



MEDIA RELEASE

Australian Regulations Hinder Islamic Finance Growth, Potential, Social & Economic Benefit

Wednesday December 12, 2012. The world has witnessed the Global Financial Crisis (GFC) over the past 5 years led by a collapse in the banking and financial services industries. However, MCCA Ltd Chairman Dr. Akhtar Kalam believes the problems go beyond the conduct of monetary policy and regulation of the financial sector; they involve deeper inadequacies in areas such as corporate governance and competition policies.

Many of these failings, in turn, have been supported by a flawed understanding of the function of markets and that the globalization hypothesis that unfettered markets quickly self correct and are efficient.

“Lengthy lists of measures essential for global recovery have been suggested, many of which will never reach the implementation stage. There is no mention of Islamic finance that can ease considerably many of the world’s social and economic demands and inequities — as well as the financial difficulties of governments — with implementation of development projects which make use of the principles of Islamic finance,” said Dr. Kalam.

“Islamic finance contrasts vividly with conventional finance which can best be defined as purely using money to make money.”

Dr. Kalam pointed out that the Global Islamic Banking system weathered the GFC storm and the case for introducing Islamic Finance and Banking (IBF) into Australia is compelling with benefits that will assist the turnaround in the economy and creation of wealth and jobs.

Furthermore, if changes are made to the Australian regulatory framework that is currently not conducive or supportive of IBF, the potential funds inflow from the Muslim world will be estimated at Billions of Australian dollars.

In Australia there is need to introduce asset-based financing that underpins IBF without the **taxation implications** and contracts need to be recognised in the court of law.

Stamp Duty is currently applied at the state level. IBF requires double stamp duty to be removed at the Federal level. Victoria is the only Australian state where double stamp duty has been exempted.

Also, Australia has the potential to become the financial services hub for the South East Asian region and with IBF to be a catalyst for stability in the national economy.

Islamic Finance is by-no means restricted to the minority Australian Muslim group. The target market will be Australia's population of 21 million who will consider Islamic Finance as another form of risk profile.

Currently there is no provider of IBF in Australia except for MCCA in an Islamic consumer and business finance market that is conservatively estimated to be worth **at least** A\$ 1.8 Billion – A\$ 4.6 Billion.

In addition, the Islamic Superannuation market is conservatively estimated to be worth **at least** A\$ 200 Million – A\$ 1.2 Billion.

Dr. Kalam continued, "The present regulatory framework is severely curtailing MCCA from developing and marketing a range of products to address this potential consumer demand in Australia for Home Finance, Hire Purchase, Commercial finance and other IBF products and services."

"IBF institutions hold equity in businesses and act as business advisor and partner. Furthermore, they create long term relationships with enterprises and support good overall corporate and socially responsible governance."

Over its 23 year history, MCCA is proud of what it has built for the Australian Muslim Community that includes attainment of its AFSL, establishment of a Shariah Advisory Board, knowledge, systems, and developing people who understand IBF – including working with universities to develop and promote courses, qualifications and professionalism.

Dr. Kalam emphasised that the greatest challenge was educating all Australians of Islamic economics and its basic objective to ensure general human well being and socio – economic justice.

The Islamic economic system is based on the teaching that no-one should claim for himself what is basically the creation of Allah, or the product of another man's efforts and skills' and as such, grounded heavily towards social justice. This is the basic difference between Islamic and Western economics.

MCCA's growth and success has been built on a platform of providing choice and IBF non mainstream options for the Australian Muslim community.

Dr. Kalam concluded, "Pressure is intense and mounting for MCCA to evolve into a 'one-stop' IBF provider of offerings that compete with those of the major banks and institutions. Unfortunately our progress is being impeded by the current legislative and taxation barriers that are making it almost impossible to develop and market the specialised IBF products demanded by the Australian Muslim community."

"Australian Non Muslims are also turning to MCCA in growing numbers seeking investment and financial services products that are uncomplicated, conservative and exclude investing in gambling, alcohol, weapons, narcotics and other activities that are not corporate, community and socially responsible."

Dr. Kalam confirmed that although the preferred option was to develop IBF products within MCCA – the rebranding of products from other financial providers may have to be seriously considered if a solution to the legislative, taxation and legal barriers become insurmountable.

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