



THE MUTUAL ROUTE TO TAKAFUL

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THE CASE FOR MUTUALITY – I

THE ACADEMIC ARGUMENT

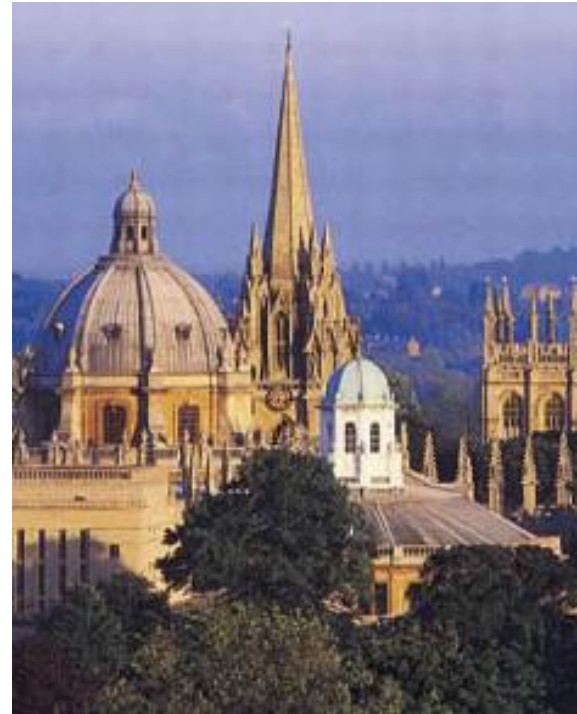
Mahmoud A. El-Gamal:

Mutuality as an antidote to rent-seeking Shari'a-arbitrage in Islamic Finance

Rice University, April 2005

Islamic Finance, Law, Economics & Practice

Cambridge University Press, 2009



THE CASE FOR MUTUALITY – II

THE PRACTICAL ARGUMENT

- Simplicity
- Transparency
- Increasing regulation of “Complex Financial Products”

THE CASE *AGAINST* MUTUALITY

- Capital constraints
 - Inability of mutuals to raise capital except through retained profits
 - Difficulty in finding re-takaful in start-up phase
- Possibility of contamination through haraam investments in existing funds

THE ANSWER: MUTUAL DEFERRED SHARES

Mutuals' Deferred Shares Act 2015

- Enabling legislation
- Tier I Capital under Solvency II
- Effectively permanent share capital
- Fully transferrable
- Restrictions on voting rights on demutualisation
- No restrictions on how investors may be remunerated (subject to Solvency II)
- One member, one vote



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