

# Digital Trust and Maqasid Reimagining Islamic Finance in the Age of AI and Fintech



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## Key Areas

- How do we reimagine Maqasid al-Shariah for the digital age?
- Can tokenisation and real-time screening democratise access to wealth?
- Does the "Black Box" of AI introduce new forms of Gharar?
- How do we govern at the speed of code while closing the talent gap?
- How will regional integration shape the future of the Islamic digital economy?





## The Digital Wave in Islamic Finance

### A Pivotal Juncture

The global Islamic fintech market is no longer a niche, it's a mainstream force.

#### Market Transaction Volume:

- 2021: US\$79 billion
- 2023/24: US\$161 billion  
(More than doubled in ~2 years)
- Global finance is in a period of profound disruption driven by platform economics, decentralised finance and algorithmic decision making
- Islamic finance manages assets exceeding USD 4.9 trillion and cannot remain analogue while the wider system moves to real time operation
- The industry faces a binary choice
  - Superficial digitisation that simply automates analogue processes
  - Ethical transformation that realigns financial operations with the maqasid of Shariah

## Who is Leading with Innovative Fintech Experience?

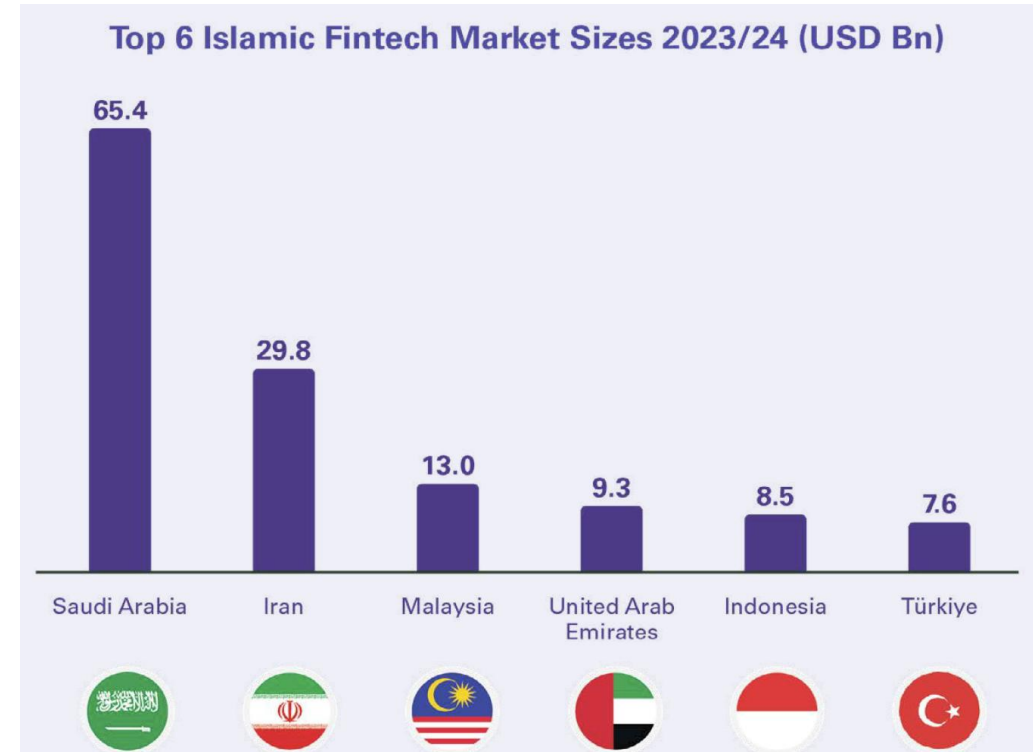
### Global Islamic FinTech (GIFT) Index 2024/25 Leaders:

- **Saudi Arabia** (New Leader)
- Malaysia
- Indonesia
- United Arab Emirates
- United Kingdom (Top non-OIC hub)

### Market Segments:

- **Dominant:** Financing and Payments are among the largest sectors.
- **Underdeveloped Frontiers:** Capital Markets, Taka-tech, and Social Finance (Zakat-tech, Waqf-tech).

**Ecosystem Growth: 490** Islamic fintech firms identified globally, up from 375 in 2021.



# Faith Approach to Finance and Technology

## Preventing Harm & Doing Good

- Removal of corruption (dar' al-mafasid) and acquisition of good (jalb al-masalih) is the premise of the Shariah

## General Permissibility

- In transactions, everything is permissible unless specifically prohibited

## Public Benefit (Maslaha Mursalah)

- *Maslaha*: al-Shatibi (d.790) defined it as: 'all concerns that promote the subsistence of human life, the completion of man's livelihood and the acquisition of all his physical and intellectual qualities which are required for him' (al-Shatibi, 1990, p.15)

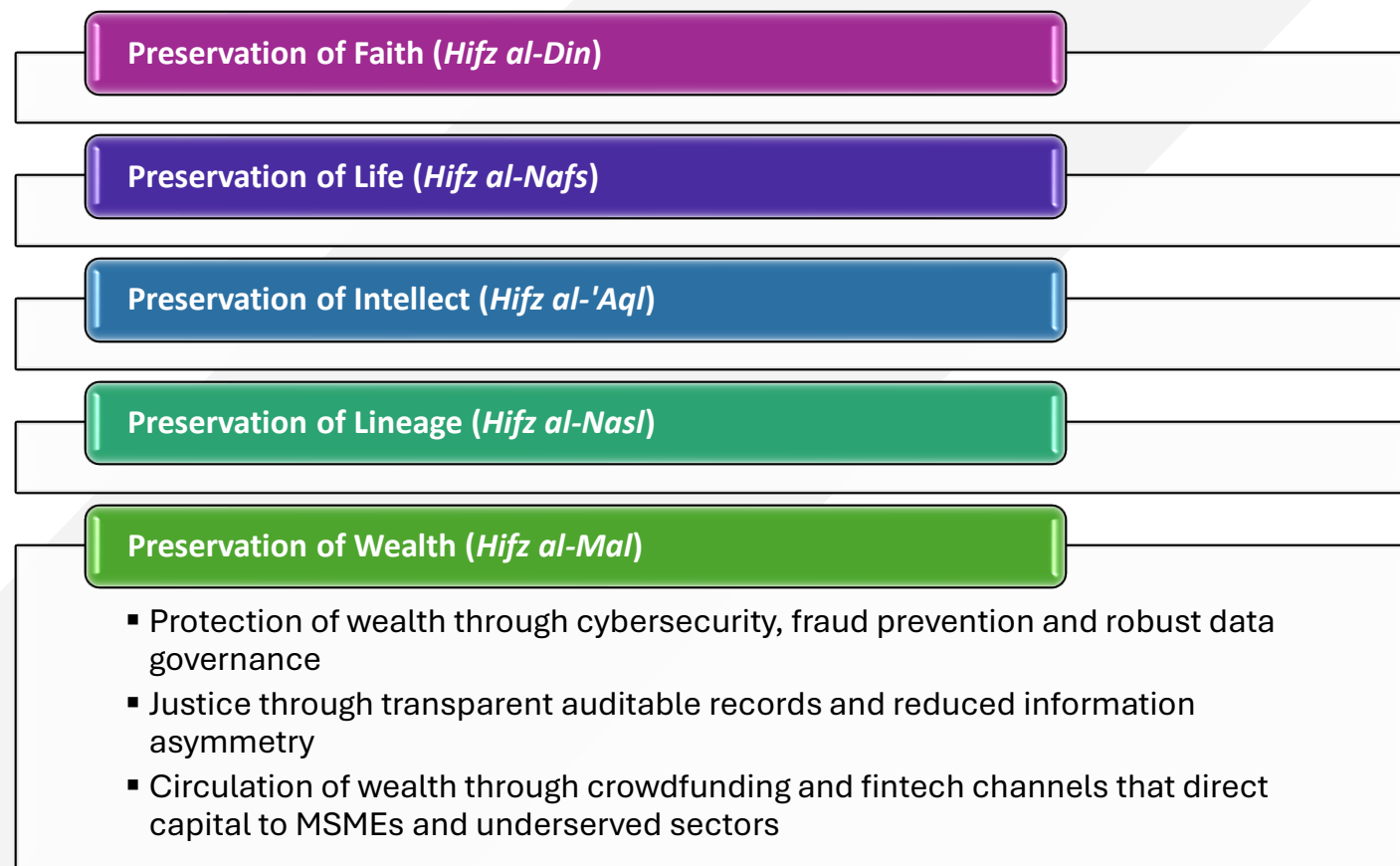
## Shari'ah, Algorithms & Dynamism

- Islamic Jurisprudence is multi-layered, with static and dynamic aspects
- Permissibility on contemporary issues are determined using an algorithmic decision-making process
- Shari'ah works with civil law and regulations, if there is no clear contradiction
- "Judgement is based on the proper knowledge and understanding of the issue"

الحكم على الشيء فرع عن تصوره

# Technology as an Enabler of Maqasid al Shariah

## Aligning AI with the Higher Objectives of Islamic Law



The ultimate framework for responsible technology use must be grounded in the ***Maqasid al-Shariah***.

For example, an AI system is only truly compliant if it demonstrably upholds these five foundational goals

## From E Banking to Platform Economics

The next wave of innovation is not just about automation, but **augmentation**.

- The system has moved beyond basic e banking into platform economics, decentralised finance and algorithmic decision making
- Competitiveness now depends on data fluidity, real time settlement and hyper personalised services at near zero marginal cost
- For Islamic finance this shift is existential and digitisation now defines future relevance



## Regulatory Framework – Brunei: Values-Driven Caution

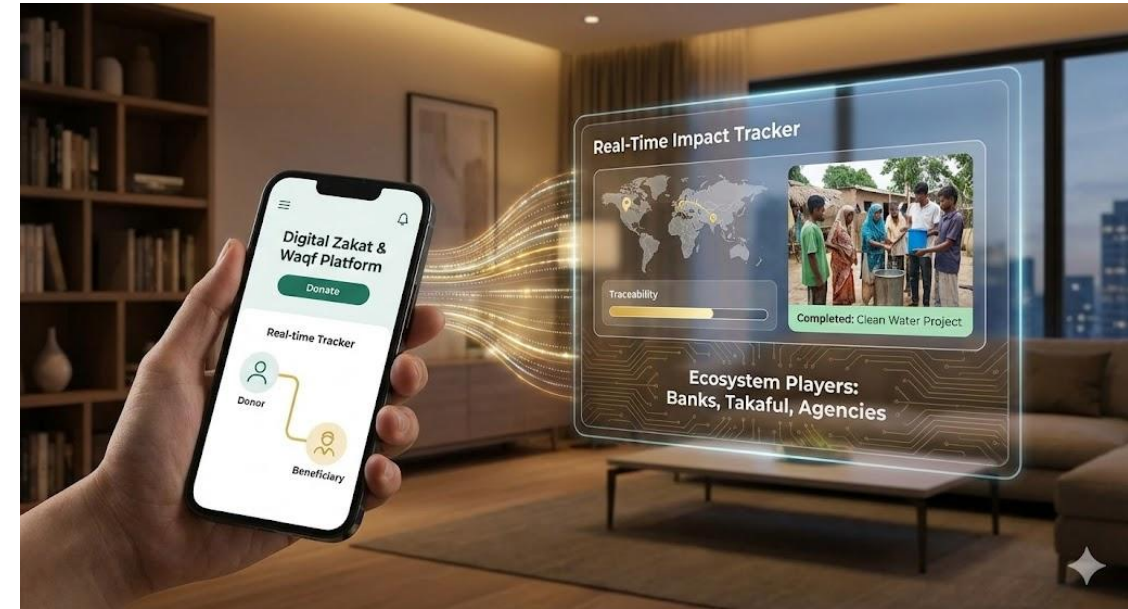
- Islamic finance assets around BND 13.3 to 13.7 billion representing around 57 to 59 % of the total financial sector and roughly 95% Islamic share in the banking segment
- Wawasan Brunei 2035 the Financial Sector Blueprint and the Digital Economy Masterplan 2025 align around a smart and diversified high quality economy
- Brunei's high Islamic market share and strong governance create an ideal laboratory for Shariah compliant digital innovation in ASEAN



# Digital Social Finance

## From Static Charity to Dynamic Impact

Banks as platforms	Islamic banks shift from balance-sheet centric models to open APIs and lifestyle-integrated services.
Digital social finance	Zakat and waqf institutions move from cash tins to platforms that provide real-time traceability from donor to beneficiary.
Ecosystem players	Banks, takaful operators, zakat and waqf agencies must redesign service delivery for a digital, trust-driven economy.





A government-backed e-wallet with a dedicated Shariah service

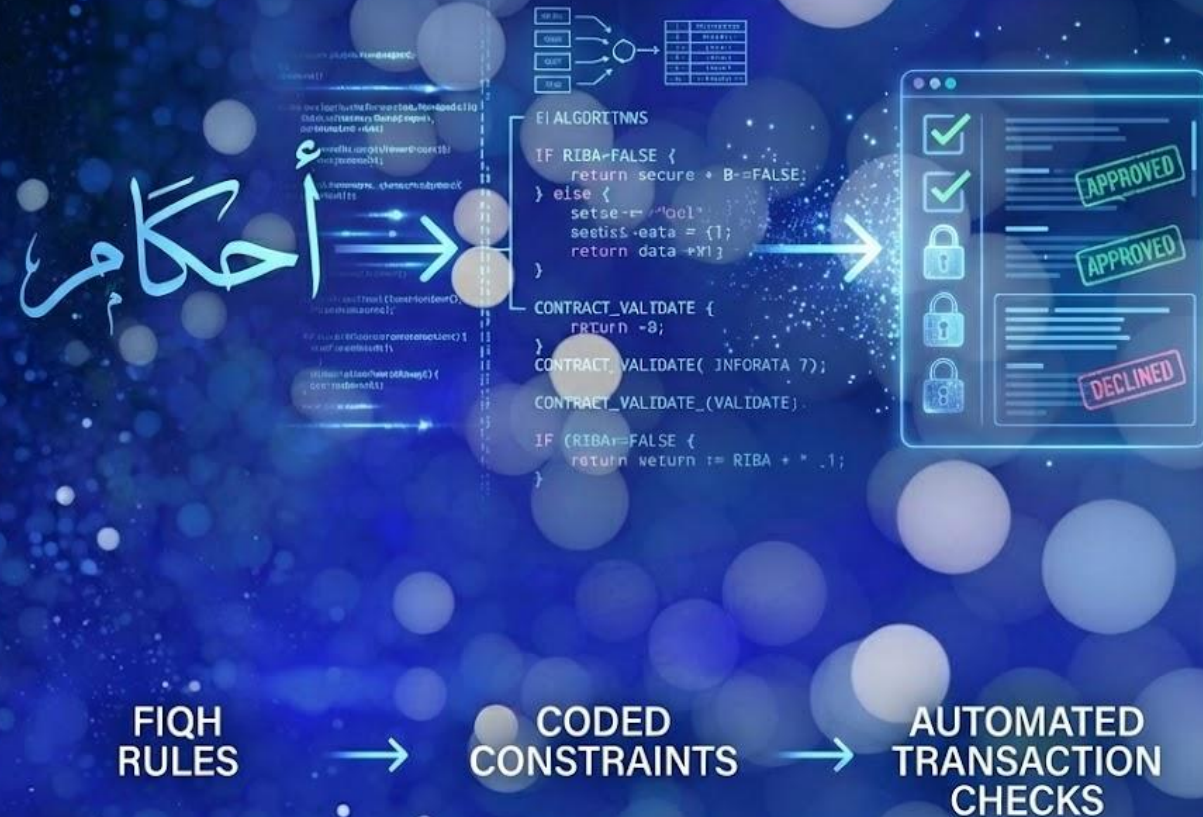
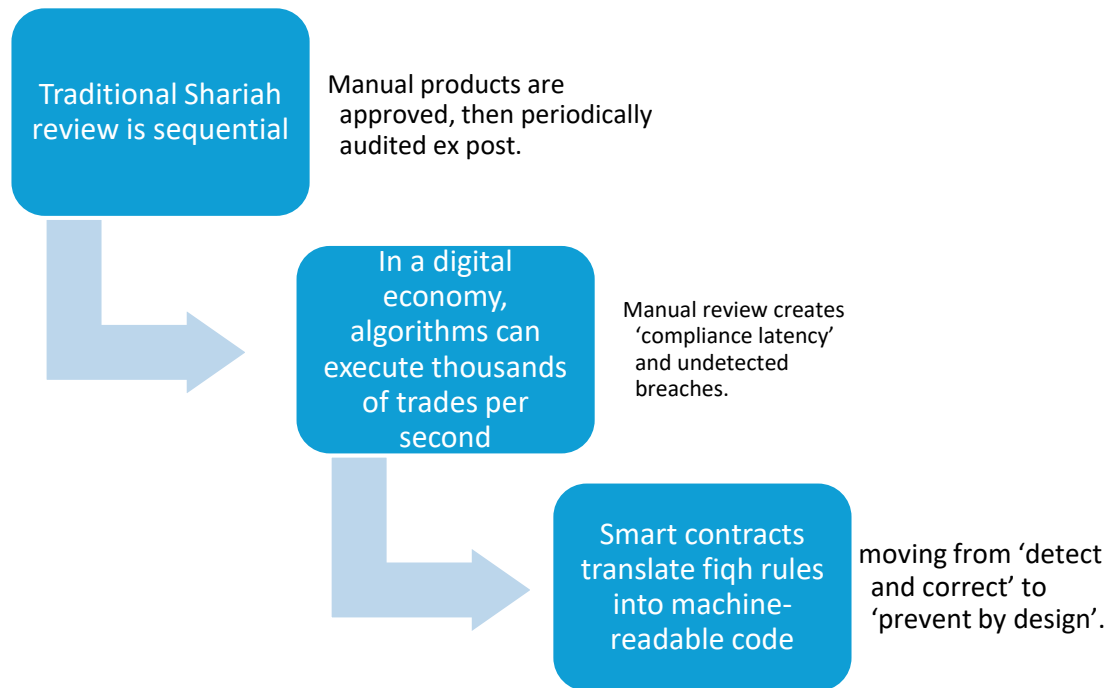
#### Features

- Payments restricted to Halal merchants
- Integrated Zakat and Waqf payments
- Acquired millions of users rapidly by integrating into the daily lifestyle of Muslims while ensuring Shariah compliance "under the hood"

## Fintech Evolution From Siloed Banks to Super-Apps

- Mobile wallets and super apps unbundle the traditional vertical banking value chain and create horizontal ecosystems
- In ASEAN e wallets have become the main financial interface for many young and unbanked users
- For Brunei similar models can enable micro savings micro investment and everyday Shariah compliant payments through a single interface

# From Compliance Latency to Embedded Shariah



# Real-Time Shariah Screening

## The Ethical Risk Scenario

- Investment platforms can connect via application programming interfaces to live exchange data and monitor financial ratios in real time
- When a company breaches defined Shariah thresholds such as excessive debt the system can flag it or automatically divest
- This supports continuous compliance and reduces reliance on periodic manual screening exercises

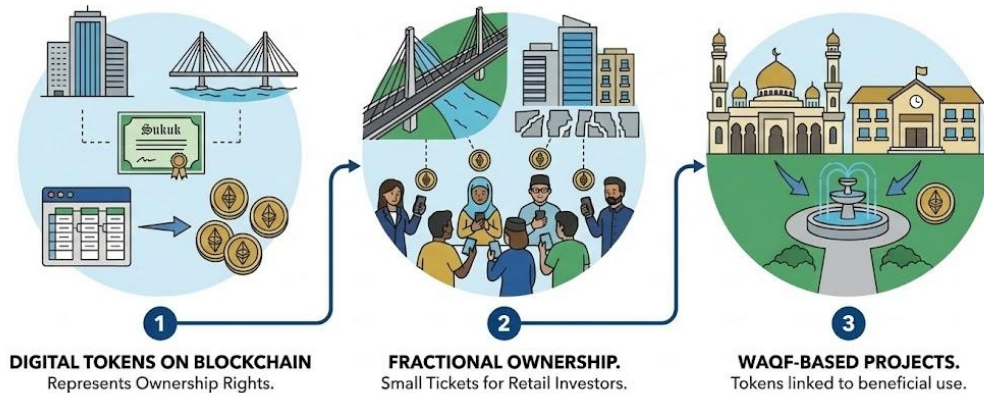


# Tokenised Sukuk and Democratization of Access



- Tokenisation represents ownership rights in assets and sukuk as digital tokens on a blockchain
- This allows fractional ownership and enables retail investors in Brunei to participate in large infrastructure or real estate projects with small tickets
- Tokenisation can also support waqf based projects by issuing tokens linked to beneficial use of waqf assets

## TOKENISATION: ASSETS, SUKUK & WAQF



## Waqf-Based Crowdfunding and MSME Seed Capital

Waqf based crowdfunding platforms can raise funds for MSME seed capital, education and social infrastructure

Combining waqf and crowdfunding allows the community to de risk early-stage projects and align social outcomes with financial sustainability

# FINANCIAL INCLUSION: YOUTH, MSMEs & THE UNDERBANKED IN BRUNEI

- Islamic fintech can use alternative data such as e commerce cash flows and utility payments to assess creditworthiness for small entrepreneurs
- Micro savings and micro investment apps may allow users to start with tiny amounts and build resilience through e-savings
- Ethically designed instalment and financing products are needed to support consumption and business investment without recreating debt traps



# Regional Integration Project Nexus and ASEAN Standards

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- Project Nexus links domestic instant payment systems so that a payment from Bandar Seri Begawan to Kuala Lumpur is completed in seconds instead of days
  - Faster cross border settlement reduces gharar around timing of payment and currency fluctuations in Islamic trade finance
  - Brunei participation in the ASEAN Taxonomy Board supports alignment of Islamic finance and green sukuk with regional sustainable finance definitions
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# Regulatory Lag and Digital Pace



- Innovation in decentralised finance, tokenisation and artificial intelligence is moving at the speed of code
- Regulation and Shariah governance still move at the speed of legal drafting and board meetings
- Brunei and ASEAN regulators need to adopt agile regulatory approaches and regtech tools to keep Shariah governance aligned with digital speed

# Closing the Talent Gap Shariah Data and Technology



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Shortage of professionals in both fiqh al muamalat and emerging technologies

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Without dual literacy, risk is being technically sound but Shariah weak or Shariah sound but technically fragile

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Brunei universities and the Mekar FinTech Innovation Centre can lead by creating research chairs and joint labs on Islamic digital ethics, decentralised autonomous organisations and smart contract enforceability

# The "Black Box" & The Shariah Imperative for XAI

## From Operational Ambiguity to Prohibited Uncertainty (*Gharar*)

### The "Black Box" Problem

- Advanced AI models are opaque, making internal logic impossible for humans to understand.
- This prevents auditing for bias or Shariah compliance.

### The Shariah Link to *Gharar*

- Operational ambiguity introduces a new and unacceptable form of excessive uncertainty (*gharar*)
- If a participant is denied a claim in Takaful for instance, by an algorithm whose reasoning cannot be explained, the principle of clarity in contracts is violated.

### The Solution: Explainable AI (XAI)

- Regulators globally are demanding transparency.
- The U.S. NAIC, requires insurers to explain how AI inputs lead to outputs.
- Explainable AI should be treated as a Shariah requirement so algorithms can be audited by scholars and regulators

# Algorithmic Bias and Adl

## Automated Denials Without Human Review

Cigna was sued for using an AI-based system called "Px Dx" to automatically deny large batches of claims without individual physician review.

The system allegedly allowed a single doctor to deny up to 60,000 claims in a month, spending an average of only 1.2 seconds on each case.

Similarly, a lawsuit alleged that UnitedHealthcare used a predictive AI model with a known high error rate to prematurely end care for elderly patients under its Medicare Advantage plans.

- Algorithms learn from **historical** data that may embed **biases** based on region, gender or socio-economic status
- If models systematically deny financing or claims to vulnerable groups for reasons rooted in biased data rather than true risk, this **violates Adl**
- Islamic fintech providers must implement **rigorous testing and mitigation protocols** so that digital systems promote justice instead of replicating discrimination



# Institutional and Policy Priorities



- Build a national Islamic digital finance framework that links maqasid, data ethics, and clear rules for digital assets.
- Run joint sandboxes where central banks, fintechs, and Shariah boards co design and test products.
- Fund research chairs and industry/university labs on Islamic AI ethics, blockchain waqf, and smart sukuk.



# Brunei Advantage and the Road Ahead

- Brunei small, well governed market makes it an ideal living laboratory for Shariah compliant fintech and digital Islamic finance
- The country can position itself as a high trust hub for regulated, asset backed and ethical digital products rather than a volume driven centre
- The long term task for Brunei and ASEAN is to digitise without dehumanising, to innovate without compromising and to connect digital speed with timeless ethical guidance



**Thank You for your kind attention**  
**Any Questions?**

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Chairman, Shariah Board IMAN Invest Singapore

Chairman, Shariah Board iConsult Africa, South Africa

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Shariah Board Member, Bank of Maldives (BML Islamic)

Shariah Board Member, Munich Re, Malaysia