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Datuk Zamani Abdul Ghani
Chairman of IAP

IAP: A New Milestone in Islamic Finance

On 17 February 2016, six Islamic banking institutions - Affin Islamic, Bank Islam, Bank Muamalat, Maybank Islamic, Bank Rakyat and Bank Simpanan Nasional - launched the Investment Account Platform (IAP), the first ever bank-intermediated financial technology platform. In an exclusive interview with IAP Integrated Sdn Bhd (IAP Integrated) Chairman, Datuk Zamani Abdul Ghani on 14 December 2016, he shares the IAP's progression since its startup and how IAP has enabled SMEs, corporates, new growth industries as well as entrepreneurs to gain access to financing.

Q1 It has been IAP Integrated's vision and mission to be the leading multibank platform for Shariah compliant capital mobilisation and to provide a tech-driven avenue for fund raising and investment to support real economic growth as an internet based multibank investment portal. Tell us about the IAP's progression towards these goals since its start-up in 2016 and what are the key milestones achieved so far?

Since the IAP's official launch on 17 February 2016 by Bank Negara Malaysia's former Governor, it has been an interesting year for us.

While it has been a challenging year for the banking industry in general, given the lower financing growth and higher costs of funding, we remain optimistic on the viability of the IAP business model which:

- Redefines intermediary functions of banks to include investment intermediation;
- Enhances financing access to undeserved markets and industries; as well as
- Provides a secure investment avenue with good returns for investors.

With strong conviction on the added value that IAP brings to the table, we have been working tirelessly with our six shareholder banks to ensure that the IAP achieves its intended objectives.

In terms of milestones, Perak Transit Berhad became the first company listed on the IAP in May 2016. Sponsored by Bank Muamalat, the company successfully raised RM10 million for its working capital within 14 days. For the three-year issue rated at "bbb2" by RAM, the indicative return to investment at that time was 6.50% per annum. In early October 2016, the Ipoh-based bus company made its debut on ACE Market of Bursa Malaysia.

Later on 14 November 2016, Kobimbing (Koperasi Kakitangan Kumpulan BMB Holdings Berhad) became the first cooperative listed on IAP. With Bank Islam acting as the sponsor, Kobimbing successfully raised RM6 million from investors to fund its operation. With

an indicative return of 6.60% pa and rating of "bbb3" by RAM, the investment was for a period of five years.

On 25 November 2016, ICT Zone Ventures Berhad became the first SME to be listed on the IAP. Investors who choose this RM4 million deal sponsored by Affin Islamic stand to receive an indicative return of 6.08% per annum. For this two-year issuance, RAM accorded a rating of "a3".

These few "firsts" show that the IAP is able to attract not just SMEs but also a variety of business segments such as a non-listed company and a cooperative to raise funds via the IAP. This can only mean a wider range of risk-return profiles of the IAP's asset class to draw more investors.

The IAP also places strong emphasis on the quality of its customer experience. Internally, as the owner and operator of the multibank platform, it has begun efforts to enhance the capabilities of our portal, including the online payment gateway. Its customers can expect an upgraded and more convenient user experience from July 2017.

Q2 How do Islamic finance solutions offered by the IAP help SMEs in Malaysia?

IAP enhances financing opportunities for SMEs through expanding sources of funding beyond banks to include direct investments from individual and institutional investors. As a result, SMEs are able to benefit from:

- Greater access to financing. Investors directly assumes underlying risks associated with the investments, hence the considerations of extending financing to SMEs are influenced by the risk-return preferences of investors rather than regulatory and cost perspectives of banks;
- Alternative financing structures beyond debt financing such as equity financing. This is more accommodative for SMEs that generally have viable projects and growth potential but lack collaterals and experience; and
- Higher visibility especially for new SMEs. The IAP provides access to a broad range of individual and institutional investors, thus placing ventures within the radar of potential investors, which privilege is normally available to established companies.

Q3 How do you foresee the online funding solution platform as an efficient channel to link up the Syariah compliance funders with Syariah compliant SMEs?

SMEs that are either involved in Syariah compliant businesses or are looking for Syariah compliant financing facilities are able to derive a lot of benefits from the IAP.

Chief among them is SMEs with viable businesses



or projects are able to pitch their funding proposals up to four sponsoring banks via online application through the IAP website. They no longer have to send their funding proposals and application to one bank and then to another which may cost them both time and money.

The ability to pitch a funding proposal online simultaneously to multiple banks is something that has not been available to companies seeking funds in Malaysia. Therefore, SMEs that prefer shariah compliant financing facilities should capitalise on the availability of such online funding solution platform to do so.

Chances are the SMEs may receive calls from more than one or two sponsoring banks to meet up and if more than one bank ends up offering them the facilities, then the SMEs will be in a better position to negotiate for better financing terms in terms of pricing, security structure and drawdown terms from the banks.

Currently, there are four sponsoring banks (Affin Islamic, Bank Islam, Bank Muamalat and Maybank Islamic) that are able to list ventures on the IAP for fund raising. To ensure consistent listing of ventures in 2017 and beyond, we have plans to invite more locally-based Islamic banks to join the IAP as sponsoring banks. We believe that an increased number of sponsoring banks will be able to attract more ventures in general and the SMEs in particular to consider raising funds via the IAP.

More sponsoring banks mean more variety of Islamic contracts can be offered for structuring financing facilities to suit the SMEs different and unique requirements in various economic sectors, be it manufacturing, agriculture, trading or service-related.

Q4 How could investors and businesses join the IAP respectively? Are there any set of requirements for the respective parties? What are the processes each party has to go through?

To join IAP, investors and businesses can register themselves as IAP users. The process is very simple. What they need to do is visit our website at <https://www.iapplatform.com/> and register either as an individual or a business user.

The registration process will involve filling in some basic questions and once the registration is complete, they can view the information of the listed ventures that they are interested in investing. Likewise, they can also apply for fund raising should their company be looking to apply for financing facilities online.

Q5 What are IAP Integrated's future expansion plans?

The current focus of the IAP and its shareholder banks is in promoting not only strong but also sustainable vibrancy within the IAP marketplace. We are working towards:

- Forging strategic collaborations with relevant government agencies in promoting continuous supply of viable ventures and expanding the IAP's coverage to new growth industries; and





- Developing dedicated schemes for institutional investors to invest via the IAP.

Strategically, we need to venture beyond Malaysian borders. We have plans to provide financing for ventures or projects regionally or beyond Asian borders.

The six shareholder banks via the board members and myself agree that the IAP needs to make its mark on its home soil first.

Q6 Is FinTech playing an important role impacting financial institutions and its relevant communities?

In the Islamic capital markets, crowd funding platforms such as equity crowd funding and peer-to-peer lending platforms are making it more accessible for retail investors to fund small-scale financing or ventures. In the banking sector now, there is increased

usage of fintech to enhance efficiency in delivery and outreach, as well as to improve the quality of customer experience.

Fintech certainly offers a cost-efficient means for financial institutions in general to tap a wider consumer base and enhance their visibility in the market despite their smaller scale.

It is also instrumental in addressing stronger emphasis on product customisation and high quality customer experience which are increasingly apparent among the new generation of financial services clients.

Nonetheless, fintech serves as a means and is not the ultimate solution. Financial institutions need to leverage on the advantages of fintech in further strengthening its traditional business propositions as a trusted financial intermediary, which is the core approach we are adopting in driving the IAP business.