

Speech: Rona Fairhead promotes UK as a leading Western hub for Islamic finance

Thank you for inviting me here to speak today; I have to say, after 3 weeks of getting lost in the winding corridors of Parliament and Whitehall it's somewhat of a relief to be somewhere I know like the City.

I'm delighted to be standing here today, today is an opportunity, as I see it to speak about 3 things: the extraordinary growth we are witnessing in Islamic Finance the strength of London as a world class financial centre, and how we as government can support you as a business to prosper within the UK and overseas.

I have to say, this historic building could not be more perfect a setting.

A monument to entrepreneurialism Lloyds of London was built on the back of Edward Lloyd selling marine insurance out of a coffee shop in the late 17th Century.

Since then, and for over 300 years London has been the home of international risk.

It is here where investors, with confidence, have taken advantage of a peerless mix of expertise, talent and innovation.

The first marine insurance market in the world, it truly reflects London's status as the epicentre of global free trade.

Islamic Finance, or Takaful, has its own impressive history. Having been practised for around 1,400 years, but has only recently experienced the surge in growth which has forced us in government and you in industry to stand up and really take notice.

And this progress is now shows no sign of slowing.

Islamic finance markets projected to post double-digit growth in the coming years, presenting clear and significant opportunities for investment and further expansion.

Currently worth \$2 trillion in total assets. Sharia compliant assets currently, even at \$2 trillion, make up only 1% of global financial assets. Yet, 25% of the global population is Muslim and it does not take a genius to conclude that this sector has extreme latent potential.

Indeed, the sector is forecast to grow by almost 20% next year.

So turning to London, in my view there is pre-eminent location to build expertise in Islamic financial services and be a foundation for growth for

the global Takaful market.

That is why the launch of the Islamic Insurance Association of London in 2015, and the ongoing terrific work that Max [Taylor] and his team are doing, is so important and timely.

Having just had a few minutes with Max, it's very clear what they are focusing on is doing the practical things right to help make it happen.

Their work illustrates that this city is leading rather than following: reinforcing the UK is the Western hub of Islamic finance through innovation and industry.

So my message today is simple. Whilst London leads the way in Europe in the provision of Islamic financial services, we now have an opportunity to be at the vanguard of insurance provision too.

I would urge you to take advantage of the global opportunities in that market, knowing that government we are here wanting to working hand in hand with you in industry, ready to support you.

But I don't want rhetoric to govern your impressions of London as a centre for trade; I want to let the facts to do some of the talking.

I want to point to 3 clear reasons why the UK is perfectly placed to lead the growth in this sector.

Firstly, we are already home to strong bedrock of Islamic financial services expertise. We have over 20 international banks offering specific Islamic finance.

Just to put that in perspective, that is nearly double the number located in the US and we are far ahead of other Western countries.

These institutions themselves are supported by the largest legal services market in Europe, with over 20 law firms, with offices in the UK, supplying legal services tailored to Islamic finance for global and domestic markets.

In 2013, we hosted the World Islamic Economic Forum, the first non-Islamic city to do so.

Soon after, we became the first western nation to issue a sovereign sukuk; and now the London Stock Exchange is the global hub of these bonds, with 65 issues to date totalling in excess of over \$48 billion dollars.

And in the realm of consumer products, there are now over 100,000 Islamic finance customers in the UK, benefiting from Sharia-compliant current accounts, home finance and savings.

And this is just the beginning.

The FCA recently authorised the first Sharia compliant fin-tech company – property investment firm Yielders. And more are set to follow.

London's sky-line is awash with projects that could only have been made possible with Islamic finance.

The iconic Shard, the Olympic Village and the £400 million Malaysian investment into Battersea Power Station are just some of the examples of London's gravitational power when it comes to Islamic investment.

We're already building a reciprocal foothold in the Takaful market, assuming a role as a leading provider of Islamic insurance.

There are plenty of success stories to note here too.

Willis, for example, in conjunction with Cobalt Underwriting, launched the UK's first Sharia compliant commercial real estate insurance solution.

Cobalt Underwriting, in partnership with AIG, have also underwritten the first merger and acquisition insurance in the Middle East region.

And Lloyd's of London's first fully Sharia compliant syndicate is in the process of being launched, thanks to Cobalt Insurance and Capita Managing Agency.

The globalisation of the Takaful industry has only emerged over the past 25 years. But even with its infancy comes opportunity.

The market has already recorded double-digit growth in recent years, with premiums averaging 14% per year growth between 2012 and 2014.

My message here today is that we in government are here to assist.

So far, Whitehall has organised 4 global Islamic Finance and Investment Group meetings, the second of which was co-hosted by Bank Negara Malaysia in Kuala Lumpur.

These meetings work to identify the key global opportunities but also the barriers facing Islamic finance, and aiming to harness the expertise of the attending foreign ministers, CEOs and central bank governors, to help build an Islamic financial market that supports growth and prosperity.

We are also levelling the regulatory playing field.

London is one of the few jurisdictions in the world where Sharia-compliant financial firms and products are covered by a single, secular regulatory framework.

This development is crucial, because it means everyone in the market is held to one consistent standard, giving all customers the same protections and the same safeguards.

And as a minister at the Department for International Trade, I will use the full force of my department, and indeed government, to ensure the UK remains one of the most open jurisdictions for Sharia-compliant investments in the world.

Global investment continues to flow to the UK because of our strong economic fundamentals, our openness, our expertise, our innovation and our hard work.

We offer low tax, and our low regulation is business friendly. We offer political stability combined with a strong impartial rule of law which inspires commercial trust. We have world class universities and institutions; 22 of our universities have specialist modules focusing on Islamic finance and that's helping us to continue to feed our workforce to keep our economy dynamic and innovative.

For the first time in decades, we now have a dedicated department for international trade to ensure our key sectors, such as financial services, are given the support they need to thrive on the world stage.

I can assure you that DIT and government are here to support you and will place British firms at the heart of our growth.

In financial services this has the potential to create significant economic value for the City.

As you will all know, the UK had the second largest trade surplus in financial services and we will look to see that grow as we strengthen relations with other countries.

I know there will be divisions among you on the effects of Brexit. Some will see it as a new beginning and others will worry about uncertainty and division.

However, I would urge you to take confidence in from the talent that we have here, we are awash with people and institutions of extraordinary capacity and capability.

We will not be turning our backs on Europe. We want to continue to have the closest possible barrier and tariff free access to the European market, whilst offering the same access to the UK market for firms across the EU 27.

We have been clear that a strict time limited implementation period on current terms is crucial to give businesses as much certainty and time to adapt to the new global landscape.

It is in no-one's interests to create disruption to trade, with barriers erected where none now exist, therefore our ability to collaborate will be key.

We are starting from a unique position of regulatory alignment and our future relationship with the EU, I hope will reflect this.

This means we are in a strong place to achieve an agreement with Europe: igniting new relationship at a point when we have shared the same rules for so long and had huge economic integration.

And so it is important that both the UK and the EU together think creatively about how our future relationship will work and look forward with hope.

Of course with ever challenge and with every change there is opportunity. 90% of future global growth is projected to occur beyond the borders of Europe, we need to continue to look overseas beyond the EU too.

This is why I am confident that London will remain the premier financial centre of the world, with the financial services sector continuing to drive forward our economy.

There is no better place outside of the Muslim world, to access Islamic finance and insurance. The level of our support government and industry support for this burgeoning sector exceeds the comparisons elsewhere. We have in place an incredibly strong foundation, boasting expertise, experience and innovation in Islamic Finance.

London is the most dynamic financial city in the world and for those in this room who are ready to take hold of this exciting growing market, I believe the rewards will be significant.

Thank you.