Introduction

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In the current geopolitical context and the new isolationism triggered by the current US administration, emerging markets are gaining new traction.

The concept of emerging markets is in constant evolution and cannot be limited to the obsolete acronym of the BRICS (Brazil, Russia, India, China, South Africa). A more sophisticated approach to emerging markets has been developed, among others, by Goldman Sachs with the concept of the 'N11' (the next 11 countries with the highest growth potential). The N11 features Bangladesh, Egypt, Indonesia, Iran, Mexico, Nigeria, Pakistan, the Philippines, Turkey, South Korea and Vietnam. So, predominantly Muslim countries. The way to do business in Muslim markets may appear more sophisticated and implies another type of knowledge and instruments. Islamic finance is one of them.

Islamic finance is a phenomenon that cannot be limited only to Islamic countries, especially given the growing number of Muslims in the West. It joins other trends in global finance such as ethical finance, participative finance and alternative finance. There have been very different growth rates from country to country in which it has spread, with specific reference to European countries that do not have a religious Muslim tradition.

Despite being a very dynamic segment of the *halal* economy, the development of Islamic finance in certain non-Muslim countries faces issues such as the lack of specific regulations and the need for changes to the tax code so as to not affect Islamic finance transactions compared with conventional transactions. In addition, there are cultural factors and difficulties in dispelling myths, such as the belief that Islamic finance concerns only Muslims, that it is a primitive financing method, that it is more risky and expensive than conventional finance, that it is governed only by dusty *shariah* principles and that the conventional system does not need replacing.

Apart from the traditional UK, Irish and Luxembourg markets, other countries have taken solid initiatives in the sector. Africa is definitely another growth sector for the industry, as local Gulf banks eye this huge growth market. Ivory Coast, Kenya, Morocco, Senegal, Sudan and Togo are at the forefront of this dynamic growth.

Why is Islamic finance so popular these days?

Islamic finance is popular mainly because of the opportunity to attract foreign capital from Gulf Cooperation Council (GCC) countries and South-East Asia to sustain local economic progress. The values that are promoted by Islamic finance, such as the prohibition of interest, the obligation to invest in the real economy, the share of profit and loss, social justice and the redistribution of wealth to the needy (*zakat*), are universal and speak to everyone. One can compare the meaning of *halal* to the concept of 'organic', of *halal* travel to 'family travel' and of Islamic finance to socially responsible investment.

But most people do not know what 'Islamic' means, and the recent terrorist attacks in Europe and other regions do not help. Education will be the key to opening the gates of Islamic finance to the world, and demystifying it involves providing courses to train conventional professionals, lawyers included, about these new techniques. Therefore they will be able to catch investment opportunities from financial institutions (sovereign wealth funds, banks, asset management companies and others) that are looking for good opportunities to enter their local markets.

Growth in the Islamic economy

Indeed, for several years now the burgeoning Islamic economy has been growing at nearly double the global rate. Muslim consumer spending on food and lifestyle is projected to reach US$2.6 trillion in 2020. Global assets of Islamic banks exceed US$1.7 trillion and are set to maintain their growth, according to Thomson Reuters's latest report on the global state of the Islamic economy.

These vibrant growth figures, together with a new regulatory framework, and the expansion of *shariah*-compliant investments and products on a global scale are drawing the interest of an ever-increasing number of legal practitioners in private practice, in-house departments and government agencies.

This is particularly relevant at a time when the Western concept of corporate governance is spreading and can be combined with the universal application of ethical principles found in Islamic finance.

With a consumer base of 1.7 billion predominantly young Muslims around the world, growing at two times the rate of the global population, the Islamic economy is one of the fastest-growing markets in the world. At a time where the IMF describes the global economy entering 'secular stagnation' because of a decline in investments and an ageing population, the Islamic economy stands in stark contrast, offering the most viable solution to global economic growth and success in the 21st century.

Recent developments

2018 offered a very versatile political and economic environment. The impact of low oil prices has been paramount and a source of substantial changes in the Gulf. The launch of solid reforms in Saudi Arabia, the diplomatic crisis and isolation of Qatar, the renewed tensions with Iran and the launch of VAT in the GCC countries are some concrete examples of the impact of the oil price.

On the background of the drop in oil prices, the GCC countries have known a slowdown in their global economies, but overall both Islamic and conventional sectors are recovering quickly, and the Islamic financial industry still getting a larger market share.

According to the Thomson Reuters Islamic finance development indicators (IFDI) 2017, which cover the general Islamic industry related to quantitative development, knowledge, governance, corporate social responsibility and awareness, the leading country was and still is Malaysia, and the leading region is the GCC. Otherwise, the top 10 countries, including Iraq, Morocco, Russia, Spain and Tunisia, have seen notable developments in their IFDI values and have improved their rankings.

Moreover, Asia continue to surprise and to innovate when it comes to Islamic financial engineering, where Malaysia has sparkled brightly these year, not only with its green *sukuk* insurance, to be in touch with the world's global concerns about sustainability, but also with its initiative on value-based intermediation, which will shape the new landscape of Islamic finance in 2018.

Africa is trying to put in place appropriates regulatory rules and to take up global economic reforms in order to reconstruct its financial market and attract foreign investment and liquidity from Islamic financial industry leaders such as the GCC countries and some Western investors.

Moreover, global assets of Islamic banks exceeded US$ 2.4 trillion in 2017 and are expected to reach US$3.7 trillion in 2022, according

to Thomson Reuters's latest report on the global state of the Islamic economy.

Getting the Deal Through

This publication aims to provide readers with an up-to-date overview of national regulatory frameworks linked to Islamic finance, covering both Islamic and non-Islamic countries.

A prime objective is to inform readers about the interplay between Islamic law and national law in the context of financial law and regulation.

The reader will be able to compare national regimes and gain a preliminary understanding of law and practice in unfamiliar jurisdictions.

While each country is eager to be seen to be making its own mark on the worldwide financial environment, the rise of the Islamic finance industry will have to be backed by a strong regulatory framework to handle diverging rules. The best example is probably the *riba* issue, where interest is forbidden according to Islamic principles but is written in stone in the law of many Western countries.

This sixth edition is illustrative of the different approaches that are being taken in a promising but still nascent discipline where lawyers and other professionals have a fundamental role to play.

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