7	29
UAE	48.2	0.9	0.0	49.1	35.4	12
Bahrain	37.1	0.3	---	37.4	26.3	27
Qatar	19.3	0.4	1.3	21.0	9.5	14
UK	18.1	---	---	18.1	10.4	6
Turkey	15.8	---	---	15.8	10.1	4
Pakistan	6.3	---	---	6.3	15.9	20
Bangladesh	5.7	---	---	5.7	14.3	14
Egypt	5.7	---	---	5.7	3.9	3
Sudan	5.2	0.1	---	5.3	4.5	23
Other countries	16.6	0.4	0.2	17.2	14.4	48
Total	622.0	6.6	10.5	639.1	471.5	280

Source: The Banker

The UK's enviable eighth position in the global ranking is largely due to the size of HSBC Amanah's Islamic finance offering, but is also attributable to the fact that the UK, as an international financial centre has at an early stage recognised the importance of Islamic finance as part of the overall financial industry. It has taken positive steps to allow the authorisation of banks and to ensure that Islamic Financial Instruments can be offered in the UK, in a similar fashion as conventional structures, hence creating a level playing field. Although there are still amendments expected to the 2009 Finance Act to resolve issues surrounding

double stamp duty, land tax and VAT, the UK is well ahead of other countries in Europe when it comes to incorporation of Islamic Financial Services within the overall financial services infrastructure.

At the time of writing, five fully Sharia'a compliant banks are authorised by the Financial Services Authority (FSA) as well as one insurance company. In addition, there are 17 conventional institutions offering Islamic financial services from the UK such as HSBC Amanah, Lloyds Banking Group and Deutsche Bank.

Name	Sharia'a Compliance
Ahli United Bank	Window
Alburaq	Window
Bank of Ireland	Window
Bank of London and The Middle East	Fully Sharia'a Compliant
Barclays	Window
BNP Paribas	Window
Bristol & West	Window
Citi Group	Window
Deutsche Bank	Window
Europe Arab Bank plc	Window
European Finance House	Fully Sharia'a Compliant
European Islamic Investment Bank	Fully Sharia'a Compliant
Gatehouse Bank	Fully Sharia'a Compliant
HSBC Amanah	Window
IBJ International London	Window
Islamic Bank of Britain	Fully Sharia'a Compliant
J Aron & Co.	Window
Lloyds Banking Group	Window
Royal Bank of Scotland	Window
Standard Chartered	Window
UBS	Window
United National Bank	Window

Source: IFSL – Islamic Finance 2009 and The Banker

Dr. Natalie Schoon, CFA joined Bank of London and The Middle East plc (BLME) in April 2007 as Head of Product Research. Prior to this Natalie was at Barclays Capital where she worked as a senior consultant on the Basel II programme. Natalie has worked in international financial organisations such as ABN Amro and Gulf International Bank. She began her career in Islamic Finance whilst working in Bahrain, Kuwait and Dubai during the 1990's. Natalie holds a PhD in financial analysis (thesis subject: Residual Income Models and the Valuation of Conventional and Islamic Banks) and is an accredited trainer for the Islamic Finance Qualification. The views presented in this article are those of the author and do not necessarily represent those of BLME.

* Islamic Finance 2009. Report available from www.ifsl.org.uk

The UK focussed content of this article has previously appeared in Islamic Finance News, Vol. 6, Issue 9, 16 March 2009, pp 14-15 under the title "Islamic Finance in Continental Europe" by Dr. Natalie Schoon

Window – The term window is used for conventional banks carrying out Islamic financial activities and delivering them via the same distribution channels (e.g. branches and/or on-line) they also use to distribute conventional financial products. Operations and accounting however are segregated from the conventional operations. Examples of this in the UK are Lloyds TSB and HSBC Amanah.

With its eighth place in the global list of Islamic finance providing countries, the United Kingdom is by far the most advanced non-Muslim country when it comes to offering Islamic financial services. This is due to a combination of political interest and the recognition that Islamic finance is becoming an integral part of the overall financial industry and hence something that should be catered for by a major financial centre.

