The Marriage of Muslim

The Influence of Islamic Finance on the Soft Power in the Hong Kong City Branding

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SOFT POWER IN CITY BRANDING

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القوة الناعمة لهونغ كونغ مدينة العلامة التجارية
Content

- Soft Power of City Branding
- Overview of Islamic Finance
- Islamic Finance: A Gift?
- Conclusion
Brand

- Term/Symbol/Design/Sign…
  For recognition & differentiation (MSI)
- A Production for Functional Benefits/Added Value (J.P. Jones)
- A Guarantee for specific features, benefits & service (Philip Kotler)
City Branding

- Core concepts for promoting self-image of a city
- Based on the strategic positioning of a city
- Passing to the public; identified by the public
HK: More than Asian Free Port

- “Our mission is to stand out in the crowd in the world, and to be the next London and New York”
  —— C.H. Tung

- Asian International City
Soft Power in City Branding

- **Hard Power**
  Government Capability; Industrial Organization; Endowment of Factors of Production (生产要素的禀赋); etc.

- **Soft Power**
  Attitude & Value of State
  - Economic Perspective
  - Nationalist Sentiment
  - Government Intervention
  - Attitude on Savings
  - Disparity disintegrates Mono-ethnic
  - Minority hardly melt into Majority
  - Cultural Conflict > National Conflict
OVERVIEW OF ISLAMIC FINANCE

Chai Wan Mosque

 حول التمويل الإسلامي
A Brief History

- **Egypt (1st Islamic Bank)**: Founded in 1963.
- **Iran (Islamized Bank system)**: Founded in 1983.
- **Sudan (Islamized Bank system)**: Founded in 1989.
- **IFSB (Founded in Malaysia)**: Founded in 2002.
- **IDB (€2.5bn of bonds Issued by Iran)**: Issued in 2009.

Key Events:
- 1983: Islamized Bank system in Iran.
- 2002: IFSB founded in Malaysia.
- 2009: €2.5bn of bonds issued by Iran.

- **Takaful declared as a fully Islamic insurance concept**
- **AAOIFI Associate member of IFAC; in Bahrain**
- **Basel II Islamic version; issued by IFSB**
Principles

- In accordance with Shari’a (伊斯兰律法) based on Qur’an (古兰经)

- **No Riba (Usury)**
  - Prohibition of all interest-based lending
  - Risks and benefits shared

- **No Gharar (Uncertainty)**
  - Prohibition of derivatives
  - Prohibition of speculation

- **No Haram (Taboo)**
  - Gambling, Porn, Weapons, Alcohols, Tobaccos, Pork …
<table>
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<th>Islamic Investment Vehicles</th>
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<td><strong>Mudaraba</strong></td>
<td>利润分享协议</td>
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<td><strong>Musharakah</strong></td>
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<td><strong>Sukuk</strong></td>
<td>伊斯兰债券</td>
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<td><strong>Takaful</strong></td>
<td>伊斯兰保险</td>
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<tr>
<td><strong>Tawarruq</strong></td>
<td>商品货币化融资协议</td>
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<td><strong>Istisna’a</strong></td>
<td>制造加利润许可协议</td>
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</tbody>
</table>
Six jurisdictions are home to almost two-thirds of all global Islamic funds. Funds based in domestic domiciles are established to gain access to local investors and local assets. Funds based in offshore target international assets and are established to take advantage of low taxes, fund administration, regulatory regimes and investor perception.

Source: Ernst & Young, 2009
Status Quo: Stagnation?

- Global Islamic fund assets stagnated at US$ 52.3 Bn in 2009, remaining at almost the same level as the US$ 51.4 Bn posted in 2008.

- Almost 70% of Islamic fund managers are struggling to build scale and have under US$ 75 Mn in AuM, while 55% have less than US$ 50 Mn AuM.

- Average fee charged by Islamic fund managers have dropped by almost 25% since 2006, and are expected to continue at this level for the foreseeable future.
ISLAMIC FINANCE: A GIFT?

九龙清真寺
Facts

- World: 1.57bn of Muslims (2009); 204 countries

- 1865, East India Company; 1870, Shelley Mosque

- About 80,000 Muslims: Chinese (50,000), Pakistanis (5,000), Indians, Malaysians, Middle-East Asians...

- 5 Mosques, 10 Islamic groups
HK IFS

- **HK: 2007.11**

  1st Islamic Index-tracking Fund-Titan Index (30 listed)

- Minimum investment amount for a Fund is HKD20,000 (or equivalent); one can choose to invest with as little as HKD1,000 (or equivalent) each month through Monthly Investment Plan for Funds
<table>
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<th>Subscription Fee Class (Class A Units)</th>
<th>No Subscription Fee Class (Class B Units)</th>
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<tbody>
<tr>
<td><strong>Subscription fee</strong></td>
<td>Hang Seng Investment Series: Up to 4%</td>
<td>Nil</td>
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<td>Hang Seng Islamic Investment Series:</td>
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<tr>
<td></td>
<td>Up to 3%</td>
<td></td>
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<tr>
<td><strong>Switching handling fee</strong></td>
<td>Via Branch / Phone Banking: 1%</td>
<td>Nil</td>
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<td>Via Hang Seng Personal e-Banking: 0.5%</td>
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<tr>
<td><strong>Management fee (p.a.)</strong></td>
<td>Hang Seng Investment Series: Up to 1.5%</td>
<td>Hang Seng Investment Series: Up to 1.5%</td>
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<td>Hang Seng Islamic Investment Series:</td>
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![Graph](image)

*Indices performance (initial value = 100) - calculated in US dollars and monthly data.*
Attitude & Value of State

**Nationalist Sentiment**
*Moderate Identification*

**Special Economic Perspective**
*More than Liberalism or Protectionism*

**Opening Policy Climate**
*High efficiency & Sound system*
Attitude & Value of State

High Saving Rate

Seeking for more choices

Saving Rate (2009)

Mainland: 45.0%
Korea: 39.0%
Taiwan: 37.0%
Singapore: 34.0%
India: 34.0%
Hong Kong: 33.0%
Malaysia: 25.0%
Safer
Social Integration

- Strong Economic Force
- Higher degree of inter-dependence
- Traditional Friendship
- More Islamic Facilities
CONCLUSION

Shelley Mosque
些利街清真寺
استنتاج
Risks

- Safety/Sense of Security in Investment
- Scope of Financing
- Strong Rivals
Paradigm from Malaysia

**Net Assets Value for Islamic Fund**  
*Million Ringgits*

**Total Assets of Sukuk**  
*Million Ringgits*
Overlook

- More Attraction (tax immunity...)
- More Professional Experts
- Cooperation between HK and Mainland (Bank of Ningxia)
Thank You!

 شكرا

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In the name of Allah, the Most Gracious, the Most Merciful
All praise is due to Allah, the Cherisher of the world
Peace and blessings be upon the Prophet of Allah, on his family and all his companions