

Building a smarter Islamic wealth management market

Malaysia has created an innovative Islamic capital market, but wealth management products remain relatively basic. BNP Paribas Investment Partners is supporting research and education in this growing space, and helping push for more complex products.

Malaysia's status as the pioneer of Islamic finance innovation will lead to increasing opportunities for asset managers that can offer appealing wealth-related products.

The country's burgeoning industry has to date focused mostly on conventional products, but there is considerable opportunity for more Islamic ones, believe industry players.

BNP Paribas Investment Partners, meanwhile, has so far offered institutional fund products in Malaysia. However, the French organisation is increasingly keen to reach out into the wealth space too, says Angelia Chin-Sharpe, chief executive officer and country head for Malaysia.

"Wealth in Malaysia is growing, and there are an increasing number of private bank platforms with local banks in the country. They are demanding more products to distribute to their

clients. We are observing and speaking to them and seeing what product capabilities we can bring," she says.

The asset management arm of BNP Paribas has been keen to offer both conventional and Islamic products. It established a conventional investment products unit in Malaysia in 2007, and in 2009 it received a licence for an Islamic subsidiary, BNP Paribas Investment Partners Najmah Malaysia. The unit was the financial institution's first Islamic entity.

The firm's local operations act as the Islamic hub for the bank's asset management arm. The company's sukuk (Islamic bond) portfolio team manages more than US\$1 billion in Islamic assets inside and outside the country.

Chin-Sharpe says BNP Paribas Investment Partners decided to make Malaysia the focus of its Islamic investment product efforts because of the sophis-



ANGELIA CHIN-SHARPE
BNP Paribas Investment Partners

tication of the country's Islamic finance industry. "The regulators and the government have been very supportive of the industry here," she says.

“We find Malaysia to be at the forefront of Islamic banking and investing. It has robust regulatory, tax, legal structures already in place which help us in terms of developing this business.”

ISLAMIC OVERLAY

Several banks and international asset managers have set up local operations since the market was liberalised, creating competition for assets in the conventional and Islamic areas.

“We already manage ASEAN, APAC and global equity Shariah-compliant products, along with global sukuk for our clients,” she says. “Plus we can place a Shariah overlay on most of our conventional products to make them Shariah-compliant for our clients.

“For example, if a client wants a renminbi-denominated Shariah-compliant product, we can offer that to them. We can do this because we understand the

The centre acts as a think-tank, considering new ways to evolve and develop Islamic finance in wealth management, asset management and capital markets to meet the increasingly sophisticated needs of the rising number of affluent people in Asia and the Middle East.

Both BNP Paribas and INCEIF have representation on the advisory board of the organisation, and help consider the scope of what it does.

“We can place a Shariah overlay on most of our conventional products to make them Shariah-compliant for our Muslim clients.”

“We are working to grow the Islamic market in a number of ways. We provide research grants to PhD holders to encourage them to write academic research that can be applied in the industry. We also help with improving education levels,” says Chin-Sharpe.

Chin-Sharpe notes that BNP Paribas Investment Partners knows it needs to find its niche. The organisation is working on a possible new product to distribute to wholesale and HNW clients before the end of the year.

The fund management arm of the French bank underlined its commitment in developing its Islamic capabilities with the appointment of Alexandra Solnik as its head of BNP Paribas Investment Partners Najmah Malaysia.

“Alexandra’s appointment was part of our aspiration to push our global sukuk and ASEAN equities product capabilities,” says Chin-Sharpe.

She adds that the firm can offer Shariah products from its already well-established conventional investment funds, and will offer these to HNW clients in the coming months.

concept of Shariah and have in-house Shariah advisers, along with existing Luxembourg-registered Shariah-compliant products already.”

EDUCATION EFFORTS

BNP Paribas Investment Partners has also been seeking to help evolve Malaysia’s Islamic wealth market.

In September 2012, the bank partnered with the International Centre for Education in Islamic Finance (INCEIF) to create the BNP Paribas-INCEIF Centre for Islamic Wealth Management; an academic institution that offers high level education and research on new products to interested participants.

“We wanted to work with an academic institution that was well recognised, and create academic papers and research that can be applied to help develop the industry,” says Chin-Sharpe.

“For the past three years we have conducted annual symposiums and workshops to help foster research and knowledge-sharing in the industry.”

The centre also works with regulators to suggest and apply new product innovations within the Islamic capital markets, and conducts roundtables and workshops with industry practitioners, scholars, experts and students.

Although BNP Paribas Investment Partners and other companies are seeking to help Malaysia’s authorities raise Islamic finance innovation, the country cannot do it all alone. Chin-Sharpe believes more countries should look to make their regulations and attitudes open to Islamic finance for the market to truly flourish.

“Malaysia cannot be the only player in the market. We need more countries, regulators and practitioners to actively develop Islamic finance, especially in the Middle East.” ■