



**KEYNOTE ADDRESS BY MR. UGAS SHEIKH MOHAMMED, CHAIRMAN,
CAPITAL MARKETS AUTHORITY AT THE CAPITAL MARKETS ISLAMIC
FINANCE WORKSHOP ON 14 APRIL 2023**

Thank you, Mr. Shamiah for setting the tone for today's engagement.

The Representative of the National Treasury and Economic Planning;
Board members of the CMA, NSE, CDSC and other represented institutions
present;

The CEO, NSE, Mr. Geoffrey Odundo;

Chairpersons, CEOs and Senior Representatives of Financial Sector
Regulators, capital markets intermediaries and approved institutions;

Invited Guests;

Esteemed participants;

Ladies and Gentlemen.

As- salamu alaykum!!

1. **I am indeed** very glad to be part of this honourable audience of esteemed stakeholders in the field of Islamic Finance. I am particularly glad that this forum comes at two Holy times in both the Muslim and Christian Religious Calendar. Thank you for taking time off your very busy schedule; we don't take this for granted.

I am sure you had a good rest over the Easter Holidays. I wish to that distinguished participants who accepted our invitation and have joint us today. Among as today are very distinguished stakeholders: **local and global Islamic Scholars; Consultants and Advisors; Seasoned Financial Experts and Professionals in the Banking; Lawyers, Political Leaders; Central Bankers; the Academia; representatives from the office of Supreme Council of Kenya Muslims, Kadhi's Court; and many other leaders and professionals.**

Bringing you together no doubt provides the diverse ingredients necessary to push today's agenda forward in amore structured and inclusive manner. I am elated that you heeded to our call;

2. **Distinguished participants:** First, I wish to **thank my appointing Authority, for appointing me to serve as Chairman CMA**. This is a huge privilege for me and my Board as we **provide strategic leadership in creating wealth for Kenya and Kenyans** through the capital markets.

A couple of weeks ago I had a meeting with the CS National Treasury and Economic Planning in the run up to today's session and as I briefed him of this upcoming event, I was pleasantly surprised at his keen interest in Islamic finance. I even learnt that previous Sovereign bond issuances by the Government have had a Sukuk component. In shirt ladies and gentlemen, I wish to communicate that the Government views Islamic finance as an important asset class in deepening our capital markets but enhancing access to financial services in Kenya.

I see today's event as a refresher workshop, with an aim of presenting you with an opportunity to appreciate the key concepts, evaluate the journey that we have travelled thus far and get a glimpse of the likely future of Kenya's Islamic Capital Markets, while intensifying efforts to improve the growth and development of this budding industry in Kenya. Among us there several decades of competence, experience and knowledge of this subject and I wish to encourage not to shy away for giving your valued contribution towards this initiative.

Ladies and Gentlemen, this virtual workshop comes at a very opportune time even as we as the country's capital markets industry actively seek to mainstream this alternative mechanism of financing, while positioning the country not just as International Financial Centre but also as a regional Islamic finance hub;

3. **Distinguished participants:** Since its establishment in the 1970s, Islamic finance has developed significantly over the years, increasingly becoming a noticeable segment of the international financial system. As a matter of fact, as of 2021, the global Islamic Financial Services Industry (IFSI) was estimated to be worth USD 3.06 trillion implying a growth of 11.3% year-on-year in assets, in US Dollar terms¹. It is worth noting too, that similar to the

¹ IFSB IFSI Stability Report 2022

previous year's trend, the Islamic banking and Islamic capital markets sectors were the main contributors to the increase in total value of the global IFSI, with Takāful contributions also registering a marginal improvement.

Specifically, in 2021, the global Islamic banking industry experienced a 6.5 % y-o-y growth in assets TO stand at USD 2.1 trillion, with this share accounting for 68.7% of the total IFSI assets as at end of Q4/2021. The overall Islamic capital market (ICM) segment, consisting of Islamic funds and Islamic equities, remained the fastest-growing segment of the IFSI over the past five years, with the segment's value of USD 930.3 billion accounting for a share of 30.5% of global IFSI assets. The Takāful segment's market share of the global IFSI remained marginal at 0.8%. Nonetheless, the segment registered a growth of 5.2% y-o-y to reach USD 24.3 billion as at the end-2020;

4. **Ladies and Gentlemen**, it is worth noting that the key Islamic Finance Jurisdictions such as Malaysia and the Gulf Cooperation Council (GCC) countries have made significant progress in adopting Islamic Finance as a complimentary form of financing to conventional finance. However, other jurisdictions in Africa such as South Africa, Nigeria and **Kenya** are also registering considerable progress in the growth of this mechanism of financing. Bangladesh and Indonesia in the Asian region have also shown good potential for growth in the industry. In addition, European countries such as UK and Germany have also registered marked progress activities in the industry.

As regards Africa, despite accounting for about 15% of the world's Muslim population, as of 2021, Islamic finance in Africa comprised of approximately only 2% of global, and less than 10% of total domestic financial services assets in most African countries.

Consequently, though still in its nascent Islamic Finance stages, Kenya continues to work on several initiatives to drive the growth of Islamic Finance domestically, with there being significant headroom for growth;

5. Turning now to some of the achievements we have registered so far, **Ladies and Gentlemen**, I wish to start by noting that the Islamic finance industry in Kenya is still at its nascent stage of development:

- a) **Currently**, the Islamic finance industry has three fully-fledged Islamic banks, five Islamic windows of conventional banks, one fund, one Takaful (Islamic insurance) company, one Takaful window and one Re-Takaful window. Two Islamic Saccos have also been registered by the Commissioner of Co-operatives Development.
- b) Because we believe that far more can be done to grow this market, the country's Financial Sector Regulators Forum (FSRF) comprising of CBK, CMA, SASRA, RBA and IRA with technical and funding support from Financial Sector Deepening Africa (FSDA) has through the Project Management Office (PMO) helped coordinate a range of interventions to enhance the development of Islamic Markets in Kenya.
- c) The PMO which was housed by Capital Markets Authority (CMA) and capacitated by the Islamic Finance Advisory and Assurance Services - an international consultancy firm specialized in Islamic finance developed the initial set of standards in operational practice of Islamic finance in Kenya, with the ultimate objective of positioning Kenya as an important player in the regional and global financial services arena;
6. **Given the work done in this first phase**, I am happy to note that we have some clarity on the outstanding issues that need to be unlocked to support this industry including:
 - a) Addressing outstanding gaps in the legal and regulatory framework for an efficient and reliable Islamic finance infrastructure;
 - b) Formulation of a national policy and a subsequent legal and regulatory framework to usher-in an efficient and reliable Islamic finance infrastructure;
 - c) Continuous capacity building measures to provide an enabling environment for industry players to be competitive and innovative; and
 - d) Harnessing the power of digitalization and digital innovation to transform Islamic Finance and Islamic Capital markets;.
7. **Moving forward, as a regulator, we are** keen to on collaborating with all stakeholders to support this form of financing to fulfill its mission of not only contributing to the stability of Kenya's financial sector, but also improving financial inclusion while improving access to capital by underserved populations and in the process boosting growth and improving opportunities for everyone.

With this Ladies & Gentlemen, I wish you fruitful deliberations!

Thank you all!