

Sharia innovation of the year

HSBC Amanah Wealth Management



Navid Goraya, HSBC Amanah Wealth Management

> In the conventional financial market, the insurance industry has added a real boost to the distribution of structured products. In Islamic finance, the appetite for such products has been slow to take off, at least until recently. In the past 12 months, HSBC Amanah Wealth Management (HSBC Amanah) has been busy planning its strategy for widespread infiltration of the Takaful (mutual /cooperative insurance) market with the creation of a global Takaful unit and a string of structured funds. As the only international bank with a separate Takaful unit and product range, not only has HSBC Amanah introduced a new distribution stream for Sharia-compliant structured products but it has inadvertently widened the global insurance market and brought Sharia-compliant structured products, namely Islamic CPPI funds, closer to the retail space.

While HSBC has been servicing Takaful clients in Singapore for a number of years, through the acquisition of Keppel Insurance in 2002, it was only in the last year that it made the decision to extend the unit globally by expanding into new markets like the UK and Saudi Arabia while widening its product offering in countries like Malaysia, Brunei and Singapore to include structured funds. By tapping the potential early, New York-based Navid Goraya, managing director and global head of Amanah Wealth Management for HSBC. Amanah says Takaful clients will be the HSBC Amanah's biggest client in the next five years and a substantial bulk of its offering will stem from the structured funds space.

"We used to offer unit-linked policies for Takaful clients in Singapore but recently we have moved towards offering 'secured funds,'" says Dubai-based Ajmal Bhatti, global head of Takaful at HSBC Amanah. The long-term nature, limited downside and active allocation of CPPIs, makes them an ideal structure for Takaful investment products, explains Goraya.

Apart from servicing its own Takaful business, HSBC Amanah also caters to external Takaful clients and the most important product to be picked up externally last year was a variation of the five-year HSBC Amanah Dynamic Allocation Shield Fund. This was a CPPI fund linked to a diversified equity portfolio selected from the Dow Jones Islamic Market Index and low-risk commodity Murabaha transactions (repo agreements). It offers 90% capital protection and an annual lock-in mechanism which captures a portion of the eventual gains accrued to the fund. The product was repackaged and sold to large international financial institutions such as Prudential in the UK, which offered the fund as part of its corporate pension fund range. The fund garnered between \$90 million and \$100 million in assets as a result of the asset inflow generated from Takaful clients, Goraya adds.

In October of this year, HSBC Amanah launched the Takaful Savers fund for its in-house Takaful business in Singapore. By using the dynamic allocation approach, the fund is linked to the performance of Malaysia's government bonds (Sukuk) and has a lock-in mechanism similar to that offered through the Amanah Allocation Shield Fund, Bhatti explains.

HSBC Amanah also began white-labelling products for Takaful companies in Malaysia and Brunei last year and is looking at incorporating structured products into Islamic pension fund offerings in Malaysia and the Middle East.

HSBC Amanah is also awaiting a Takaful licence in Saudi Arabia, which will see it set-up a separate Takaful company operating in Saudi Arabia, Bhatti says. HSBC Amanah will take advantage of the Middle East's booming equity markets to offer a host of Takaful wrapped equity-linked structured products that will be distributed by the 70 odd HSBC bank branches operating in Saudi Arabia. This move is crucial, as it marks an alternative and more acceptable way of selling structured funds into the Middle East.

Why HSBC Amanah Wealth Management won

HSBC Amanah Finance has tapped a new distribution stream for Sharia-compliant structured products that promises to take the industry by storm. The wealth management arm of HSBC Amanah Finance has been steadily building a host of structured funds for the nascent Takaful sector over the past year which promises to bring the Islamic CPPI structure back into vogue.