ALBARAKA FORUM
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ISLAMIC FINANCE

A Key Driver of Sustainability and Financial Inclusion in Global Markets

SPECIAL INTERVIEW

Interview conducted by Ghada Khalafallah, Manager of Communication and Media, General Secretariat Office, AlBaraka Forum for Islamic Economy

> Islamic finance industry was always founded as an industry that has sustainability and ESG considerations at its principle

MR. MUSTAFA ADIL

Head of Islamic Finance, London Stock Exchange Group (LSEG)

INTRODUCTION

Islamic finance is undergoing a significant transformation, driven by growing global interest in ethical and sustainable financial instruments-foremost among them, sukuk, these instruments are increasingly attracting investors from both within and outside the Islamic world. The London Stock Exchange Group (LSEG) stands out as a key player in this transformation, through its continued support for the listing of products aligned with environmental, social, and governance (ESG) principles, and its efforts to strengthen the United Kingdom's position as a global hub for Islamic finance.

On the sidelines of the 2nd Global Islamic Economy Summit in Istanbul-held under the theme "Islamic Economics Strategies: Path to Influential Global Economy"-we conducted Special interview with Mr. Mustafa Adil, Head of Islamic Finance at the London Stock Exchange Group (LSEG). In this interview, he discusses the current state and future directions of Islamic finance, its role in achieving financial inclusion, enhancing international cooperation, and expanding its impact through innovation and standardization.

Question 1:

As the head of Islamic finance at the London Stock Exchange Group, how do you perceive the evolving role for Islamic finance in shaping the future of the global capital markets, especially amid growing demand for ethical and sustainable investment instruments?

Mr. Mustafa Adil:

> About 50% of sukuk investors are not Islamic investors but conventional investors

I think the Islamic finance industry has played a phenomenal role in promoting capital markets. You see that with the sukuk adoption around the world. Sukuk, as an instrument in Islamic finance, has over one trillion dollars in total outstanding issuances. Around 50% of sukuk investors are not Islamic investors but conventional ones. Sukuk is increasingly forming part of ESG indices, sustainability industries, and other sectors, even in the conventional financial services space. It will continue to play a prominent role, especially with the growing importance of sustainability and ESG considerations. Sukuk is ideally positioned to capitalize on this and drive growth in several OIC countries as the industry evolves.

Question 2:

LSEG has witnessed significant growth in sukuk listings and the offering of Islamic financial instruments aligned with ESG standards. Which markets currently show the highest growth potential, and how is LSEG adapting its services to meet the needs of these markets?

Mr. Mustafa Adil:

> ESG adoption has been greatly embraced by several Islamic markets. The biggest potential lies in large Islamic finance markets like Saudi Arabia, UAE, Malaysia, and Indonesia

Islamic finance was founded on sustainability and ESG principles. It has always focused on equality for participants, avoiding harmful activities, speculation, and bubbles. ESG adoption has been greatly embraced by several Islamic markets. The biggest potential lies in large Islamic finance markets like Saudi Arabia, UAE, Malaysia, and Indonesia, which are driving ESG instrument issuance, including ESG sukuk. We also see significant adoption in countries like Pakistan, Bangladesh, and Türkiye. We expect ESG considerations to become mainstream in Islamic finance, especially in prominent markets, as the industry grows.

Question 3:

With the global increasing attention on financial inclusion and impact investing, what key lessons can Islamic finance offer to strengthen the inclusivity and resilience of financial systems?

Mr. Mustafa Adil:

> Now, what we see today is that although Islamic finance has brought a lot of customers in, there's still a number of people that are under-banked

Islamic finance has been financially inclusive from the beginning, incorporating people who wouldn't participate in the formal banking sector due to a misalignment with their faith and values. Today, while Islamic finance has helped many people gain access to banking services, there are still under-banked communities. The key to improving financial inclusion lies in technology. Digital banks that adopt Islamic finance principles are leveraging technology to bring marginalized communities into formal financial services. This intersection of technology and Islamic finance is key to expanding financial inclusion and resilience.

Question 4:

From your experience, how can multilateral cooperation between stock exchanges, thought leaders, and institutions like AlBaraka Forum for the Islamic Economy and regulatory bodies accelerate innovation, unify standards, and expand the reach of Islamic finance?

Mr. Mustafa Adil:

> I think collaboration is the most critical part of creating any kind of financial ecosystem

Collaboration is the most critical part of creating any successful financial ecosystem. Major financial hubs, such as London, New York, and Singapore, create ecosystems among stakeholders to facilitate the growth of their markets. Islamic finance is no different. Exchanges, institutions, regulators, and thought leadership bodies must collaborate to foster innovation and create unified standards for acceptable product services, disclosure standards, and operating norms. This collaboration will help avoid the siloing of markets and create a global Islamic finance industry where institutions can operate across regions.

Question 5:

How do you see AlBaraka Forum for Islamic Economy contributing to the enhancement and development of the Islamic finance ecosystem at both regional and global levels? What priority areas should be targeted to achieve meaningful and sustainable impact?

Mr. Mustafa Adil:

> I don't think that the role of AlBaraka Forum can be understated, It's a very critical role

AlBaraka Forum plays a critical role in developing the Islamic finance industry. It's important because it brings stakeholders together not from an institutional perspective, but from a holistic one. The forum helps identify challenges, facilitates debates, and turns discussions into actionable initiatives. I believe sustainability, innovation, and international cooperation are critical areas of focus. However, the most important component is how to convert recommendations into initiatives that have a tangible impact on the ground, ensuring real-world application.