



*Empowering the Community*

**Presentation to Melbourne Centre for Financial Studies**

**MCFS symposium - "Islamic financial services: What Role for Australia?"**

**MCCA's road to Islamic Banking**

**Prepared by: Muslim Community Co-operative (Australia) Ltd**

**Pioneering Islamic Finance & Investments since. 1989**

**Presented by: Chaaban Omran, Managing Director**



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# Muslim Community Co-operative (Australia) Ltd

- **MCCA Case in Point : The Road to Islamic Banking**



- **Disclaimer: MCCA is not a bank in the context of the Banking Act 1959.**
- **Disclaimer: MCCA does not conduct banking business and as such it is not regulated by APRA**

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# Muslim Community Co-operative (Australia) Ltd

## ■ Profile:

- ❑ Established 1989
- ❑ Established a market for Islamic Finance in Australia
- ❑ Developed staff and their knowledge of Islamic Finance – past and present
- ❑ Funded regulatory research – responsible for exemption to double stamp duty in Victoria – State Taxation Acts (Amendment) Act 2004- New sections 57A–57F inserted – NSW currently being considered
- ❑ Multiple winner: 2006 Australian Business Awards;
- ❑ Member of AAOIFI
- ❑ Australia’s biggest Islamic home mortgage brand;
- ❑ Investment House - Over 7,434 member shareholders, most from NSW and Victoria;
- ❑ Islamic Finance Platform & Infrastructure established for 18 years
- ❑ Co-developer and distributor of Australia’s only public offer Islamic ASX listed equities product;
- ❑ Maintains an independent Shariah advisory board that includes Dr Mohamad Daud Bakar & Dr Ibrahim Abu Mohammed

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## Australian Muslims – some facts

- Estimates of up to 450,000 muslims across 73,000 households;
- As a demographic group, recorded the second fastest growth rate of 40.2% since the 1996 Census;
- 50% of domiciled in the state of New South Wales ('NSW'), whilst 33% are resident in Victoria;
- 49.5% are below the age of 24, in comparison to 34.7% of their non-Muslim counterparts;
- Collectively represent an annual household purchasing power of **A\$3.3 Billion**, up from **A\$1.3 Billion** in 1996;
- Collectively:
  - faster growing;
  - Younger;
  - mostly domiciled in NSW and Victoria.

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## What has MCCA done for Islamic Banking so far?

- **The Road is long and bumpy...**
- **However, there is a saying... “To know the road ahead, ask those coming back”**
- **MCCA is in fact one of those coming back but not necessarily from the Islamic Banking perspective... instead from Islamic Finance in Australia**
  - **Islamic Finance has been very challenging for MCCA over the past 18 years, considering it is the road less travelled. We can learn from this.**
  - **Of course the Islamic Banks in the UK have been down that road. We can learn from this also**

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## The Path of Islamic Finance over the past 18 years

- *The road **was** long and bumpy...*
- **MCCA can be proud of its major achievements**
- **MCCA Pioneered Islamic Finance**
- **MCCA developed products such as Shared Equity Rental, Murabahah, Musharakah, Mudarabah, Sale to Lease**
- **MCCA Achievements due to the collective efforts of:**
  - **Lawyers**
  - **Ex-Staff**
  - **Regulators**
- **MCCA Developed its highly refined Memorandum of Understanding (intellectual property) – Ijara BitanhiBiTamleek: Sales to Lease: originally named Mortgage to Lease (M2L)**

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## The Path of Islamic Finance over the past 18 years

- **MCCA successfully worked closely with regulators on double stamp duty:** *The Victorian Legislative Assembly and Legislative Council approved State Taxation Act (Amendment) Act 2004. The abolishing of Double Stamp Duty on Islamic Home Finance Products in Victoria: New Insert S57A-F*
- **Currently: Double Stamp Duty in NSW** industry and government working group on Islamic finance: MCCA has provided empirical evidence to regulators in NSW to show the demand is there (\$305 million in Shariah Compliant Loans written in 4 years – 1200 mortgages)
- **MCCA Lawyers have worked closely with UCCC concerning the word “rent” instead of “interest – no objection from regulator but no prepared to modify legislation just yet (in time)**
- **MCCA has had a great history with working with regulators**
- **MCCA has funded professional development of many staff past and present on Islamic Finance**

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## The Path of Islamic Finance over the past 18 years

- **MCCA has funded professional development of many staff past and present on Islamic Finance. Ex-staff have become lecturers in Bahrain, ex-staff have progressed to explore other Islamic Finance Business opportunities.**
- **MCCA has held the torch of Islamic Finance in Australia to its community and raised the awareness of this fundamental topic.**
  
- **MCCA has lot to be proud of. Its achievements speak louder than words!**

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# The Path of Islamic Banking in Australia

- The road *is going* to be long and bumpy
  
- **We have done it in the past and we are ready again:**
  - Work with regulators
  - Work with Lawyers
  - Work Islamic Banks
  - Work with Finance Institutions both in UK and domestic
  - Pool ideas and thoughts
  
- **Opportunities for regulators to work with us**
  - The Henry Review
  - Numerous of Government Departments
  - APRA and ASIC
  
- **APRA – We have had a good discussion on the vision of how MCCA will become a bank. Their guidance was very helpful. It will not be easy.**
  
- **ASIC – Currently assessing our application for RE and AFSL license**

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## The Path of Islamic Banking in Australia

- **There is a demand for an Alternative Method of Islamic Finance**
- **The World is currently exploring Islamic Finance in the wake of the Financial Global Crisis**
- **Give Australians the choice: Conventional (Cash-Based) or Shariah Compliant (Asset-Based)**
- **Islamic Finance proponents will not be seeking special privileges: we want to have the same benefit and outcome as other members of society**
- **Islamic Finance is not that different as a concept but fundamental in proposition**
- **International Islamic Banks want to bring their funds to Australia but can't**

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## Conclusion

- **MCCA has enjoyed a continuous period of challenges**
- **MCCA has invested heavily in ensuring that common laws are adhered to and still remain Shariah Compliant**
- **MCCA invites the regulators to talk to us;**
  - **MCCA has been down that road; “ask those coming back”**
  - **Islamic Banking will succeed in Australia Inshallah**