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With the continuing increase in the number of Islamic banks, how do these new players differentiate themselves in order to gain a foothold in their chosen markets?

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I asked the head of product development of a newly-established Islamic investment bank the same question a few days before Islamic Finance news put this question to me.

The answer was: We don't need to differentiate as the market is big enough to absorb any new entrants at this point in time. Others may disagree, especially those in Malaysia and other neighboring countries, as the focus of Islamic banking in the far east has for long been competing with conventional banks on an economic turf rather than on Shariah grounds.

This trend has started only recently in the Middle East. With the likes of Unicorn Investment Bank and Arcapita, we are now witnessing a new breed of Islamic investment bank which are aggressive in risk-taking to a degree that many western investment banks operating in the Middle East shy to compete with. The key factors to differentiate from other banks are Shariah authenticity, quality of customer services, choice of cutting edge financial technology and real innovation and not merely copying (which some of the Islamic banks and conventional banks involved in Islamic finance are doing).