



Unlocking Public and Private  
Finance for the Poor

## United Nations Capital Development Fund

### Call for Expression of Interest for

### Islamic Capital Markets: FIKRA Islamic Fintech Accelerator 2021

## 1. DEFINITIONS AND INTERPRETATION

In this Call for Expression of Interest, capitalised terms and expressions shall have the meaning attributed to them below or as elsewhere defined in this document and its annexes, unless the context requires otherwise.

<b>Applicant</b>	Means a registered entity/individual/consortium applying to this Call for Expression of Interest (Eol)
<b>B40</b>	refers to income groups in Malaysia, where B40 represents the bottom 40% of income earners, M40 the middle 40% and T20 the top 20%. These groups are further broken down into tiers B1, B2, B3 and B4.
<b>Deadline</b>	Means 23:59 hours EDT on 30 June 2021
<b>Eligibility Criteria</b>	Means the eligibility requirements with which the Applicants must comply with as listed in Section 4.1 of this Document
<b>Expression of Interest/Eol</b>	Means an application submitted to the Call for Expression of Interest submitted to UNCDF within the Deadline
<b>Participant</b>	means the applicants of this Call for Expression of interested selected to be part of the cohort and the Programme.
<b>Programme</b>	Means an initiative supported by the United Nations Capital Development Fund (UNCDF), in partnership with the Securities Commission (SC) Malaysia, to develop a vibrant and more inclusive Islamic Capital Market (ICM) ecosystem in Malaysia through FIKRA, an Islamic fintech accelerator.

## 2. INTRODUCTION

### 2.1 Programme Summary

The United Nations Capital Development Fund (UNCDF), in partnership with the Securities Commission (SC) Malaysia, is working towards developing a vibrant and more inclusive Islamic Capital Market (ICM) ecosystem in Malaysia through FIKRA, an Islamic fintech accelerator



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('Programme'). The Programme is aimed at supporting Islamic fintech solutions to address the needs and participation of low-and-moderate income segment in capital markets.

The growth of Malaysia's economy has given further rise to capital market activities, including Islamic capital markets. The ICM has evolved from largely focusing on offering basic Shariah-compliant products and services as alternatives to conventional offerings, to offering comprehensive financial solutions for different market segments' needs.

Technology has emerged as a key enabler to strengthen the role of ICM in funding sustainable development needs, advancing financial inclusion agenda and accelerating the growth of sustainable and responsible investing (SRI). As the ICM landscape develops further, it presents an opportunity to create new relevant solutions as well as make ICM products more accessible to mass segments of the population.

The Programme will identify and support the growth of innovative fintech and financing solutions through structured mentorship & insights, access to a network of industry and other domain experts to enable solution development, along with relevant regulatory guidance as well as engagement with investors for potential funding opportunities. The Programme aims to address the following key challenges through tech-enabled ideas and/or solutions:

- New Islamic Capital Market Offering
- Access to Islamic Capital Markets
- Integration of Islamic Social Finance into ICM

This Programme invites applications from individuals, start-ups and other organisations including Asset Management Companies (AMCs), fund managers and financial services providers, with innovative ideas and/or solutions that are addressing at least one of the abovementioned challenges.

All applicants will go through an evaluation process at the end of which 10 applicants will be selected to form the cohort (also referred to as 'participants') of the Programme.

The UNCDF Global Centre of Financial Health<sup>1</sup> is the anchor of this Programme..

## **2.2 Why Financial Health**

Financial health encompasses three important aspects of an individual's financial life: financial security and resilience, financial control and financial freedom. The following definition of financial health captures these three dimensions:

1. The ability to meet one's ongoing commitments, now and in the future, and under adverse circumstances (financial security). The ability to meet one's commitments during adverse conditions, sustain oneself through it, and re-orient one's financial life once those conditions cease is termed as financial resilience

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<sup>1</sup> <https://www.uncdf.org/gfh/global-financial-health>



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2. A feeling of control of one's finances (financial control) and;
3. The ability to meet one's financial goals and enjoy things one values.

### 3. SCOPE OF WORK

#### 3.1 Areas of Intervention

For this Call for Expression of Interest (EOI), UNCDF invites applicants who can offer innovative and scalable solutions addressing one or more of the following challenges:

1	<b>New Islamic Capital Market Offerings</b>	<p><b><u>Challenge:</u></b></p> <p>The recent fintech developments have impacted both conventional and, the more rapidly evolving, ICM. However, the evolution of Islamic fintech has mainly been focused on providing for Shariah-compliant offerings within the broader fintech segment, with limited innovations for standalone Islamic fintech solutions.</p> <p><b><u>Objectives:</u></b></p> <p>New ideas and/or solutions into ICM that can deliver a unique value proposition according to Islamic finance principles to serve both as Islamic finance markets as well as conventional finance markets.</p> <p>These solutions areas could include (but not necessarily):</p> <ul style="list-style-type: none"> <li>• Products and services that are born from Shariah principles.</li> <li>• Risk-sharing instruments or equitable Shariah financing.</li> <li>• Services that leverage technological innovations such as distributed ledger technology, smart contracts and Internet-of-Things to make Shariah compliance and governance more effective.</li> </ul>
2	<b>Access to Islamic Capital Market (ICM)</b>	<p><b><u>Challenge:</u></b></p> <p>As the ICM landscape develops further, it presents an opportunity to make ICM products more accessible to the mass retail investors and SMEs, particularly by working towards addressing the following challenges:</p> <ul style="list-style-type: none"> <li>• Increase awareness of ICM offerings</li> <li>• Greater ease of access to ICM products and services</li> <li>• Enhance maturity and sophistication in the existing platforms/ products for wider reach</li> <li>• Develop customisation and relevant range of products for the mass segments</li> </ul> <p><b><u>Objectives:</u></b></p>



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		<p>Fintech ideas and solutions that can democratize the market with innovative products or services that will enhance accessibility and provide greater inclusivity into the ICM.</p> <p>These solutions areas could include (but not necessarily):</p> <ul style="list-style-type: none"> <li>• Increase accessibility to ICM investment products and services, especially towards wealth accumulation and preservation for the long-term that may help address concerns around the increasing low-moderate income segment and retirement / pension planning needs.</li> <li>• Improve accessibility to ICM fundraising products, especially for MSMEs that seek Shariah-compliant financing and making alternative fundraising more accessible for issuers in rural areas.</li> <li>• Enhance financial literacy, increase awareness and provide better experience in navigating ICM so investors will have more trust, knowledge and confidence to participate in the capital markets.</li> <li>• Widening range of sustainable and responsible investing instruments; increasing investor base; instilling strong internal governance structure; enhancing transparency of information on SRI products</li> </ul>
3	<b>ICM – Social Finance Integration</b>	<p><b><u>Challenges:</u></b></p> <p>Integrating new tech-enabled capital market solutions in relation to Islamic social finance instruments such as waqf, zakat and qard hassan to facilitate a wider and deeper positive impact on the society.</p> <p><b><u>Objectives:</u></b></p> <p>Ideas and solutions that can further unlock the development of Islamic social finance in ICM. Fintech and/or technology intervention can provide transparency in communication and distribution of zakat or benevolent funds across givers and beneficiaries.</p> <p>These solutions areas could include (but not necessarily):</p> <ul style="list-style-type: none"> <li>• Facilitation and integration of Islamic social finance instruments within the capital market ambit through new products and services.</li> <li>• Using <i>qard hassan</i> as a form of microfinancing by utilizing ICM to offer the benevolent loans to beneficiary without the burden of returning profit as it is a loan extended on a goodwill basis.</li> <li>• Adapting global best practices around <i>qard hassan</i> for Malaysia, including as a courtesy interest-free loan or loans for productivity in various fields to enable the borrower to start an independent life or to increase income – such as loans given to small producers, entrepreneurs, farmers and consumers in need.</li> <li>• Awareness-raising, collection and distribution of <i>zakat</i> through capital market or via touchpoints with capital market for better integration of <i>zakat</i> across the investment journey.</li> </ul>



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The examples of solutions in the identified areas of intervention are not exhaustive. The team at UNCDF is open to hear what potential applicants have in mind outside these examples as long as the scale, commercial viability and impact objectives are aligned.

### 3.2 How will UNCDF work with the Cohort

UNCDF will take a tailored approach to its engagement with the selected participants who will be identified through this Call for Expression of Interest.

UNCDF will work with each of the selected participants, throughout an acceleration process to identify business and customer needs, and helping to design, pilot and scale up the solution. Some of these engagement areas include:

- **Product research and design:** Providing inputs and expertise to better understand the customer behaviour, needs and journey - physical and financial – for better product design and use-case development.
- **Go-to-market industry linkages:** Connecting the participants with suitable market enablers and industry partners to help design, test and pilot the solution.
- **Mentoring and insights:** Providing guidance, inputs and knowledge from a network of sector and technology domain experts to help create a viable solution.
- **Regulatory guidance:** Conducting informative sessions on securities laws and regulatory frameworks. Opportunity to also receive regulatory clarification directly from the Securities Commission Malaysia
- **Access to network of investors:** Enabling introductions and linkages with the investor community to facilitate fund-raising for the solution.
- **Partnerships:** Facilitating partnerships with stakeholders – including financial institutions and non-bank financial institutions – to help grow sustainably. UNCDF acts as a neutral facilitator of partnerships with private and public organizations.
- **Policy and Advocacy:** Convening efforts to support an enabling environment and for solutions to be piloted.

In the EOI, applicants may identify and suggest areas where the technical support from UNCDF and its network is sought.

At the end of the acceleration process, the selected participants might be considered eligible to receive a financial grant by the UNCDF. A

### 3.3 Expected Results

Based on the solutions presented, participants will be required to agree on a complete list of



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results, outcome indicators and targets for monitoring achievement of different results. The indicators will be finalized based on the nature of the solution and tracked to ensure success.

Deliverables would be derived from key milestones to be agreed mutually between UNCDF and the participants during the Programme period.

In addition to the above, the following qualitative results are expected for learning and insights:

- Level of impact and/or improvement in financial health of the respective solution's target customer segment (number of customers reporting improved financial health, new financing structures or technology-enabled models implemented, along with what solution parameters led to improvement in financial health).
- Level of customer satisfaction (Includes level of engagement with the solution, challenges experienced along the solution-customer value chain, reasons for usage/non-usage etc.).
- Solution evaluation (includes milestones, scope changes, challenges faced, key takeaways, potential for scale / scale-up plans, if any).

## **4. ELIGIBILITY AND EVALUATION CRITERIA**

Only applications that meet the eligibility requirements and minimum criteria for the submission will be scored.

### **4.1 Eligibility Requirements**

#### **4.1.1 Eligibility**

The Programme invites applications from innovators or consortium based on the following criteria:

- Tech-based idea and/or solution that addresses at least one of following key challenges relevant to Islamic Capital Market (ICM)
  - New Islamic Capital Market Offering
  - Access to Islamic Capital Markets
  - Integration of Islamic Social Finance into ICM
- Individual participants (must be at least 18-years old as on the date of application), start-ups at different stages of development or other organizations including Asset management companies (AMCs), fund managers and financial services providers.
- The applicant and the proposed idea / solution must not involve any Shariah non-compliant activities, including services based on 'riba' (interest), gambling & gaming, liquor and liquor-related activities, pork and pork-related activities, non-halal food and beverages, Shariah non-compliant entertainment, tobacco and tobacco-related activities, conventional share trading and stockbroking in Shariah non-compliant securities, and other activities deemed non-compliant according to Shariah.



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- The applicants can be Malaysian or international (from other countries), who can apply independently or as a consortium.
- The solution proposed shall be targeting the Malaysian market

#### 4.1.2 Exclusion Criteria

- Applicants shall not have been the subject of bankruptcy, liquidation, judicial settlement, safeguarding, cessation of activity or any other similar situation resulting from a similar procedure.
- Applicants and any of their staff or member of their board of directors shall not have been included in the United Nations financial sanctions lists, particularly in the fight against the financing of terrorism and against attacks on international peace and security; and
- Applicants must not be involved in any of the following activities:
  - Manufacture, sale or distribution of controversial weapons or their components, including cluster bombs, anti-personnel mines, biological or chemical weapons or nuclear weapons.
  - Manufacture, sale or distribution of armaments and/or weapons or their components, including military supplies and equipment.
  - Replica weapons marketed to children.
  - Manufacture, sale or distribution of tobacco or tobacco products
  - Involvement in the manufacture, sale and distribution of pornography
  - Manufacture, sale or distribution of substances subject to international bans or phase-outs, and wildlife or products regulated under the CITES.
  - Gambling including casinos, betting etc. (excluding lotteries with charitable objectives)
  - Violation of human rights or complicity in human rights violations
  - Use or toleration of forced or compulsory labour.
  - Use or toleration of child labour.
- Applicants shall have fulfilled all the obligations relating to the payment of social security contributions or obligations relating to the payment of taxes in accordance with legal provisions in force in the country of incorporation.
- UNCDF will conduct due diligence on selected applicants. Applicants must have documents ready for confirmation that they meet the eligibility criteria including certificate of compliance with the tax authorities and any other documentary evidence that might be requested by UNCDF besides the application form.

#### 4.2 Evaluation Criteria

The Evaluation Committee will score the applications according to the below evaluation criteria:

1. Only applications that meet the eligibility criteria will move on to the evaluation stage.
2. Applications will be evaluated against the following parameters and scored from 1-10 according to each parameter. Only applications with an average score of at least 7 out of 10 will be considered successful and invited for a due diligence.



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<p><b>Degree of Innovation (40%)</b></p> <p>Is the proposed business idea or solution (including the product/service) innovative (Uniqueness/ propriety component)?</p> <p>Does the proposed idea go beyond existing practices?</p> <p>Is the solution addressing a gap in the market?</p>
<p><b>Sustainability and Commercial viability (30%)</b></p> <p>Does the solution have strong potential for commercialization, incl. profitability and/or break-even?</p> <p>What is est. market size and growth of the solution?</p> <p>Can the organization implement the solution in the given timeframe and with the existing team?</p>
<p><b>Social Impact and SDGs (30%)</b></p> <p>Is there an impact on the low-moderate income / Bottom 40% (B40) segment in Malaysia through the proposed solution? (Malaysians are categorized into three different income groups: Top 20% (T20), Middle 40% (M40), and Bottom 40% (B40) at a household level. B40 income group is a focus areas for UNCDF)</p> <p>Does the business solution support SDG achievement?</p>

## 5. AGREEMENT PARTNERS

Potential applicants shall give evidence that their solutions are aligned to the following parameters:

### 5.1 Applicants

Eligible candidates can apply as registered entity, individuals or a consortium of entities, as long as they comply with the eligibility requirements set forth in section 4.1. of this Call for EOI The candidates will be responsible for:

- i. submitting the application form, if a consortium of entities, there shall be one applicant submitting the application on behalf of the consortium.
- ii. ensuring that each partner is fully aware of the composition of the consortium and of the contents of the Application Form.

UNCDF may propose to interested eligible applicants to form a consortium after the evaluation process has been concluded.





## **5.2 Target Segment**

This EOI supports the development of fintech solutions for individual (mass), SME and other potential customers segments of Islamic capital markets in Malaysia, with a particular focus on the underserved Bottom 40% (B40) segment.

## **5.3 Geographical Scope**

Eligible applicants from any geography can apply to the programme. Nonetheless, the selected applicants shall demonstrate that their solution shall be targeting potential customers segments of Islamic capital markets in Malaysia, with a particular focus on the underserved Malaysian categorized under the “Bottom 40% (B40) at a household level. B40 income group

## **5.4 Programme Duration**

The Programme is expected to have a 12-month duration including the application period. Activities are expected to be terminated no later than May 2022. Final and assessment report will have to be submitted no later than May 2022.

## **5.5 Language**

The deliverables and any correspondence between the applicant organization and UNCDF must be in English.

# **6. SUBMISSION PROCESS**

## **6.1 Application Structure**

The applicant must submit a complete application form online through the ‘Apply’ platform (<https://www.uncdf.org/finlab/fikra-islamic-fintech>). All submissions must be completed in English. Only applications that follow the Submission Format and include all the necessary documentation will be considered.

## **6.2 Application Deadline**

All applications must be submitted by 11.59 pm EDT on 30 June 2021.

## **6.3 Selection Process**

Step 1: Eligibility screening – eligibility will be assessed by the Programme’s review team members according to the eligibility requirements as set forth in section 4.1.

Step 2: Evaluation of eligible applications by the Evaluation Committee – the Programme’s Evaluation Committee will evaluate and select 10 participants based on the evaluation criteria set out in section 4.2.



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Step 3: Due diligence – due diligence on the participants and their applicants will be conducted by the Programme’s review team members.

Step 4: Notification of applications – all applicants will be notified of the status of their applications including inviting the participants to join the programme.

Step 5: Engagement with participants to assess the market opportunity and connect with market enablers and industry partners on building their solution. This engagement could be enabled independently with the applicant or through a consortium that may be formed among one or more participants, based on the solution scoping and opportunity.

#### **6.4 Timeline**

May 25, 2021	Application window opens
Jun 25, 2021	Deadline for questions in writing
June 28, 2021	Deadline for responding to questions submitted in writing
11:59 pm EDT on June 30, 2021	Application window closes

#### **6.5 Real-time assistance from UNCDF**

For any questions on the online submission form (<https://www.uncdf.org/finlab/fikra-islamic-fintech>), queries or requests for support, send an email to [financial.health@uncdf.org](mailto:financial.health@uncdf.org).

A document answering frequently asked questions will be available at the website of this Programme from May 25, 2021, and will be updated periodically, till June 28, 2021.