

LEADERSHIP SCENE



EXCLUSIVE INTERVIEW

Special Interview with Lord Dominic Johnson, member of the UK House of Lords, former Investment Minister and former Co-Chairman of the Conservative Party.
Interview conducted by Ghada Khalafallah, Manager of Communication and Media, AlBaraka Forum for Islamic Economy



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LORD DOMINIC JOHNSON

member of the UK House of Lords, former Investment Minister and former Co-Chairman of the Conservative Party

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Question 1:

Islamic finance is becoming increasingly relevant in global markets. From London's vantage point as a leading financial hub, which aspect of Islamic finance do you believe offers the strongest value proposition to international investors today?

Lord Dominic Johnson:

There are two elements to this. The first is that London is a very important hub for raising sukuk bonds and large credit offerings in Islamic finance as part of a global product.

Secondly, I think there are opportunities to explore and expand Islamic finance mortgages for the UK market.

If London, and indeed the UK, can do more to make sure the regulation sits properly within those financial structures, that would increase the attractiveness to international investors.

There are now approximately 70 institutions that teach Islamic finance management in the UK, which I think is a really interesting path to go down.

Question 2:

The 4th AlBaraka Summit in London highlights the rise of the global Islamic economy beyond Muslim-majority regions. Where should the UK strategically position itself to capitalise on this shift and strengthen its engagement with values-based markets?

Lord Dominic Johnson:

The UK is the natural choice for global capital raising for Islamic finance, and clearly, we are not a muslim-majority country, but London as a capital market provider has led the way.

There are now approximately 70 institutions that teach Islamic finance management in the UK, which I think is a really interesting path to go down, and it underlines that there's a great deal of expertise that already exists here in the UK.

When I was a government minister, I came across a number of really innovative new FinTech businesses specialising in Islamic finance that are trying to reach this market in the UK and around the world, and in particular, interesting markets are Malaysia and Indonesia. Interestingly, these are more attractive than some of the other markets you would expect, like the Middle East, which I'm sure will start to develop soon. Malaysia has a more sophisticated banking system to create these value-based financial propositions.

London is definitely creating these kinds of ideas and propositions. It's still the centre for sukuk bond issuance, and this is what we want to do more of because, as I've said, the expertise and the liquidity are already here.

The impression I have is that the treasury is trying to be helpful by looking at Islamic Finance in a useful way, and that it needs to be pushed more.

Question 3:

Many Muslim-majority countries are undergoing major economic transformations - diversifying industries and modernising financial systems. How can the UK build more strategic economic and investment pathways with these rapidly evolving markets?

Lord Dominic Johnson:

We should leverage our relationships with the Commonwealth nations. The Commonwealth is a fantastic group that provides business opportunities, and intriguingly, the profitability of Commonwealth deals is higher than within non-Commonwealth countries. The reasons for this are that the language is similar, the legal frameworks and regulations are similar and so on. So for countries like Malaysia and Pakistan, for example, we should explore these relationships further.

Finance based on trust, and the relationship of trust with the UK and within those Commonwealth countries, I think, is really high, and we should make sure that we promote that.

We also need to make sure that our regulatory system allows the correct tax treatment of Islamic finance products. I can't believe it's that difficult because the people using Islamic finance are not using it as a tax dodge; therefore, the Treasury is not losing tax income. The people using Islamic finance are doing so as a legitimate way to access finance in a rolled-up coupon. I think the UK needs to find a way to adapt, and I am very keen to try and push that. The impression I have is that the treasury is trying to be helpful by looking at Islamic Finance in a useful way, and that it needs to be pushed more.

I would've thought that the London Stock Exchange (LSE) and the Financial Conduct Authority (FCA) could make more of an effort is around promoting the benefits of Islamic Finance.

Question 4:

London is witnessing growing flows of halal-certified financial, industrial, and consumer products. How can the UK's capital markets and industrial ecosystems strengthen London's role as a global gateway for high-standard, values-driven goods?

Lord Dominic Johnson:

As I've said, the UK needs to do more to leverage its existing relations and the promotion of Islamic finance services. We can do more to make the regulations around Islamic finance products and emerging FinTech is up to speed. But where I would've thought that the London Stock Exchange (LSE) and the Financial Conduct Authority (FCA) could make more of an effort is around promoting the benefits of Islamic Finance. I've never heard any of those organisations really promoting these models. So, a final point would be to get the UK regulators to do more to promote Islamic finance models.

Looking back over hundreds of years, we didn't survive by sitting doing nothing and being unimaginative, we were innovative and adapted to create the new financial structures that enable us to be a financial powerhouse

Question 5:

AI, digital assets, and supply-chain traceability are reshaping global capital. Which innovation do you believe will define the next phase of Islamic and values-based finance worldwide?

Lord Dominic Johnson:

I'm very excited about digital assets. So much so, in fact, that I have a stake in a cryptocurrency analytics firm called Block

Scholes. This provides cryptocurrency data services to institutions including hedge funds, banks and exchanges. Specifically, it offers interactive analytical tools that come with quantitative models and custom visualisation capabilities for professional traders, retail market participants and the public sector.

The reason why this is a great business and why I'm intellectually fascinated by the product they're creating is that it addresses how we're moving from a traditional financial model, where you have a bank or an exchange, to a decentralised finance model where individuals have a direct financial relationship with each other.

For example, traditionally, you go to a bank, you put money in, and you take it out. If you want to purchase something, you go to an exchange, you buy it, and you can also sell it through the exchange.

This has all changed, and future financial models need to reflect this change. Now, I buy a share from you, you transact to a foreign currency with me directly - it's decentralised finance. This is now how people transact with each other, which, from a regulatory perspective, is hard to get our heads around, so it's really important we get the regulation right.

We've seen some very timid regulation surrounding cryptocurrencies, which I've got some sympathy with because they're a pretty undefinable quantity. But stablecoin, which enables decentralised finances, is really important, and we've got to get ahead of it if we want to survive as the financial centre.

Looking back over hundreds of years, we didn't survive by sitting doing nothing and being unimaginative, we were innovative and adapted to create the new financial structures that enable us to be a financial powerhouse, and we've got to get our act together if we

want to continue. We've got to be brave and imaginative because if we don't, it's going to cost our economy.

Question 6:

London's regulatory and legal infrastructure has long been central to its competitiveness. What policy or market reform would most enhance the UK's position as a global centre for ethical and Islamic Finance?

Lord Dominic Johnson:

To remove the cap on how much you can hold in stablecoin, which the Bank of England currently have set at £20,000 per individual. Very simply, this increases the liquidity, usability and institutional adoption within the crypto trading market. As individuals, we could properly start trading stablecoin. Companies could start using them to trade amongst each other, and then you can have stabilised assets and stocks, and it would be an amazing revolution and reducing friction and costs. It would mean a better allocation of capital, more things can be invested in, or more capital can be raised to develop new ideas and give credit.

AlBaraka summit in London is a very useful event to educate people about the opportunities Islamic Finance can offer and how people can access the funding.

Question 7:

AlBaraka Forum for Islamic Economy has established itself as a global convenor connecting policymakers, investors, and industry leaders. From your perspective, how important are independent institutions like AlBaraka in shaping long-term economic dialogue, policy thinking, and international cooperation around the values-based economy?

Lord Dominic Johnson:

For me, I'm quite clear about the economy and that efficient allocation of capital should be at the core of everyone's activity. When it comes to values-based economics, I'm a bit more practical. You have people who want to have different approaches to finance, but ultimately, you're still looking for the best way to allocate money and to generate a return and money for people.

We should be looking at how to integrate all the different approaches together, to make them work together, rather than having separate sides. AlBaraka summit in London is a very useful event to educate people about the opportunities Islamic Finance can offer and how people can access the funding.

The Summit and AlBaraka Forum help raise the profile of a sector, which answers the questions people are unsure of - i.e. should they be engaging, is it right to engage, wrong to engage - and these summits act as barrier removal events. I think it is really useful and I learned a lot. I met interesting people, and I hope to come back next year.

Islamic finance is an important part of the overall economy and integrates all economic products together, and which creates more opportunities for individuals to profit. I don't see institutional banks serving the needs of people who want to access these finance models, and I think that's a problem.

What AlBaraka Forum does, is bring together a community of people who are interested in each other, gives them access to good analysis and, through the economic summit, promotes itself in the media as a mechanism for people to come and learn something new and hopefully invite a broader range of people to speak, to put on workshops and help educate the wider market.

