

Islamic finance in Spain



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In 2017, there has been no legislative novelty aimed at easing the development of Islamic finance in Spain. The same circumstances that make such development difficult have persisted: extra charges, double taxes, double registering and such. A remarkable fact has been the boom of foreign tourism, including from Muslim countries, which has produced a relevant increase in the concern about the Halal certification of products and services. Finally, new initiatives have been promoted in training and institutional areas, extending and expanding the knowledge of Islamic finance and its structures.

Review of 2017

The lack of a parliamentary majority suffered by the party supporting the government has drastically limited the number of new law proposals, and this situation of practical legislative paralyzation will continue in the short and medium term. Changes in the Spanish legislation aimed at easing the adoption of Islamic finance standards and schemes will have to wait. With regards to jurisprudence from the courts and interpretation of the laws by the government bodies (specifically, the Tax Authority), there has been no relevant advance for the purposes of such facilitation.

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Nevertheless, in 2017 there has been a growing concern in Spain regarding the Islamic economy in general and Islamic financing in particular. One of the main reasons has been a boom in the tourism industry, with record numbers of tourists coming from Muslim countries, especially the Middle East and Gulf areas, who look for Halal products and services. This fact, together with the growing Spanish Muslim population as well as the desire of Spanish companies to enter into new Muslim markets, has produced an increasing interest in obtaining Halal certification, which was confirmed at the Expo Halal event that took place in Madrid at the end of November.

Another reason for this growing interest is the increasing number of Spanish companies working abroad with Islamic finance schemes. Some examples include Spanish engineering and construction companies working in the Middle East and Gulf countries, Spanish banks participating in finance syndicates financing projects with Islamic finance tranches, or Spanish credit entities providing import-export guarantees that are requested from time to time to cover the risk of declaration of a facility as non-Islamic.

A direct result of all these elements is an increase in training and institutional initiatives aimed at extending the knowledge of the Islamic economy and finance in Spain. For example, the Instituto de



Empresa business school, which in recent years has been organizing an executive program on Islamic finance in cooperation with King Abdulaziz University of Saudi Arabia, has also launched a new Master in Islamic Finance and Leadership Development program in collaboration with the Islamic Corporation for the Development of the Private Sector.

Other courses and seminars on Islamic finance have been organized by the University of Almeria, the Universitat Oberta de Catalunya and other entities. On the institutional side, Casa Arabe (a public consortium led by the Spanish Ministry of Foreign Affairs and Cooperation) and SCIEF (the Saudi-Spanish Center for Islamic Economics and Finance) launched in June 2017 the Observatory of Islamic Finance in Spain, an analysis and consulting group for the knowledge of Islamic finance, grouping together experts, consultants, law firms and credit entities working or specializing in this field in Spain.

It should also be noted that the CEIEFI (the Research and Study Center of Islamic Economics and Finance), a Barcelona-based private entity, had organized in April 2017 an event titled ‘Scientific Meeting on Applied Islamic Finance’ and promoted the incorporation of CoopHalal, the first cooperative for Islamic financing services, which has launched a Takaful product for burial insurance services.

Preview of 2018

2018 will not be a year of intensive legislative activity and therefore no legal initiatives to ease Islamic finance transactions in Spain can be expected. Nevertheless, growing interest from companies is expected to give rise to new initiatives to extend the knowledge of the Islamic economy, especially in events of a multidisciplinary nature such as Medaweek in Barcelona.

Another new factor to be followed closely in Spain will be the development of Islamic banking in Morocco. The close relation of some Spanish companies with Morocco will entail, in some cases, a first contact with Islamic financing products, which will help Spanish companies to familiarize themselves with Islamic finance.

Conclusion

One can say that 2017 was a wasted year for Spain in terms of positioning itself in the Islamic economy market, but this would be a simplistic view. The growing number of public and private initiatives aimed at extending the knowledge of Islamic finance and familiarizing Spanish companies with Islamic finance reveals an increasing appetite in the Spanish market for these products, which eventually will translate into transactions in the near future. 