Singapore - The transformational journey

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Singapore has made significant economic progress since the 1960s. From an antepest, its economy today one of the most stable in the world, with no foreign debt, high government revenue and a consistently positive surplus. With a Muslim community close to 15% of a 5.5 million multiethnic population, the central bank welcomes Islamic finance. In addition, the minister in charge of Muslim affairs mentioned that religious teachers are well placed to serve in many various fields, such as social work, counseling, Islamic finance, law and beyond.

History
The Muslims in Singapore are special, being the only community whose affairs are regulated in the following national statues:
- The Administration of Muslim Law Act (AMLA) replaced the Muslims’ Ordinance and Muhammadan Advisory Board after Singapore gained independence from the British.
- The AMLA covers finance and personal property matters such as Waqf, Nazer, Zakat and inheritance of wealth/estate planning/Faraidh for Muslim individuals.

Over time, business entities began keen on Islamic finance as follows:
- Early efforts were initiated by local organizations such as MENIAG and the Singapore Malay Teachers’ Cooperative in the 1990s.
- Sukuk products were launched by Keppel Insurance in 1995.
- Islamic finance diploma programs were conducted by the International Islamic University of Malaysia with the Muslim Convert Association of Singapore in 1999.

In 2006, the then-senior minister Goh Chok Tong and minister Tharman S. Rengarajun of the Monetary Authority of Singapore (MAS) expressed the government’s interest to develop Islamic finance in Singapore.

Other major developments:
- In 2008, CIMB arranged a S$31 million (US$24.3 million) Sukuk program established by City Developments as the first Sukuk program established by a local company and assisted by Allen & Overy.
- In 2008, Standard Chartered Bank and the Islamic Bank of Asia arranged a S$200 million (US$148.6 million) Sukuk program established by the MAS to allow the standardization of Sukuk issuance.

In 2010, Khazanah Nasional issued a S$1.5 billion (US$1.1 billion) Sukuk facility in Singapore, the largest Sukuk issuance by a foreign issuer.

Regulations
The same level-playing field adopted by the MAS means that more concerted efforts are required by the banks to solicit Islamic banking business.
- In July 2001, the Banking Act was amended to allow banks

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from engaging in non-financial activities such as property management, trading in goods and such. This is to prevent banks from losing their core focus on banking and financial activities which have led to global economic crises in the 1980s and 1990s. However, this anti-commingling policy could have effectively prevented the conduct of Islamic banking in Singapore as Islamic transactions require banks to be involved in non-financial activities. Hence, amendments to the Act are necessary to allow banks to undertake non-financial activities with Shariah structures.

- As a prudential regulator, the MAS does not prescribe what constitute Shariah compliance. This is the same approach adopted by other regulatory bodies (such as the UK, Hong Kong, France, Indonesia, and the US). Nevertheless, the MAS will come down hard on financial institutions with slack corporate governance and risk management management.

The MAS requires banks to have their own Shariah expertise, rulings and oversight. Overall, as part of a single regulatory framework, a financial institution carrying out Islamic financial activities has to comply with the same set of rules and regulations as any banks in Singapore, namely the Banking Act, Banking Regulations, Notices and Directives.

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Commercial setbacks

The following are the major events which have shaken the Islamic finance industry in Singapore:

- In 2012, HSBC Group stopped offering Takaful services in Singapore as the investment criteria were not met. However, ST&I International launched a range of Takaful products in April 2013, in collaboration with United Overseas Insurance (such as an Umrah scheme and the Emergency Medical Assistance-AI Happas scheme).
- In 2015, the Islamic Bank of Asia of DBS Group was unable to achieve economies of scale and hence stopped offering Islamic financing facilities to customers, though the group still focuses on private equity and fee-based investment banking.
- In 2016, Sabana Shariah-Compliant Industrial REIT, the world’s largest Shariah-compliant REIT by assets, declined in business, causing a management shake-up where senior executives left and a new CEO appointed.
- In addition, international conferences on Islamic finance stated since 2015 until the WIBF Capital Markets Summit Asia returned to Singapore in July 2019.

Future and challenges

The following are some challenges ahead.

- Rits managed by the Housing and Development Board (HDB) have been the tenant of Singapore’s affordable public residential housing for the masses. The Muslim community has been longing for a Shariah compliant version of HDB financing since 2010 but the has not materialized although banks have previously engaged the authorities such as the Central Provident Fund Board.
- MUIS recently announced that some Fatwa rulings need to be reviewed to ensure relevance to the current context. More resources are required to look into the religious concerns of the community, especially on financial matters.

As cost of living increases, many people may resort to other means to earn extra income. Many may get involved in ‘Halal’ foreign exchange trading, pyramid schemes, binary options and bonds which were thought to give Shariah compliant income arising from many religious opinions. Meanwhile, although scholars generally allow the use of technology to facilitate business transactions, a majority of them are not inclined to the application of cryptocurrencies as money.

Conclusions

Singapore is one of the Asian countries with the most soft power and its status on many world rankings is due to its robust economic infrastructure and advanced digital government services. Hence, the role of MAS is crucial for Singapore to become a global haven of financial stability. Out of 48 countries assessed, Singapore ranked 29th on the Islamic Finance Country Index (IFCI) with respect to the state of Islamic banking and finance and its leadership role in the industry on a national level and benchmarked to an international level.

Besides Islamic finance, Singapore can consider looking for opportunities in the Halal space. Globally, Singapore was highly ranked in the Halal areas of the following sectors:

- Modest fashion
- Media and recreation, and
- Pharmaceuticals and cosmetics.

Examples (sourced from Islamicweek.com) include:

- Whatta halal which has a Halal traceability to connect the end-to-end process of a supply chain
- A strategic partnership between Elite Partners Capital and SMCCI to develop a Halal production facility costing up to S$100 million (US$74.03 million)
- One-kgms sourcing for Halal ingredients using blockchain, and
- Indonesia’s Traveloka promoting Muslim-friendly travel by getting a US$420 million funding led by Singapore’s sovereign wealth fund, GIC.

Where Islamic finance is concerned, the Singaporean government can enhance the current legislation by empowering MUIS to coordinate both Islamic finance and Halal business activities through the AMEA.

Lastly, the Committee on Future Asatizah hopes to develop the Singapore Islamic College with a broad-based curriculum of Islamic sciences. Hence, public education has to be ongoing until Islamic social finance is able to effect financial inclusion, promote humanitarian welfare and boost the economy, eventually elevating Singapore to be a holistic international hub.