

Speech by Rt Hon Sajid Javid MP, Secretary of State for Communities and Local Government

IDB Sukuk Summit 2018

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Introduction

1. When I came here, four years ago, to celebrate the listing of the first British sovereign Sukuk, it was a hugely proud moment.
2. I was in my first Government role as Economic Secretary to the Treasury – I know that you heard from John Glen, who's in the role now, earlier.
3. And I knew then that we were embarking on an exciting journey, with Britain becoming the first country outside the Islamic world to back such a product.
4. It was exciting not just because of the untapped potential and the competitive edge that this venture offered.
5. But because it underlined our commitment to a free and diverse society that values and serves people from all backgrounds.
6. And you can see that society all around us – here in the vibrant, thriving melting pot that is London.
7. Where people of every colour and creed live, work and play side by side, largely happily and harmoniously.
8. A diversity that makes it a draw for people from every corner of the planet.
9. I know the Mayor was here earlier today.
10. Just think: where else in the world would you get not one, but two sons of Pakistani bus drivers attending an event like this?!

11. But seriously, the freedoms and opportunities that Britain offers to people from all backgrounds to get on and prosper add immeasurably to this country's wealth – both economic and social.
12. Something that matters a great deal to me personally – and also professionally in my current role as Communities Secretary.
13. And look at how far we've come since we issued that first Sukuk.
14. With the UK having succeeded in its mission to become the Western hub of Islamic finance.
15. And Islamic finance becoming part of the mainstream.
16. With its products and services on a par with its conventional counterparts.
17. This isn't just good news for investors and consumers – Muslim and non-Muslim – who are looking to diversify and want more choice.
18. It's good news for the British economy.
19. An economy which remains strong.
20. With growth forecasts for 2018 and 2019 upgraded to 1.9%.
21. More people in work than ever before.
22. And interest rates remaining low.
23. Our credentials in Islamic finance can only make us stronger.
24. Reinforcing London's position as the world's leading financial centre.
25. And reinforcing our tradition of being open to global business and as one of the most welcoming places for international investment.

26. I know, from the years I spent in international finance, that these things don't happen by accident.
27. That, in this case, it's taken many years of close cooperation between Government, regulators, industry and civil society to create an environment where Sukuk - or Alternative Finance Investment Bonds – are not treated differently to their conventional equivalents.
28. And that after launching that first UK Sukuk, this Government continued to push the boundaries to see where Sharia-compliant financing structures could play a role.
29. The results speak for themselves.
30. With the London Stock Exchange, becoming a key global venue for the issuance of Sukuk, with 66 issues raising close to US\$50 billion.
31. And as His Excellency, the President, has said, London becoming a long-standing listing venue of choice for the Islamic Development Bank (IDB).
32. Last year, the London Stock Exchange welcomed the listing of a five-year dated Sukuk issued by the IDB, raising \$1.25 billion – the largest Sukuk issued by a multilateral institution in 2017.
33. So we've made significant strides.
34. And not just financially.
35. The way the UK has embraced Islamic finance surely nails, once and for all, the lie that the values of Islam and those of Britain are incompatible.
36. That Islam and capitalism are incompatible.
37. A myth that's peddled by those who seek to divide us.
38. I hate to break it to them but the truth is that capitalism, as we know, has Islamic roots.

39. Baghdad, built back in the eighth century, was the central trade hub along the Silk Road.
40. Somewhere you could find wine from Italy, silk from China, spices from India and much more.
41. By the 13th century, Islamic trade networks had spread from the Arabian Peninsula to most of the known world.
42. Golden Dinars, the currency of the caliphates, were found from Mercia to China and everywhere in between.
43. Like the Euro – only more successful!
44. This globalist approach is partly down to theology.
45. The Prophet Mohammed was himself a merchant. He rejected price controls and established a free market.
46. Personal property and the rule of law were important principles taught to the early believers.
47. And indeed trusts, business cooperatives and low taxes are ideas pioneered by the early Islamic dynasties.
48. Towards the end of the Islamic Golden age, in 1377, a social historian named Ibn Khaldun reflected on the previous 600 years of these economies...
49. ...and made a number of observations in his book The Muqaddimah.
50. He defined commerce simply as “buy cheap, sell dear” ...
51. ...which could have been my dad’s motto when he was running a market stall in Bristol in the 1970s!

52. He observed that the best governments favoured low taxes, free trade, and a market economy.
53. And, crucially, he saw that these principles were not merely compatible with Islam, but were actively supported by Islamic theology and philosophy.
54. Something we should not hesitate to shout about today.
55. And something we should build on as we continue to support Islamic finance to really take off in the UK and beyond.
56. As I said earlier, the untapped potential is unparalleled.
57. In 2015, the global Islamic finance market – as measured by Sharia compliant assets - was estimated to be worth \$2 trillion.
58. And yet this represents only 1% of the world's total assets.
59. With over 1.6 billion Muslims in the world – a group three times larger than the EU and bigger than both India and China...
60. And three million alone in the UK...
61. ...the gains to be made are huge.
62. Especially given that the Muslim population is set to grow.
63. So it's right that we develop financial products and services that meet its needs.
64. Products and services that - with their emphasis on risk-sharing, real-time economic activity and criteria that chime with other socially and environmentally responsible investing – will appeal to the increasing number of investors who are looking ethical investments.

65. And we can, indeed, see that the global appetite for Islamic finance products is on the rise, with double digit growth in the past decade.
66. And Islamic banking increasing its penetration rate above 15% in a number of countries across the Middle East and Asia.
67. Closer to home, there are estimated to be 100,000 retail customers in the UK who use Islamic banking.
68. The great thing is that these consumers can make these choices knowing that they enjoy the same protections and peace of mind with Islamic as with conventional financial products.
69. We are very proud to have a financial system that can offer that.
70. Putting us in a strong position to support further expansion of the Islamic finance market.
71. Which we'll continue to do by engaging with industry and civil society to raise awareness of Islamic finance as a credible option for consumers and investors.
72. And by promoting its significant commercial potential for UK firms.
73. We will work closely with industry to identify specific areas of legislation or taxation where Sharia-compliant financial products may still be unfairly penalised.
74. We will champion Islamic finance on the international stage.
75. And, subject to further assessments being completed, we are considering reissuing the UK's Sovereign Sukuk when it matures in 2019.
76. All of which will help the industry grow here in the UK and elsewhere.

77. Bringing us a step closer to offering a range of products and services that better reflect our rich and diverse society.
78. I see our role in Government as doing all we can to create the conditions in which this kind of market-driven enterprise can really flourish.
79. As demonstrated by the UK's first Islamic FinTech firm receiving FCA authorisation last year.
80. But we can't do this alone.
81. The development of the market needs everyone in the relevant sectors to pull together.
82. And that's what we've seen happening today and I'm hugely grateful to the IDB for hosting this event.
83. I'm confident that by working together we can put Islamic finance well and truly on the map and ensure that it – and those it serves – prosper.