

Homeward bound

Muhammad Ikram Thowfeek, managing director, First Global Group of Sri Lanka shared some insights with Paul McNamara



The Sri Lankan market has lacked a champion of Islamic finance until recently. Muhammad Ikram Thowfeek, a familiar face on the Islamic conference circuit has long held a desire to return to his native Sri Lanka and set the nation on the path to Islamic finance.

Backed by a passionate belief that Islamic finance is for everyone and not simply Muslims, as well as the financial backing from some prominent Gulf Islamic bankers, Thowfeek is well on the way to achieving his goal.

Thowfeek has a long pedigree in finance, qualifying as a chartered accountant in Sri Lanka and as a chartered management accountant in London. Today he is a renowned Islamic banker by practice. His first step on the ladder was with Ernst & Young in Colombo before moving to the GCC in 1992, when he started to work for Kuwait Finance House (KFH). After a short spell with KFH, Thowfeek decided that he wanted to make a career in Islamic banking, with the ultimate dream of returning to Sri Lanka and starting his own Islamic financial institution.

Thowfeek has achieved this goal with the launch of First Global Group (FGG) in Sri Lanka. The career that Thowfeek built for himself since 1992 has been about gaining experience and contacts that would prove essential in making sure that FGG was a success.

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Where did you gain the experience of setting up an Islamic bank?

It was in 1994 that I met with Majid Al Refai then the Founder and chief executive of Majestic Global Investments in Kuwait. At the time I was the head of accounting systems development at KFH. Having being briefed by Al Refai on the benefits and challenges that lay in working towards an investment bank, I moved to Majestic Global Investments, which had become a \$100 million bank in Bahrain under the name of First Islamic Investment Bank (FIIB). FIIB was renamed as Arcapita Bank and that is how it is known today. I was a founding member of the bank's setting-up team and was involved in various facets in the setting-up of the bank. That is where I really learned all the 'nitty gritty' of setting up a bank, which has become my specialty.

After a while with FIIB I moved to Abu Dhabi Islamic Bank (ADIB), again as a founding member of the team instrumental in setting up the entire accounting and operational aspects of the bank from scratch. ADIB was a real challenge and often meant working until 2AM. One of the key roles I was entrusted with was writing the initial business plan for the bank. I stayed at ADIB up until 2000. You have to keep moving in order to remain dynamic.

Then you moved to Qatar?

By 2000 I was in Qatar and working for an Islamic finance company called First

Finance Company. The vision of the company was eventually to become a bank in Qatar. So we started off small and worked towards becoming a strong finance company in Qatar competing among the established local Islamic banks. I stayed there for almost three years until the opportunity came up in Bahrain to gain some experience on the regulatory side, working at the Islamic International Financial Market. This gave me a lot of exposure on how the regulatory side of things worked within the central banks in the region, which in turn exposed me to the working of the IFSB, AAOIFI, and GCIBFI.

It was not long before, I was approached by Commercial Bank of Qatar (CBQ) with the mandate to setup four independent Islamic banking branches. I joined as head of corporate strategy and was the first of the team that was drafted in to set up Al Safa Islamic banking. I was there almost three years and in each year we made profits year-on-year. This was the first time I had worked for a conventional bank that was setting up their independent Islamic banking branches and it proved to be very valuable in terms of experience. Most importantly, however, I learned how to bring conventional banking best practices to the Islamic banking fold and the other important lesson was that Islamic banking is for everyone and not simply for Muslims. That is why there is an opportunity for Islamic banking to become truly global.

What was your vision in moving back to Sri Lanka?

In September 2007 I decided to take an active interest in First Global Investments, a company that I had set up in 1999 in Sri Lanka. I had all that while been managing it as a virtual founder and chief executive based overseas and that was no easy task. With a little support from some of the prominent Islamic bankers in the Middle East I moved back to Sri Lanka and set up First Global Group, with a vision to become a world-class regional Islamic financial institution by bringing in global opportunities and best practices to the local markets. The Banking Act in Sri Lanka was amended in March 2005 to accommodate Islamic banks and in March 2006, I, along with some prominent Islamic

bankers from Middle East applied for a banking license for Al Safwa Bank from the central bank of Sri Lanka.

The application is still with the central bank and we have positively responded to number of important clarifications related to the regulatory regime of Sri Lanka vis-à-vis Islamic banking and finance practices. We are awaiting for an 'in principle' approval from the Central Bank of Sri Lanka and in a very strong position to raise \$25 million as capital as per the regulatory requirement.

Today in the country there are Islamic windows being set up by some conventional banks and I would say that these are still in their trial stage. The appetite is there and the industry is gaining momentum. I wanted to take the knowledge and experience that I had gained over the past 15 years in the industry, apply it in Sri Lanka with an Asian regional focus, whilst giving something back to Islamic finance and most importantly to my motherland. I also want to do something to help develop the infrastructure of the country in promoting much needed Foreign Direct Investment (FDIs), by tapping into the Middle East riches. This has to be taken very seriously by the government and the regulators. It has to be looked at from a nation-building perspective through Islamic finance, which is not confined to a particular ethnic group or religious community but for the entire mankind.

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In the past six months First Global has done a great deal of work in setting up the infrastructure necessary to facilitate the growth and spread of the industry in the country. We did the first Sri Lankan Sukuk (see more details in the February issue of *Islamic Business & Finance* magazine). We are lead arranging that deal and we will raise up to \$9.2 million, or 1 billion Sri Lankan rupees. This is a large amount by Sri Lankan standards although globally it might not seem so colossal a sum.

We have been retained as Islamic finance advisors, along with a mega Islamic bank in Malaysia, by an aviation client in Malaysia to support in their capital restructuring process. We also act as consultants for an Arab-France bank in Tokyo, Japan to support in setting up their Islamic trade finance unit. There are many more projects in the pipeline and we trust that we will capitalise on our core competencies.

What other initiatives have you come up with?

We have come up with methods of educating people about Islamic finance so as to create an awareness regarding the industry. The knowledge base is lacking and so we came up with a magazine '*Islamic Finance Today*' to disseminate information to those who are interested in entering the Islamic finance industry. We also organise seminars and workshops, inviting internationally renowned scholars to Sri Lanka. We also

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have teamed up with the Securities & Investment Institute in London to come up with an Islamic finance qualification for people who wish to pursue a career in Islamic banking and finance.

We are growing and we plan to expand First Global's capital base beyond traditional boundaries. We hope to move into proper Islamic investment banking activities with Takaful also in mind. Regionally, we plan to expand into the Maldives, India, Hong Kong and other Asian markets, since Sri Lanka in itself is a very small market, but within reach to the emerging Islamic finance markets in Asia.

What is the Muslim population of Sri Lanka?

It is about 10 per cent of the total population which is about 20 million. Thus there are nearly two million Muslims in the country.

How easy has it been to get through the red tape associated with starting up a new bank in Sri Lanka?

We engaged Ernst & Young to help us with streamlining the process. We went through the entire application process with the central bank but of course you must realise that the regulator is also going through a learning process. By the time we get the license we will be well equipped to make a difference in the local market. The government as well as the regulators has to buy-in to the process and at present I do not feel that the buy-in is there. I am hopeful it will come in due course.

Today, to ignore the willingness to enter into the Islamic banking fold, will be a tragic mistake given the enormous growth potential and opportunities in the industry.

If you look at Singapore, for instance, the central bank invites people to come in and set up but that has not happened in Sri Lanka yet. I am quite confident that we will follow suit eventually.

Which business lines will you operate?

We are an investment banking boutique with ambitious plans to grow into a world-class regional Islamic financial institution. We are currently involved with investment banking activities such as structuring

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deals, syndications, raising Sukuk and Islamic finance advisory as our core competencies. We have plans to expand into SMEs, Islamic micro-financing, real estate, asset and fund management. The Takaful proposition will be approached either by taking a major stake in an existing Takaful company or by setting up our own Islamic insurer. We are also on the look out for a finance company to enable us to get closer to our ultimate goal of working towards a fully fledged Islamic financial institution. Until the banking license comes we want to do some of the other ancillary activities.

Is there a need for Islamic wealth management in Sri Lanka?

Yes there is huge scope in this area. This market is not being tapped and it is an area that we want to explore.

