

# CREALOGIX's APAC MD on Refining the Regional Proposition and Expanding into Asia's Islamic Wealth Markets

Since Karsten Kemna took the reins as Managing Director of CREALOGIX for the Asia Pacific region in April 2020, he has been working hard to refine the focus in the region of the Swiss Top 100 FinTech. The firm develops and implements innovative FinTech solutions for financial institutions, including wealth management, retail banking and corporate and SME banking. Hubbis has had the opportunity to discuss developments at CREALOGIX regularly with Karsten since he took over responsibility for the APAC business based out of Singapore, and in this latest conversation, he set the scene briefly for the firm's key areas of development in the region and zoomed in on a major initiative to develop its Islamic finance and wealth FinTech solutions in Asia, particularly in Malaysia and Indonesia, leveraging CREALOGIX's successes in the Middle East.

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**KARSTEN KEMNA**  
CREALOGIX

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**Before we delve deeply into your priority topic of focus for this conversation – the digitisation of Islamic finance and Islamic wealth management - could you set the scene by updating us on the group and your progress to date since you took the helm in Asia some 15 months ago in April 2020, just as the pandemic hit?**

The CREALOGIX Group is a Swiss FinTech 100 company and is among the global market leaders in digital banking in Europe, Asia and beyond. We develop and implement innovative FinTech solutions that enable financial institutions to react to evolving customer needs in the area of digitalisation, enabling them to meet demands in a dynamic market and remain one step ahead of their competitors.

CREALOGIX has a broad suite of state-of-the-art solutions for not only wealth management, our traditional business and an area in which we can compete highly effectively in Asia, but also retail banking, as well as SME and corporate banking solutions going forward. Starting from a small but healthy customer base in Asia when I joined here in Singapore, we have refined the mission, and recognise the potential to expand rapidly in the region.

Our company was founded in 1996, which means this year we are celebrating our 25th anniversary. We employ around 700 digital experts worldwide, the CREALOGIX Holding AG (CLXN) shares are traded on the SIX Swiss Exchange, and we count more than 550 banks worldwide as customers in countries such as Switzerland, Germany, Austria, the UK, Spain, Singapore, Hong Kong, Thailand and Saudi Arabia. We have carried out more than 1,200 installations for customers and we have a wealth of valuable experience. CREALOGIX considers Asia-Pacific to be one of our key strategic markets globally.

CREALOGIX's core focus is on meeting the digitisation goals of banks and wealth management firms and delivering a superior customer experience and capability in a secure and personalised way. My mission in Asia Pacific is really the strategic development of CREALOGIX as a leading global provider of SaaS (Software as a Service)-based digital solutions for financial institutions for this dynamic growth market, building on existing customer installations we have in the region.

**What have you learned since you joined CREALOGIX in Singapore, and how have you refined the business development for the region?**

Based on the customers we have in Asia-Pacific, the wealth management market is and will be our main focus area. We all know the market dynamics in this region of immense private wealth that is rising sharply, albeit slowed somewhat by the global pandemic, the transition of trillions of dollars of private wealth from older to younger generations, the growing diversity and sophistication of products and services, and the ongoing digitisation of the wealth industry. This combines with rising client expectations for seamless, relevant, engaging but always secure delivery, which

has become even more apparent since the pandemic hit our normal ways of conducting business.

Since I joined CREALOGIX in Singapore, we have been able to further fine-tune our approach for this region and refine where we can compete most effectively. We have a better grasp of the segments of the wealth market that we are aiming for, which is the mass affluent and affluent up to the HNWI market, not necessarily the UHNW and traditional Private Banking segments. We also see a lot of potential for SME banking digitalisation, as this group of customers seems to have been somewhat forgotten by the banks in their digital roadmaps. Also, the whole area of Islamic finance and Islamic wealth market digitisation, which I will survey in more detail later, also fits well into the proposition we have for this region.

### **Given your positioning and expertise, which particular concepts or products are you focusing on?**

We are focusing on Conversational AI for banking and wealth management; this is really about enabling our customers, end-to-end, to drive every type of transaction along the value chain through smartphones or tablets, right from the onboarding process and KYC to transaction finalisation. This can be achieved securely through multiple channels via a smart app. This could be the bank's generic app, but could also be you're a WhatsApp, Line or WeChat app that is then securely embedded into the bank's generic app, with the end customer able to utilise what they are used to but within a more secure environment.

### **You are particularly keen to emphasise your expertise in the broad sphere of FinTech applications and enhancements for the Islamic finance industry. Why and what are the opportunities?**

Islamic finance as we know has grown rapidly in Asia in the past two decades, and CREALOGIX has built significant expertise and a track

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record in the Middle East, especially with some of the major banks in Saudi Arabia. So, we are ideally positioned to play a major role in the FinTech evolution relating to the Islamic finance wealth market, which has been growing apace and is far more diversified than ever before.

We can see that individuals the world over are increasingly wanting to govern their finances and investments according to their personal beliefs. Another example is the rise of ESG-driven investments and impact investing. Therefore, it's important that the services available meet the expected criteria and standards. It's important that financial institutions providing such products and services offer the correct proposition, delivered digitally wherever possible and across multiple channels.

In the Southeast Asia region in particular, Indonesia and Malaysia are certainly very interesting target markets for CREALOGIX, and we can leverage our successes in the Middle East, where, for example, we have installations with eight of the Tier 1 banks in Saudi Arabia. We have the background, expertise, experience and drive to be the partner of choice for banks in other countries to also embark on this journey.

### **Can you comment further on the development of Islamic finance and wealth management globally and the roles played by regulators and governments as well?**

The governments and financial authorities in several Asian countries have played positive and active roles in promoting the development of Islamic financial markets. This is in line with the efforts to boost investments and achieve sustainable funding to enhance economic growth by tapping the huge liquidity from oil-and commodity-producing countries.

The ethical character and financial stability of Islamic financial products increase their attraction, especially in relation to the exclusion of

investments in alcohol and gambling, for example. This extends into the sphere of ESG, which also appeals to the increasingly ethically driven Millennials in the Muslim and non-Muslim communities.

Given that in Islamic banking returns from investments are based on underlying economic activities and/or assets that structure the contractual relationship between transacting parties, the firm belief is that it is possible to use the asset-based nature and risk-sharing aspects of Islamic finance for greater integration with the real economy and to improve the overall economic balance between the real and the finance sectors.

Furthermore, Islamic banks do not invest in businesses that provide goods or services considered contrary to its principles (alcohol, pork farming or gambling, for example).

**In approaching the Islamic finance banks and institutions in this region, what does CREALOGIX bear in mind about their particular business models and characteristics?**

In Indonesia, for example, the Islamic business units of conventional Indonesian banks are required to convert to standalone Islamic banks by 2023, which should provide further support to Islamic banks' growth prospects in the medium term. Their small size result in a lack of economies of scale and scope, and lower product and geographic diversification. These factors lead to higher risk, which many industry experts believe will cause quite a few of them to perhaps be absorbed by their more successful competitors.

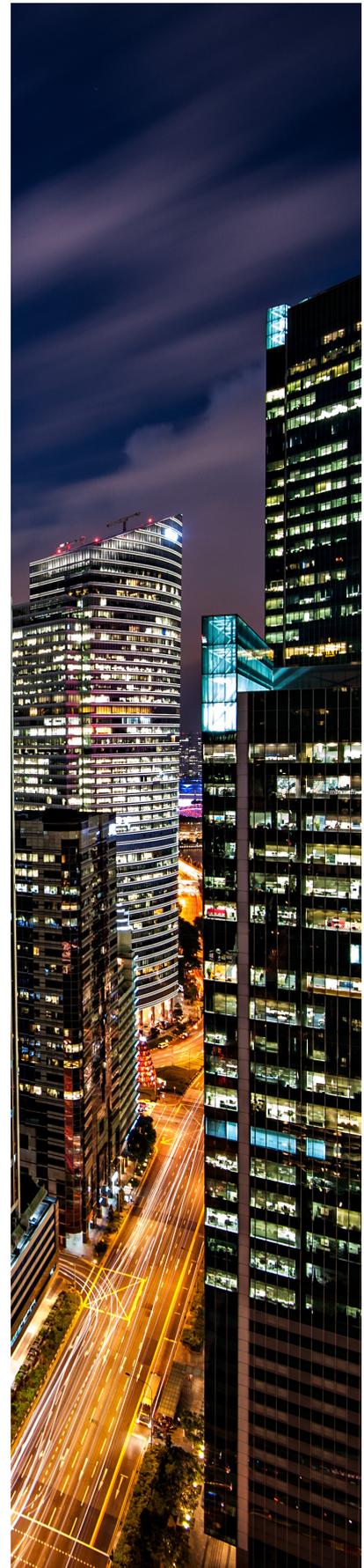
The position in Malaysia is somewhat different. Although virtually all the larger Islamic banks are separate legal entities, many are 100% owned subsidiaries of the big local conventional banks. Several of these larger Islamic banks are primarily product developers with marketing, sales and distribution, back-office and other staff functions being undertaken and managed by their parents. Some of these Islamic banks do have a limited number of branches, but these form only a part of their sales and customer interface functions.

This approach enables these Islamic banks to leverage the far greater size and experience of their parent banks, and results in them enjoying greater economies of scale and scope and lower overall risks.

**What has CREALOGIX been working on with the leading Islamic banks and institutions in the Middle East, and how will you apply those solutions to the Asian market?**

Some of the bigger Islamic financial institutions are based in Saudi Arabia, Qatar and Kuwait, and we are leveraging our track record and expertise in the Middle East and bringing that into this region.

We serve Islamic banks on all key strategic, operational and organisational topics, and we assist conventional banks in building Islamic banking businesses. Our customer base in the Middle East shows our deep understanding of the Islamic banking business. Clients we work with include top-tier Middle East banks such as NCB (National Commercial Bank), or the Al Rajhi Banking Corporation.



In Saudi Arabia, we have made great progress elevating their Islamic finance offerings at the digital front-end. The Tier 1 banks we work with there want to digitise their customer experience and capabilities in alignment with the Islamic financial services and products they offer. It is all about accessibility and relevance and great customer experience, just as in universal financial and banking circles, but of course with a fully Sharia-compliant set of offerings.

We believe there can be great advances and innovation in areas such as the apps specialised for those using Islamic finance and banking. From a user perspective, we can see that customers have specific requirements, and we can apply our solutions to the markets in Asia, delivering on customer requirements and expectations of mobile-first with an omnichannel experience.

As for specific ideas for elevating the mobile/app propositions, there are a number of areas we have been implementing with our customers. These include the offering of ethical and Sharia-compliant investments. Banks can provide help with Zakat to calculate their Zakat obligations and to pay through the mobile app. There might be loyalty programmes with Sharia-compliant rewards. Apps might offer support with the location/direction of Qibla, and also of prayer times. Finally, banks and

their services could provide multilingual capabilities, particularly Arabic characters and alphabets, as well as dual calendar functionality combining Hijri and Gregorian calendars.

### Can you summarise your approach to the Islamic finance and wealth markets in this region?

As we continue to build our business in Southeast Asia, our expertise and experience and proven track record in Islamic finance – especially for top tier banks in the Middle East – is a major advantage. Clearly, we want to help financial institutions in the region to shape their Islamic finance proposition. There is a major component of Islamic finance centred on wealth management, and we can cross-fertilise many of our skills in conventional wealth management digitisation and thereby truly enhance the front-end and other offerings of the Islamic financial institutions in the region.

### Finally, given the turmoil across the world since you took this challenging and exciting role at CREALOGIX, what in your view constitutes success in this region?

I'm trying to bring more local capabilities into the countries we

serve in this region because I still don't think that we will be able to travel out of Singapore for the rest of 2021, at least not on a regular basis. So, our model is to work with consultants that we work with locally. Commercially, we want to ensure we drive the business forward in each country, so I have to find the right balance between having our own people on the ground versus utilising partners that we can trust and that have the right entry into the market segments we want to be present in.

For example, in Malaysia, our preferred partner is a local company with distinctive expertise and relationships into the Islamic Banking market, and we are working with them closely on the right go-to-market approach. We have similar engagements in Indonesia, where we work with different partners.

This approach is mainly about business development, but in some markets, certain partners might get involved with us on the post-sale implementation and support. All together, we are definitely making good headway, building our proposition and focusing on markets and sectors where we can truly deliver the best solutions for our customers. ■

