

# Islamic Finance *news*

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Author: Nazneen Halim

## **An interview with Islamic Finance News**

With a Muslim population of 850,000, Canada is what most would consider a dark horse in the Islamic finance race. Competition is heating up from all continents, and with neighboring US having several established Islamic finance houses namely LARIBA and University Bancorp, Canada is still a relatively invisible contender for Gulf liquidity.

The flavor of the week, however, seems to have taken on a Canadian twist, with Islamic finance house UM Financial making headlines via its announcement of plans to launch Shariah compliant home mortgages in the country by July.

Islamic home financing has been gaining momentum within the retail sector. Companies such as Tamweel, Amlak Finance, Al Rajhi Banking & Investment and the UK's Lloyd's TSB are going full force. And although consumers have to contend with a higher repayment rate, despite the absence of riba, most are leaning towards the guarantee of fully knowing where their money is going, and where it is from.

According to market researcher Datamonitor, the demand for Islamic mortgages in the UK alone for 2006 spurred by 1.8 million Muslims was anticipated to reach US\$7 billion. This in itself serves as a positive indication for Canada.

Omar Kalair, CEO of UM Financial, tells Islamic Finance news that in its quest for a partner among Canada's top five banks to launch the Islamic mortgage product, it has met close to 100 financial institutions in the country.

"Many are hesitant to enter a new market since there is no tangible success of Islamic financial products that exist in Canada," he observed.

He is, however, confident that an established bank will take up UM Financial's offer.

"Proof of UM's success lies in our growing residential mortgage portfolio, which has accumulated up to US\$120 million over the last few years. We have been in serious discussions with numerous Canadian banks and shall be announcing our UM Financial product line with them in the near future."

He said partnering with one of Canada's established financial institutions would help bring cost and features closer to that of conventional mortgages while at the same time remain interest-free.

"So far, we have financed close to 500 Muslim residential households and have a waiting list of approximately 5,000 clients," he said.

Apart from Shariah compliant residential mortgages, UM Financial hopes to launch products

relating to commercial financing, bank deposit products, term/savings deposit products, mutual funds, Takaful and Islamic credit cards.

“To date, our UM investment has attracted close to US\$5 million and we recently launched a US\$100 million real estate fund.”

Omar said the fact that Muslims are a minority in Canada will not hinder the development of Islamic finance there. “Since Canada is a multicultural society, the acceptance of religious dress, religious dietary requirements and religious practices is widespread. Recently, two major Islamic finance conferences took place and along with our companies’ success in surpassing US\$100 million, this has gotten the attention of the major Canadian media.”

He said although UM Financial has profiled itself as an Islamic finance company rather than an “ethical-based” company, as most US Islamic finance firms do, this has not made its operations difficult.

“We educate the industry that Islamic finance is ethical. Our target market is the Muslim community and working with financial institutions as a successful project would be in attaining a higher acceptance by Canadian Muslims.

“We were successful in securing a Mudarabah commercial financing facility from Credit Union Central of Ontario, which has reached US\$120 million. We have also worked with McMaster Credit Union to create Shariah compliant deposit and savings products.”

Asked if the Office of the Superintendent of Financial Institutions (OSFI), Canada’s banking and finance regulator, will liberalize its ruling to allow full-fledged Islamic banks, he said interest in opening the industry to Islamic finance has been sparked but it’s still a long road ahead.

“UM Financial has visited OSFI numerous times over the last year to educate them on our current products and the Islamic finance industry. Regulators for many western countries are studying Islamic finance. OSFI recently began working with the Ministry of Finance to set up a taskforce on Islamic finance.

“A full-fledged Islamic bank is still years away as the regulators have only started scratching the surface. We anticipate that when OSFI decides to allow Islamic banks, our group will also be granted approval due to our organization’s long history.”