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Hong Kong's Growing Role in Islamic Finance

Islamic finance gained prominence in Hong Kong's 2007 Policy Address. Key legislative changes in 2013 and 2014 paved the way for sukuk (Islamic bonds) to be taxed on par with conventional bonds, enabling their issuance under the Government Alternative Bond Scheme. Since then, Hong Kong has successfully issued three sukuk totaling HK\$23.4 billion between 2014 and 2017, reflecting strong investor confidence in the city's economic fundamentals. Amendments to taxation and stamp duty laws at the relevant time have ensured parity for Islamic financial products and qualified debt instruments, according to Mr. Amirali B Nasir, MH, JP, a solicitor who is involved in Islamic Finance advisory work and also a lecturer at the School of Professional and Continuing Education of the University of Hong Kong (HKU SPACE) teaching Islamic Finance.

Momentum in the development in Islamic finance is seen to be gathering. In November 2023, Asia's first Saudi Arabia Exchange-Traded Fund (ETF) was listed on the Hong Kong Stock Exchange (HKEX). And in November 2024, following a visit to Saudi Arabia, Financial Secretary Mr. Paul Chan noted that demand for Islamic finance in Hong Kong and Chinese Mainland was greater than previously imagined. More recently, after attending the Future Investment Initiative forum in Riyadh in October 2025, Mr. Chan reportedly suggested that Hong Kong was considering issuing Islamic bonds to fund the Northern Metropolis megaproject, as long as they are a cost-effective option, citing the city's mature legal and regulatory framework for such activities.

The HKSAR Government's addition of "financial professionals with Islamic market experience" to its Talent List in March 2025 further underscores the sector's growing importance. This move aims to facilitate immigration for experts in Islamic finance, supporting industry expansion.

Mr. Nasir anticipates Islamic finance will play an increasingly significant role in Hong Kong's fiscal system. He points to the city's high liquidity, robust regulatory environment, fair judicial system, and expert dispute resolution services as key advantages for establishing an international Islamic financial hub.

Currently, several banks in Hong Kong offer Islamic finance services, including global sukuk listings on HKEX, Islamic funds, Shariah-compliant equity indices, and Islamic banking windows. While the range of products remains limited for the time being, interest is steadily increasing.

As financial products evolve, financial disputes are inevitable. On this, arbitration is gaining attention as an alternative to conventional court proceedings for resolving Islamic finance disputes. Mr. Nasir explains that, unlike conventional court proceedings, arbitration allows parties to select arbitrators with specific expertise, agree on procedures that align with Islamic principles, and ensure enforceability of awards across various jurisdictions. This makes arbitration a potentially strong candidate to provide Shari'a-compliant solutions where conventional dispute resolution through courts may not be able to do so.



“The availability of a robust arbitration framework in Hong Kong and the easy access to international arbitration panels with expertise in Shari'a-compliant contracts – including profit-and-loss sharing, prohibition of interest (riba), and avoidance of excessive uncertainty (gharar) – provide parties with greater flexibility and a wider range of effective options for resolving Islamic financial disputes. This helps ensure that the parties' specific needs and principles can be addressed more relevantly and appropriately, than through conventional court proceedings. With a well-structured dispute resolution mechanism and growing interest from international investors, the future looks promising for Islamic financial products and services for Hong Kong.” Mr. Nasir said.

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