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Brunei has conducive conditions for strong Islamic finance sector



Sheikh Faizal Manjoo speaking during the workshop on business contracts under Islamic law at The Empire Hotel & Country Club yesterday. Picture: BT/Al-Haadi Abu Bakar



Crescent Managing Director Hjh Salma Bee Latiff during the workshop at The Empire Hotel & Country Club. Picture: BT/Al-Haadi Abu Bakar

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BRUNEI Darussalam possesses a conducive environment for a strong Islamic finance sector and has the potential to be an Islamic finance hub for the global market if it looks outwards, said an Islamic finance scholar.

"The advantage you have in Brunei, it's a Muslim majority country and it's among the few countries in the world where there are royal decrees to facilitate the laws legally," said Sheikh Faizal Manjoo.

He said that it would have been a very difficult progress without the strong backing of the state, in which Brunei is at an advantageous position.

"When you have the backing of the government, it makes things much easier, and that is the first stage. With many of the problems resolved legally, the way for progress is made easy," said Sheikh Faizal, in an exclusive interview with The Brunei Times yesterday.

"When the law is in place and people understand the concept and banks find it easy to implement it, then it becomes easy to sell the products, from issuing bonds to sovereign sukuk, because in such a situation the state comes in and provides huge projects such as infrastructure financing. The fact that you have this sort of legislation indicates a positive step," he added.

However, he pointed out that with a relatively small population, Brunei would not be able to speed up growth in the sector

and urged the Sultanate to look at offshore markets for further growth.

"I believe that Brunei has the potential to expand with the excess liquidity in India and China, which the country can channel towards Africa and so on. Brunei can play an important role in that sense," he said.

"While Europe is currently having an economic crisis, Australia is becoming an emerging market, and Australia is your neighbour. You are also surrounded by China which is the next superpower, and by India which is an economic giant right now. With that, I see the light at the end of the tunnel for Islamic finance in Brunei," he added.

Sheikh Faizal is a guest speaker at a two-day workshop organised by Crescent Sdn Bhd at The Empire Hotel and Country Club, during which he shared with the participants the essence of business contracts under Islamic law. Open to the public, the workshop was attended by various government officials belonging to the financial and judiciary sector.

During the workshop, Sheikh Faizal explained the complex issues of Islamic contract law and the basic pillars of Syariah law as applied to finance, exploring its various interpretations and highlighting its best practices.

"The sources of law are different in an Islamic system as compared to a secular system. Syariah has its own specific rulings to make it an enforceable and valid contract," he said, adding that contract law in Muslim states supports only transactions which would be classified as "ethical" in the West.

Also discussed were the conceptual framework and formation of contracts under Islamic law and looked at the formation of contracts and classification of business contracts. In-depth evaluation of dissolution, breach and remedies for breach of contract were also discussed and the theory of obligation (Dhimmah) in Islamic law also came in for discussion.

Sheikh Faizal, who is a renowned expert in this area, said that Islamic contract law can be highly complex, both in terms of its jurisprudence and its application, as technological innovations such as email systems have created some grey areas as to what constitutes a single session of contract discussions.

"In the long run, this concept creates confidence in the market, and more importantly helps develop more products," he added.

According to Crescent Managing Director Hjh Salma Bee Hj Noor Mohamed Abdul Latiff, participants would be able to understand the concepts underpinning the Islamic banking and financial service sector, and gain a comprehensive understanding of theories related to issues of banking and financial services sector, and gain a comprehensive understanding of the structure of Islamic law of contract.

"The workshop will discuss the finer things so as to 'fine-tune' the participants' knowledge about the concept. If we are not aware of these things when we do work, we may not get the advantage of the true essence of what Islam can provide to the financial market, and we would not benefit from it," she said.

Sheikh Faizal specialises in three areas of studies with a good combination of Syariah, law and Islamic finance, having obtained his BA (Honours) in Islamic Studies from the University of Johannesburg, South Africa, completed his Aalimiyyah qualification from Madrasah Arabia Islamiah in South Africa, obtained LLB degree and MA degree in Islamic Banking, Finance and Management from Loughborough University, UK. He is a member of the Shari'ah Supervisory Board of few Islamic financial institutions in South Africa, Bahrain and Mauritius.

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