



# Islamic wealth management products in the context of FinTech solutions

Rodney Wilson

Emeritus Professor, INCEIF

4<sup>th</sup> Malaysian Financial Planning Conference, 15<sup>th</sup> April 2017



# Contents

1. Focus of FinTech
2. Automation of existing financial processes
3. Offering changes resulting from FinTech innovation
4. Cost savings, fee reductions and competition
5. Disruptive consequences for asset managers, brokers and financial advisors
6. Widening or limiting client choices
7. Risks of Web reliance

# Focus of FinTech

- Major impact on payments systems
- Undermines bank transaction deposits as platforms for cross-selling wealth management products
- Islamic banks with strong brand recognition will survive disruption
- Challenger banks may form alliances with software companies
- Independent boutique wealth managers may increase in importance

# Automation of existing financial processes


- Replacing interviews and form filling
- Web based input from clients or advisors
- On-line brokerage for purchasing and selling assets
- Information and data provision by brokerage firms or third parties
- Process automation of financial and sector screening for *Shari'ah* compliance

# Offering changes resulting from FinTech innovation

- Actively managed or passive funds
- Tracking *Shari'ah* compliant indices
- S&P Dow Jones Islamic Market Indices
- How Islamic are exchange traded funds?
- Investment in real assets versus financial derivatives
- Hedge funds using trigger points for purchases and sales

# Cost savings, fee reductions and competition

- Economies of scale and scope with on-line platforms
- High entry costs and oligarchy of established players
- Focus on lowering management charges at expense of service quality
- Work load and responsibility transferred to clients and their advisors



# Disruptive consequences for asset managers, brokers and financial advisors

- Down grading of relationship finance
- Active asset management in terminal decline
- De-personalisation of brokerage
- Financial advisors focus on high net worth clients
- Those with modest investment funds forced into relying on information technology

# Widening or limiting client choices

- Highly financially and computer literate clients have more choices
- Others largely rely on their financial advisors
- Awareness of *Shari'ah* compliance issues fostered by web sites or word-of-mouth?
- Potential for Islamic finance chat lines and Apple's Siri type guidance



# Risks of Web reliance

- Islamic crowd funding platforms
- Attractive websites
- Tempting returns but will they fulfil client expectations?
- Unregulated institutions!
- How safe is the investment?
- Blurring the distinction between commercial and Islamic charitable donation