

Potential for Islamic finance in Canada is huge

Conference highlights opportunities and challenges in serving Muslim market

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As the Muslim community in Canada continues to grow, there are vast opportunities for financial institutions to offer Islamic financial products, services and advice, speakers at a Toronto conference said on Tuesday.

UFANA, the Usury-Free Association of North America — a new non-profit organization committed to helping people sustain themselves on a usury-free lifestyle — launched its first annual conference on Tuesday.

Speakers at the conference emphasized the potential for growth in Islamic finance in North America. The Muslim population in Canada is roughly 1 million in size, representing 3% of the country's population; and doubles every 10 years, noted Omar Kalair, president and CEO of UM Financial — an Islamic financial institution offering financing, investment planning and advice and Shariah-compliant products, among other services.

Islamic financial products are unique in the sense that they must be designed to be compliant with Shariah law, which requires that all products are traded interest-free, among other limitations.

“Demand from the community has kept increasing,” said Kalair. “Our business model has always been that we’ve partnered with financial institutions to try to meet the demands of the Muslim community.”

Few firms in Canada offer Shariah-compliant products and services to retail clients. The Big Banks have so far avoided the market, which is niche and limited in size, and lacks a regulatory framework, the speakers said.

As a result, the market remains underserved, according to Saad Rehman, a wealth advisor at Scotia McLeod in Saskatchewan.

“The reality is there is still a huge portion of investors in Canada that nobody seems to really focus on,” he said.

Access to Shariah-compliant products and financing is critical for Muslims, noted Sheikh Nizam Yaqoobi, a Shariah scholar based in Bahrain. He said many Muslims would otherwise be unable to take out mortgages and loans, which in many cases would prevent them from owning homes and cars, from starting businesses, and from affording post-secondary education.

“A big proportion of them are not willing to compromise their beliefs,” he explained, adding that a lack of access to appropriate financing for these individuals would lead to a “big burden on the community.”

Aznan Hassan, a Shariah scholar from Malaysia, agreed that the potential for Islamic finance in Canada is huge.

“I believe it’s very timely for the Canadian society, Canadian government, and also the financial institutions in Canada to try to explore this opportunity to offer this to their clients,” said Hassan. He added that in countries such as Malaysia, Shariah-compliant investment products have proven to appeal to non-Muslims, as well.

“These products are not only for Muslims,” he said. “Islamic financial products are for everybody to use.”

But serving the Muslim community involves challenges, the speakers admitted. Representatives from U.S.-based companies that offer Islamic financial products said it took up to 10 years to become profitable in the market, since the Muslim community is limited and the domain is relatively new.

Successfully developing Islamic financial products and services for the North American Muslim community demands “tremendous patient capital, patience, perseverance,” said Stephen Ranzini, president and chairman of University Bank, who launched its Islamic financial subsidiary.

Another challenge is the lack of education around Shariah-compliant financial products and services, Rehman said.

He noted that even Muslim clients are often unfamiliar with how the products work, and how they're different from conventional products. In fact, he said many Muslim clients have millions of dollars of assets that they do not invest, since they're unfamiliar with the Shariah-compliant options available to them. Educating these clients could create an opportunity for Canada's financial services community to serve them.

"There's not enough knowledge out there," he said.

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