TALKING NOTES AT THE LAUNCH OF THE ISLAMIC FINANCE GUIDELINES

By:

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It is my singular honour and pleasure to welcome you all to this important occasion which signifies a landmark achievement in the history of banking in Zambia.

As most of you are aware, Islamic finance around the globe has attracted significant attention from financial sector policy makers. It has continued to be embraced in many countries’ financial systems alongside conventional banking. Consistent with these global developments, the Bank of Zambia embarked on the process of developing a regulatory framework that would facilitate the introduction of Islamic finance in Zambia. The process involved extensive internal and external consultations with various stakeholders including Government. The framework also benefited from expert review by the Islamic Financial Services Board, which is the standard setting body in matters of Islamic finance.

We wish to thank you for your invaluable input into this process that has resulted in to the development of a comprehensive framework that is being launched today.

**Ladies and Gentlemen,** Islamic commerce and finance have expanded significantly in the last few decades globally both in terms of size and the number of players. For Instance, Islamic finance is currently practiced in more than 50 countries worldwide. In many countries, Islamic finance co-exists with conventional finance and is not limited to Muslim countries.

**Distinguished guests,** recent industry estimates indicate that Islamic finance is set to continue growing at an annual rate of about 15%. The increased trade between the sub-Saharan region and Islamic nations in the Middle East only reinforces our view that partnerships among the corporate players between the two regions will foster more developments in the area of Islamic finance.
Ladies and Gentlemen, the Bank of Zambia recognizes that the limited access to financial services and the low number of products available to the different sectors of the economy has hindered the development potential of Zambia’s economy. There is need therefore, to ensure that the financial sector is capable of meeting the challenges of providing affordable finance in order to accelerate sustained investments in key sectors of the economy. This can only be achieved where the financial system is able to improve its allocative efficiencies by providing appropriately designed products and services to all segments of the population including the Muslim community.

Distinguished guests, It is envisaged that the major challenge in rolling out of Islamic finance will be the lack of the necessary capacity by financial service providers in the area of Islamic finance. The Bank of Zambia, therefore, wishes to use this opportunity to encourage financial service providers to put in place appropriate programs and structures to build their capacity to provide high quality and Shari’ah compliant financial services in Zambia. This will play a complementary and supportive role to the effectiveness of the supervisory oversight of the central bank in this emerging area in our financial system.

Ladies and Gentlemen, you will agree with me that systems and structures in the financial institutions will only be as effective as the governance structure that provides the necessary oversight to them. In Islamic finance, a key consideration of the governance framework is to ensure strict adherence and compliance with the rules and principles of Shari’ah. I am aware that qualified Shari’ah scholars, who are a vital addition to the constitution of the corporate governance framework of institutions, may not be readily available. In this regard, there will be need to work with various interest groups in identifying such resources locally.

Ladies and Gentlemen, the introduction of Islamic finance comes with its own challenges. It entails further strengthening of our supervisory capacity. The good news is that we have significantly progressed on the supervisory front. We will continue to develop our supervisory capacity in line with the developments in the market to ensure that Islamic finance develops in a manner consistent with appropriate Islamic principles and ethos.

Distinguished participants, may I now take this opportunity to encourage all financial institutions that intend to launch Islamic finance products and services to approach the Bank of Zambia.
Ladies and Gentlemen, It is now my honour and privilege to officially launch Islamic Finance Guidelines for Zambia.

I Thank You.