Report Week # 105

BUSINESS AND POLITICS IN THE MUSLIM WORLD

Weekly Report on Global Islamic Finance and Business in the Muslim World,

Period: Jan 31, 2010 – Feb 06, 2010.

Submitted By: Muhammad Ibrahim

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Outline

Shariah makes its first incursion into British law
Sunday, 31 January 2010

Britain and France appear to be in a race to corner the Shariah-compliant Islamic finance market. Both countries are rushing into law new regulations that will make the operation of Shariah finance easier and facilitate the issuance of corporate Sukuk. Sukuk are a broad class of financial instruments designed to replicate the economic function of bonds, but with a structure which complies with Islamic principles. Although there is an obvious appeal to the Muslim community, the Treasury spokesman said “Sukuk can be issued and bought by everyone.”

In the UK, the Treasury has laid before Parliament the Financial Services and Markets Act 2000 Order 2010 that will clarify the regulatory treatment of corporate Sukuk, reducing the legal costs for these types of investments and removing unnecessary obstacles to their issuance.

Exchequer Secretary to the Treasury Sarah McCarthy-Fry MP said: “The Government’s objectives on Islamic finance are to enhance the UK's competitiveness in financial services by maintaining the UK's position as a Western leader for international Islamic finance; and to ensure that everybody, irrespective of their religious beliefs, has access to competitively priced financial products.

“This measure is another important step in the development of the Islamic finance sector in the UK and will help to provide a level playing field for Islamic financial products in this country. It is good news for the UK economy and for our Islamic finance industry.”

Duncan McKenzie, director of economics International Financial Services London said: “The UK is the only western country to feature prominently in provision of Islamic finance and remains in eighth position with assets of $19bn in a global ranking of Shariah compliant assets by country.”

But the French Minister of Economy, Industry and Employment Christine Lagrade’s Advisor Thierry Dissaux said his country was going ahead with its own plan to adopt the Islamic financial system.

There is unease among some politicians that these plans will compromise the strict secularity of the French constitution. The government has already introduced legal and tax amendments with a view to matching the requirements of the Islamic Shariah law in terms of Islamic finance, the French official noted. In its official tax guidelines on February 25, 2009, the authority set out procedures pertaining to Murabaha Sukuk (Islamic bonds) operations in the Islamic financial system.

A spokesman for Libre Pensée, the French secularist organization, said: “Sarkozy wants to outlaw the burka but he approves this. What hypocrisy.”

Not to be left out, Luxembourg took a first step in entering the race for the Islamic financial bonanza when it published last week a new tax circular on the treatment of a whole range of Islamic finance products including Murabaha, Musharaka, Mudarabah, Istisna, ijarah, Ijarah wa Iktina and Sukuk (Islamic bonds).

Sec (http://www.secularism.org.uk/116075.html)

PPZ sees 17% rise in 2009 Zakat collection

Sunday, 31 January 2010
Malaysia: The Zakat authorities for the Federal Terriroties (FT) collected Zakat worth RM241.97 million last year, a 17% increase from RM206.26 million in 2008. Pusat Pungutan Zakat (PPZ) MAIWP also saw an increase in the number of people paying Zakat. Last year, 78,820 people were listed as Zakat payers, compared to 67,872 in 2008. In a statement, PPZ said the total Zakat collection for 2009 surpassed its RM230 target by 5%.

PPZ was established by the Federal Territory Islamic Religious Council, which is better known locally by its Malay acronym MAIWP. In terms of categories, income Zakat was the highest, contributing RM167.48 million or 69% to the total collection. This was followed by business Zakat (RM29.11 million), asset Zakat (RM25.69 million) and Zakat on savings (RM18.37 million).

At a press conference yesterday to announce the results, Minister in the Prime Minister's Department Senator Mej Gen Datuk Jamil Khir Baharom announced that the target set for PPZ's Zakat collection for 2010 is RM250 million.

Jamil, who is also MAIWP chairman, said that there were fears that the collection could take a beating due to the economic slowdown last year. On the contrary, he said the increase in Zakat collected indicated an increased awareness amongst Muslims on the importance of paying Zakat. He also noted that the Zakat authority was able to announce its results so soon showed the effectiveness of its integrated Zakat information technology system called Sistem Integrasi Zakat (Siza).

Looking at the numbers, Jamil noted that December was the most active month with PPZ recording a total collection of RM49.21 million. In 2009, 75 Zakat contributors paid more than RM100, 000, a slight drop from 81 people in 2008. There were 131 in band between RM50, 000 and RM99, 999 and 513 people for RM20,000 to RM49,999.

In his speech, PPZ chairman Datuk Mustafa Abdul Rahman said the Zakat collector had managed to rope in 18, 552 new Zakat contributors who paid RM25.52 million.

However, he also noted that 12,786 who paid Zakat in 2008 had yet to fulfill their obligations in 2009, probably due to death, change of address or that they did not fulfill the conditions to be eligible to pay Zakat.

"2010 and the following years are challenging years ahead for PPZ," he said. PPZ, set-up via a company named Hartasuci Sdn Bhd, is placed under a foundation called Yayasan Taqwa Wilayah Persekutuan and is controlled by MAIWP.

IFA (Islamic Finance Asia)

Zambia Taps into Islamic Finance

Monday, 01 February 2010
LUSAKA – Zambia is tapping into the thriving Islamic finance industry by formulating guidelines for Shariah-compliant banking services for the first time, with bankers expecting the move to accommodate Muslim clients and help the economy of the Southern African country.

"The guidelines are intended to provide a broader framework for conducting Islamic banking services in the country," Bank of Zambia (BoZ) Governor Dr. Caleb Fundanga told IslamOnline.net.

BoZ has finalized regulatory and banking framework for banks that will be offering Islamic financial services in the country.

Dr. Fundanga says the new regulations will enable people to have access to credits for capital investment from the financial institutions according to Islamic principles and without paying interest.

"In Zambia, Muslims are excluded from the banking system on account that Shariah prohibits interest."

Islam forbids Muslims from usury, receiving or paying interest on loans.

Shariah-compliant financing deals resemble lease-to-own arrangements, layaway plans, joint purchase and sale agreements, or partnerships.

Investors have a right to know how their funds are being used, and the sector is overseen by dedicated supervisory boards as well as the usual national regulatory authorities.

Fundanga says one challenge that would face the industry in Zambia is the lack of adequate guidance from Islamic scholars.

"The availability of these Shariah scholars in Zambia may pose a challenge given the small proportion of Muslims in Zambia."

According to the Islamic Council of Zambia (ICZ), Muslims constitute over 12 percent of the country's 12.5 million people.

Benefits

Experts believe that Islamic finance concept would be very beneficial to the national economy.

Chama Mwanya, a member of Zambian think-tank the Economic Association of Zambia (EAZ), says Islamic finance would help on the issue of borrowing, one factor that the Zambian financial sector has been grappling with for a long-time now.

"Lending rate is still high in Zambia making borrowing for capital investments prohibitive."

Dr. Fundanga, the Bank of Zambia Governor, hopes by introducing Islamic finance to the market and encouraging Muslims to use the system, Zambia will get a crucial push for its development.

"Islamic banking should be viewed in light of its potential to inject liquidity in the financial markets and its ultimate impact on the cost of funds as well as its ability to capture those who would otherwise be excluded from the banking system on religious grounds."

This is the first time Zambia looks into developing its Islamic finance industry.

It is taking the cue from several African and would countries which begun developing Islamic finance services to attract wealth and create jobs.

The Islamic banking system is being practiced in 50 countries worldwide, making it one of the fastest growing sectors in the global financial industry.

Starting almost three decades ago, the Islamic banking industry has made substantial growth and attracted the attention of investors and bankers across the world.

A long list of international institutions, including Citigroup, HSBC and Deutsche Bank, are going into the Islamic banking business.

Currently, there are nearly 300 Islamic banks and financial institutions worldwide whose assets are predicted to grow to $1 trillion by 2013.

Islam Online

Islamic Corporation for Development of the private sector announces joint venture with CAPITAS GROUP

Monday, 01 February 2010
The Islamic Corporation for the Development of the Private Sector (ICD) has entered into a joint venture agreement with Capitas Group, LLC, a US financial services firm specializing in developing and managing Shariah compliant finance companies, to form a management company dedicated to the global development of the Shariah compliant finance industry. The new company, Capitas Group International, will be based in Jeddah, Saudi Arabia and will combine the experience of Capitas Group in developing Shariah compliant financial services platforms with ICD's comprehensive access to Islamic finance markets.

Formed with the objective of providing Islamic finance solutions to support the growing mortgage sector in the Kingdom of Saudi Arabia as well as other OIC member countries, the firm will incubate and manage start up mortgage companies and specialty finance firms in the region by assuming management and overseeing technical responsibilities. Additionally, it will provide strategic planning and technical expertise to public and private sector institutions to support the region's growing mortgage industry.

Speaking about the new joint venture, Khaled Al-Aboodi, Chief Executive Officer of ICD said, "We are very pleased to be partnering with Capitas Group in this joint venture and believe that the new enterprise will provide innovative solutions to support the growth of mortgage finance in the region. Our long experience of operating in Islamic markets ideally complements Capitas Group's success in the field of Shariah compliant mortgage finance. Given the highly favourable market fundamentals prevailing in the region, especially in Saudi Arabia, we look forward to fulfilling the aspirations of homeowners-to-be now and for many generations to come."

"There is a huge demand for mortgage finance in Saudi Arabia and the broader region," said Naveed Siddiqui, Chief Executive Officer of Capitas Group, LLC. "Saudi Arabia's population has tripled over the past two decades and will grow 25 percent by 2020, creating a demand for housing that is estimated at more than 150,000 units a year for the next 10 years. By providing buying power to market through affordable Shariah compliant financing options, we will be able to bridge the gap between the demand for homes and developers' supply of housing units.

al-Bawaba

OFIS Islamic Finance Masters Program Made for the New Generation

Monday, 01 February 2010
Qatar Faculty of Islamic Studies (QFIS) recently held an open house, attended by in excess of 150 people including prospective students, public figures, professionals and academics. Speaking at the event, Dean Hatem al-Karanshawy emphasized the achievements of the institute, which is the first faculty to offer postgraduate degrees in Qatar and also a member of Qatar Foundation.

The Dean said the institute can accommodate diverse cultural backgrounds in terms of both faculty members and students.

He stated, “The QFIS programmes have been designed to fulfill the needs and requirements of the new generation and to meet the demands of the modern era.”

Among the programmes offered by QFIS are two diplomas in Islamic Studies and Finance, as well as four Masters programmes, one of which is in the field of Islamic Finance.

El-Karanshawy announced new scholarships and current and future programmes, as well as outlining admission requirements at the open house.

GIFM, Global Islamic Finance Magazine

Western Eyebrows Raised by Malaysian Banking Reforms

Monday, 01 February 2010
The strong commitment to transparency in Malaysia’s Islamic finance climate has been supported and encouraged by their government leading to a development of interest from the West. In October, Reuters reported that Kuala Lumpur extended a series of financial incentives to promote the rapid development of Islamic finance in Malaysia.

Already considered to be a world-leader in Sukuk issuance with over $66 billion listed, Malaysia’s Shariah -compliant securities are estimated to represent more than 75% of listed securities on the Bursa Malaysia. Perhaps not surprisingly then, the Malaysian bourse boasts of a world-leading $17.6 billion in Sukuk listed in 2009 alone.

While substantial Sukuk issues such as homegrown Petronas’s $1.5 billion listing might have been anticipated, prestigious Western nations seem to be taking harbouring a lot more interest in Malaysia.

In November 2009, for example, GE Capital issued a $500 million Sukuk, the first foreign listing on the Bursa Malaysia. In January of this year, legendary fund manager Mark Mobius of Templeton Asset Management, Ltd., publicly hinted at plans to develop a Shariah-compliant fund in excess of $100 million to be based in Malaysia.

IFR’s Islamic Finance Report recently suggested that more than just tax incentives may be driving this newfound attraction.

Set against some high profile Middle Eastern Sukuk defaults, Malaysia appears to be reaping the fruit of its efforts to maintain a transparent framework Unique to Islamic finance, Malaysia has a mature secondary market for Sukuk which, not unlike conventional Western debt markets, requires Sukuk to be rated.

With so many negative projections tempering market enthusiasm around the world, Malaysia’s rising profile cannot be attributed to mere happenstance.

More likely, the country’s efforts to secure a transparent legal framework for Islamic investment have begun to pay dividends in the form of enhanced Western attention.

GIFM, Global Islamic Finance Magazine

Islamic finance growth prospects bright

Tuesday, 02 February 2010
MANAMA: Islamic finance growth has stayed strong and will likely be brisk during the next year, according to a report by Standard & Poor's Ratings Services. "We believe Islamic finance has become a recognized and a specific segment of finance on its own with still-bright growth prospects," said Standard & Poor's credit analyst Mohamed Damak.

"We think Islamic finance is set to make further inroads in developed Western markets while Southeast Asian countries will likely fuel the Islamic finance advance in Asia in 2010. At the same time, though, we believe there are a number of important questions for which the answers are not necessarily yet clear but that may play a part in shaping the sector's future growth," he added.

"Specifically in non-Muslim countries, and especially in Europe, we consider they include the size of demand for Shariah-compliant products, regulatory and tax environments, the support of the political and financial communities, sovereign Sukuk issuance, and the possibility of a common strategy for extending Islamic finance across EU countries."

Assets of the top 500 Islamic banks expanded 28.6 per cent to total $822 billion last year, compared with $639bn in 2008, according to publicly available information.

Gulf Daily

Tamweel cuts base rate by 50bps from next month

Tuesday, 02 February 2010
Tamweel, an Islamic finance provider in the UAE, has announced a reduction in its base rate by 50 basis points to 7.9 per cent for all flexible rate products from March 1. "This reduction is in line with our constant endeavor to maintain profit rates at a reasonable level.

"We have decided to review our base rate and reduce it by 50 basis points to 7.9 per cent as per our pricing terms for flexible rate products effective March 1, 2010. All our customers who have opted for flexible rate finance will benefit from a profit rate reduction," said Varun Sood, CEO - Tamweel Home Finance Division.

On January 25, Amlak had announced a reduction of 0.85 per cent in its base lease rate from February 1.

Andrew Charlesworth, Head of Capital Markets for Jones Lang LaSalle Mena, told Emirates Business: "Any base rate reduction should be helpful because it will increase affordability and potentially the attractiveness of ownership versus renting.

"However, it is not just the cost of borrowing, but the availability of mortgages which will have an impact. Reduced borrowing rates will also increase disposable incomes generally, which will be helpful to the wider economy."

Asked if Islamic banks/mortgage companies were likely to cut mortgage rates, he said: "We would expect other banks may review their rates to remain competitive. However, as lending remains quite restricted, this is by no means a certainty."

This newspaper had reported earlier that some of the commercial banks had started to lower mortgage interest rates.

Abu Dhabi Commercial Bank (ADCB), Mashreq, RAK Bank, Standard Chartered and Dubai Islamic Bank (DIB) had already taken the initiate in the past two months, Chris Dommett, CEO, John Charcol Middle East, had said.

He had said 2010 would be a "year of cautious growth" for the mortgage lenders.

"People with stable employment and a decent salary with low debt, obtaining a mortgage will be relatively easy. For others such as the self-employed, lenders will continue to remain cautious to lend and are likely to provide low loan-to-values (LTVs)," he had said.

Business 24-7

Focus on the Little Guy Could Boost Islamic Banking in Indonesia

Tuesday, 02 February 2010

Indonesia central bank has recently embraced new regulations for Islamic banking, which it sees as key to building on last year's strong economic growth. In a country that is home to more than 200 million Muslims, the potential for expansion is enormous, although Islamic finance still accounts for a small part of the country's financial market.

Over the past six years Islamic banking has averaged 36 percent annual growth in Indonesia. But its $7 billion in assets makes up only 2.5 percent of the country's total banking sector.

Banking analysts say unclear regulations on banking that conforms to Islamic law and pervasive corruption have kept investors away from Indonesia.

The central bank, Bank Indonesia, wants that to change. It has drafted a blueprint that includes expanding Islamic lending to small and medium-sized enterprises, scrapping a tax law that imposes extra costs on Islamic banking transactions and improving risk management.

Under Islamic law, charging or paying interest is banned, as are investment in businesses that Islam finds unacceptable, such as liquor companies.

Some financial experts say Islamic banking principles, which limit the use of sophisticated derivatives and require transactions to be backed by real assets, could prevent the excessive leverage that undermined the global financial system two years ago.

Bank Indonesia senior bank researcher Dadang Muljawan says those characteristics helped convince the government to develop its dual-banking system. "The Islamic bank can survive very well the economic crisis. This is maybe what has been seen by the Indonesian government as an opportunity …. If we have two systems that can work together and then if one goes bust - I hope not - the other one can sustain," he says.

That does not negate the need for better supervision. The system still requires proper supervision. "Jokingly we sometimes say that we can't say Islamic banks are too holy to fail … it's not the magic word," he says.

Bank Indonesia expects more banks to enter the Islamic market after April, when the new tax law takes effect. Research head Dhani Gunawan says the central bank also hopes to draw in foreign investors to increase the funds available for infrastructure projects and for small and medium-sized businesses. "Islamic banks are focused on small and micro-financing, more closely with real sector financing, so it will support the economy," he says.

If Indonesia is to meet the central bank's goal of seeing Islamic banking account for 10 percent of the market by 2015, it will have to look for high-profile investors, especially in China and the Middle East.

But Dadang says Islamic banks in the country need to focus on the small customers. "We have to also give sufficient attention to micro-finance. Why? Because well, maybe 40 percent of the Indonesian community will still need financial services - capital, bank financing. Most of them are still un-bankable (cannot access banks), they have the potential to produce something, but they need capital for them to be more efficient, to start a business," he says.

This is where domestic banks can help. B.S. Kusmuljono is a bank executive and chairman of the national committee for microfinance empowerment. He wants to expand an existing system that extends up to $500 in credit to small entrepreneurs, mostly farmers looking to develop their production. "Our aim now is to eradicate poverty and to train as many people as possible to be entrepreneurs. That means the borrower should have a capacity building process. He has to be educated to be a businessman," he says.

But that requires training and added oversight to monitor lending to more than 40 million business owners. Kusmuljono says that may be part of the reason Indonesia has not seen more growth in Islamic finance. "We see that the development is not what we expected 10 years ago. We thought it would grow rapidly. But we are optimistic that the Shariah banking will take an important role because most of the banks in Indonesia have a Shariah affiliate," he says.

Many conventional banks in Indonesia have opened Islamic banking units, as a way to enter the market.

For now, the focus will remain on building small and medium-sized businesses in the financial sector. But there is hope that improved regulations and new government measures could see Indonesia grab a bigger slice of what the central bank says is a $900 billion global market for Islamic banking.

VOA

Citi wins top honours for Islamic finance deals

Tuesday, 02 February 2010
Citi has won in three categories at the recently announced Islamic Finance News Deals of the Year 2009. Citi won the Sukuk Deal of the Year; Corporate Finance Deal of the Year and Turkish Deal of the Year awards.

Islamic Finance News, the global Islamic finance news provider, has supported the Islamic Finance Deals of the Year since its inception five years ago.

Citi was recognized for its work on the following projects:

- GE Capital's inaugural $500 million 5 year Sukuk issue (Sukuk Deal of the Year)

- Petronas's debut $1.5 billion 5 year Sukuk (Corporate Finance Deal of the Year)

- Ozkan Demir Celik Murabaha Syndication (Turkish Deal of the Year) – Won by Citi for the fourth year in a row.

"The Awards by Islamic Finance News speak volumes for our progress in the past few years," said Atiq ur Rehman, chief executive officer for Citi's Middle East Division, based in the UAE.

Citi Global Islamic Banking operations were established in 1981 in London and in 1996 Citi became the first international financial institution to set up a separately capitalised Shariah - compliant subsidiary, Citi Islamic Investment Bank.

Trade Arabia

Philippines to miss Islamic finance boom in Asia this year

Tuesday, 02 February 2010
DEBT WATCHER Standard & Poor's said Islamic finance growth will stay strong this year, as demand for financial products that comply with Islamic or Shariah law continues to increase with Southeast Asia driving expansion. An official of the lone Islamic bank in the country, however, said the Philippines would not be participating in this development, since the focus of the Al-Amanah Islamic Investment Bank of the Philippines remains informing the public about Islamic banking and crafting rules that are consistent with its unique characteristics.

Maharlika J. Alonto, head for accounting and finance at Al-Amanah said: "This type of banking is an alien notion to the public. [They don't know the difference] between Islamic banking and the conventional one."

"We still have to iron out the taxation and regulatory framework," she added.

Unlike traditional banks, Islamic banks do not charge interest, which the Koran prohibits. They earn by acting like an equity investor to its borrowers by forging partnerships, lease-to-own deals and similar arrangements.

Bangko Sentral ng Pilipinas officials were not immediately available for comments.

Ms. Alonto added Al-Amanah focus now is also on stabilizing its operations after incurring losses for several years.

"We haven't really talked about expansion yet. Our primary focus is really refurbishing and rebranding the bank," she said.

"[Compared to other Islamic lenders in the region] we are lagging but we are very optimistic because with the cash infusion of DBP [Development Bank of the Philippines], we are being introduced as having enough capital again," she added.

"These are baby steps, but God willing, our financing products that are Shariah compliant will be available this year."

Ms. Alonto said Al-Amanah plans to lend out up to P400 million this year mostly in Mindanao, where eight of its nine branches are located.

Standard & Poor's said Islamic banking sustained its growth last year even as most of world's financial systems were trying to contain the negative effects of the global financial crisis.

The debt watcher said assets of the top 500 Islamic banks expanded by 28.6% to total $822 billion by the end of 2009, compared with $639 billion at the end of 2008.

“We believe Islamic finance has become a recognized and a specific segment of finance on its own with still-bright growth prospects,” said Standard & Poor’s credit analyst Mohamed Damak in a statement.

“We think Islamic finance is set to make further inroads in developed Western markets while Southeast Asian countries will likely fuel the Islamic finance advance in Asia in 2010.”

He pointed out; however, there were issues to be settled in order to further its growth.

“Specifically in non-Muslim countries, and especially in Europe... they include the size of demand for Shariah-compliant products, regulatory and tax environments, the support of the political and financial communities, sovereign Sukuk issuance, and the possibility of a common strategy for extending Islamic finance across EU countries,” he said.

DBP gained control of Al-Amanah in 2008 after buying the holdings of the national government, state pension funds Government Service Insurance System and Social Security System and individual investors.

Al-Amanah was formed by virtue of Presidential Decree No. 264 issued by then President Ferdinand E. Marcos to serve the banking needs of the Muslim community.

It has been operating as a commercial bank since 2006 but will revert to Islamic banking in 2013, which is the end of DBP’s five-year development plan for the bank.

Bworld (http://www.bworldonline.com/main/content.php?id=5541)

Experts pitch for Islamic banking in India

Friday, 05 February 2010
NEW DELHI: With the global financial crisis putting the spotlight on "casino capitalism" of the West, leading scholars and experts from the Arab world on Thursday pitched for interest-free Islamic banking as a solution and its introduction in India, home to the world's largest Muslim minority.

Tracing the genesis of the global meltdown to "greed and unscrupulousness" of financiers and speculators in the West, Umar Chapra, adviser Islamic Development Bank, Jeddah, said the crisis resulted from "excessive and imprudent lending."

"Islamic finance puts emphasis on equity and justice. Islam discourages debt and the charging of interest on debt," Chapra said at an India-Arab conference, organized by the Indo-Arab Economic Cooperation Forum and Institute of Objective Studies.

Chapra stressed that under the Islamic system, financial capital is deployed for creating development in society and is consistent with the principles of Islamic law (Shariah) which prohibits the payment or acceptance of interest for the lending and accepting of money respectively.

Pitching for Islamic banking in India, Abdul Azim Islahi of Islamic Economics Centre, King Abdul Aziz University, at Jeddah, pointed out that some of the earliest research on Islamic banking came from scholars at Osmania University in Hyderabad and Allahabad University in Uttar Pradesh.

Monzer Kahf, consultant of Islamic Banking and Finance in Qatar, agreed and said; "Islamic finance is not Islamic; it belongs to all of humanity," he said.

India is keen to attract investment from oil-rich Gulf countries in its burgeoning infrastructure sector and is, therefore, looking afresh at proposals for introducing Islamic financial services in the country.

Recently, K Rahman Khan, deputy chairman of Rajya Sabha, India's upper house of parliament, had told the Financial Times that the ruling Congress Party is proposing reforms to the finance ministry, the Reserve Bank of India and Securities and Exchange Board of India to allow for the introduction of Islamic financial services.

A large number of around 150 million Muslims in India prefer to stay away from commercial banks due to religious proscriptions against interest.

Making a case for Islamic financial products in India, Shailendra Kumar, CEO of Eastwind Capital Advisors, said that before the meltdown, most of the funds from the Gulf were going to the US, UK and Malaysia. Now, after the meltdown, India, the world's second fastest growing economy, is seen as a safe investment bet in the Gulf, he said.

Many companies from the Gulf are wary of investing with gambling or alcohol companies, activities proscribed by Shariah.

Speaking at the seminar, Minister of State for External Affairs Shashi Tharoor Wednesday called for greater FDI into India from the Gulf region, which has around $3-4 trillion disposable revenues.

The values of interest-free Islamic banking are finding greater recognition. China, which has around 80 million Muslims, recently gave its first licence for Islamic banking to the Bank of Ningxia.

AIBIM, Association of Islamic Banking Institutions Malaysia

Khaleeji Commercial Bank participates in the 'Future of Financial Markets During 2010' conference

Monday, 01 February 2010
Khaleeji Commercial Bank participated in the Leaders’ Summit Conference held in India during the period 14-17 January under the title "Future of Capital Markets During 2010". It was represented by Husam Saif, Head, Treasury and Capital Markets. During his participation, Husam submitted a working paper entitled "The Increasing Importance of Islamic Finance," in which he dealt with the role of Islamic finance in developing leading projects in the Far East, and how to employ it in the service of different sectors, particularly amid the global economic crisis. Husam's working paper also discussed the factors that caused Islamic finance institutions to be less effected by the consequences and effects of the financial crisis.

This is due to the compliance of the activities of these financial institutions with the principles of the Glorious Islamic Shariah based on transparency in dealing with different parties and fairness in the appropriation of returns among all investors.

Leaders Summit Conference is considered one of the most high profile economic events with 60 speakers include prominent executives and decision-makers from different countries of the world taking part.

The conference was also attended by more than 200 leaders of various financial institutions. Participation in this event was only made upon personal invitations extended to leading personalities from around the world.

Bi-ME

Islamic Bank to float B55bn in bonds

Tuesday, 02 February 2010
The Islamic Bank of Thailand plans to float 55 billion baht worth of Islamic bonds in the local and overseas markets this year, says bank president Dheerasak Suwannayos. He said the bank hoped to raise 5 billion baht from a local Islamic bond issue in the second quarter, the first issued in the Thai market.

Another 50 billion baht in funds would be raised as a sovereign bond issue in the international market by the third quarter.

"We hope to raise funds from the petrodollar market, using interest in basic infrastructure investments and funding from Islamic infrastructure funds," Mr Dheerasak said.

The Islamic bonds would be issued in strict compliance with Islamic law, with investor returns projected at 3% to 4% per year. Bonds would be offered to individual and institutional investors.

The Finance Ministry and the Revenue Department are in the process of drafting regulations to remove tax obstacles related to the issue of Islamic bonds, including tax liability from the transfer of assets to a special purpose vehicle typically used in Islamic finance structures.

The Islamic Bank posted a net profit of 334 million baht in 2009, a sharp increase from profits of 2.08 million the year before.

Outstanding deposits stood at 41 billion baht at the end of last year, more than double the year before. Outstanding credit showed similar growth at 38 billion baht at the end of December, up from 16.7 billion the year before.

Net assets for the bank at the end of 2009 were 45.2 billion baht, compared with 23.8 billion the year before.

Mr Dheerasak said the bank, also known as I Bank, expected to reach net assets of 100 billion baht by the end of the year, with outstanding deposits of 78.7 billion and credit of 88.7 billion. Profits are projected at 668 million baht, double last year's figures.

He said the bank would require additional capital to reach the growth target. The Finance Ministry has already approved a plan to raise paid-up capital for the bank to 9.87 billion baht from 3.48 billion now.

"But at the end of the day, I Bank is not solely oriented on generating profits, but also helping society as well," Mr Dheerasak added.

For instance, the bank diverts a portion of its late-payment fees to a special fund to assist the poor. I Bank is also helping credit card borrowers refinance loans as part of a broader government programme to address the problems of low-income debt.

Bangkok Post

BSN Set To Be Lead Bank in Islamic Banking

Tuesday, 02 February 2010
KOTA BAHARU - After 36 years in operations since Dec 1, 1974, Bank Simpanan Nasional (BSN) is set to be the lead bank in implementing Syariah-compliant Islamic banking system in the country. Taking on a new yet dynamic role this year to introduce the system nationwide in stages, the community bank wants to complement government's plan to make Malaysia a pioneer nation in Islamic banking system.

It is determined to support and execute various action plans drawn up to develop the Islamic banking industry.

The latest initiative taken by the bank is to set up two branches as pioneers of Islamic banking system at Taman Bendahara in Pengkalan Chepa and at Jalan Kelantan in Kuala Nerus, Terengganu.

BSN General Manager and Chief Executive Datuk Adinan Maning said opening a branch in Kelantan was yet another effort by BSN towards developing Islamic banking system besides providing access to Syariah-compliant financial products and services to the public.

BSN had taken the step forward to set up branches that provide Islamic banking transactions, an initiative by the bank to be a contributor to a more integrated and competitive Islamic banking industry, he told BERNAMA.

Besides Pengkalan Chepa, BSN started Islamic banking transactions in its Kuala Nerus branch on Dec 1 last year, he said.

BSN, with 400 branches nationwide currently, pioneered Islamic banking transactions in 1994 with only two products -- Simpanan Wadiah and Al-Mudaharabah, said Adinan.

In tandem with Islamic finance industry's rapid growth, he said BSN's financial products and services developed progressively.

To date, he said, BSN had introduced various Syariah-compliant products from easy banking and financing to complex investment banking and financing. Other products are housing loan and Bai' Bithamal Ajil, an asset sale and purchase contract that provides for installment payment under an agreed repayment period, he said.

Adinan said BSN also provides i-VISA and MASTERCARD Al Aiman credit card services which operate on Syariah principles.

The Mudharabah Scheme has been expanded with the introduction of BSN Ahsan, a Syariah-complaint fixed-deposit savings scheme, he said.

In line with BSN plan to promote and enhance its diverse Islamic banking products and services, Adinan said the bank intends to open another 20 branches that fully operates on Islamic banking principles.

As part of efforts to expand its vision, the bank had launched Islamic banking advertisements on 10 buses plying the routes in Kuala Krai, Tanah Merah, Bachok, Pengkalan Kubur and Kemumin, he added.

BERNAMA

Islamic Finance Helps Gulf Banks' Brand

Tuesday, 02 February 2010
The growth of Islamic finance in recent years has contributed to the increase in Gulf banking brand value, says a new report.

According to the 4th edition of the Brand Finance Global Banking 500, an annual review of the top banking brands in the world, the Middle East region constituted 2% of total global brand value as of 31st December 2009. The report measures companies by both brand value and strength as of that date.

The report also found that the banking sector has begun to show tangible signs of recovery, with the 500 most valuable banking groups on Earth growing by 62% in terms of market capitalization. Their brand values are shown to have increased cumulatively by 49%.

GIFM http://www.globalislamicfinancemagazine.com/news_list.php?nid=343

Shariah banking gains footing in Kenya

Wednesday, 03 February 2010
NAIROBI, Kenya: As evidence that Islamic banking is gaining firm root in Kenya, Barclays Bank of Kenya has introduced two more Shariah law compliant financing products. The introduction of La Riba Personal Finance and La Riba Vehicle Finance products will see customers get financing of up to Sh1 million with no interest charges.

Barclays Bank Managing Director Adan Mohamed said on Tuesday that the demand for such products has been on the rise given the large Muslim community locked out of borrowing products due to conflict with their religion.

“Our Shariah board committee has been hand-holding us to make sure we do the right thing that does not conflict with the practice of financing and the Islamic faith,” Mr Mohamed said.

Both products are modeled around the Murabaha mode of financing which entails a cost plus profit. In this case, Barclays Bank will buy the goods customers may want, take possession of them and sell it to the customer at a higher price representing the cost plus profit.

“It is not a loan given on interest but sale of a commodity based on price and an agreed profit,” Mr Mohamed explained.

Customers can purchase goods worth a minimum of Sh50, 000 and up to a maximum of Sh1 million. Barclays Premier Life and Barclays Premier customers can access goods worth Sh1.5 million and Sh4 million, respectively.

According to Mr Mohamed, both products are also open to non-Muslims and are accessible at all Barclays Bank branches. Barclays Kenya has partnered with Nakumatt Holdings, CMC and DT Dobie to offer their goods to customers.

Repayment is facilitated through a monthly standing order from the customer's source account. The repayment periods are flexible and up to five years.

While revealing the bank would be venturing into similar lending products, Mr Mohamed said they would take a cautionary approach, as there is still lack of sound policies governing Shariah Banking.

Industry players have in the past called on Central Bank of Kenya to set up a Central Shariah Supervisory Authority to oversee Islamic banking in Kenya.

Islamic banking remains a relatively green concept in Kenya with Gulf African and First Community being the only fully fledged Shariah Banks.

Capital
http://www.capitalfm.co.ke/business/Kenyabusiness/Shariah-banking-gains-footing-in-Kenya-3736.html

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First Islamic banking studies center to be established in UAE

Wednesday, 03 February 2010
A center for Islamic banking and finance will be established at American University of Sharjah (AUS) as a result of an AED 30 million endowments given by Sharjah Islamic Bank (SIB), according to a Memorandum of Understanding (MOU) signed between the two organizations at a special ceremony held today at the AUS campus. Based at the AUS School of Business and Management (SBM) is envisaged as a center of excellence that will serve as a focal point for instruction, research and outreach activities in this field at both the regional and international level.

Speaking on the occasion Mohammed Abdallah, Chief Executive Officer (CEO) of Sharjah Islamic Bank, said that the establishment of the center will contribute in enriching the education and research at AUS as envisioned by His Highness Sheikh Dr. Sultan Bin Mohammed Al Qassimi, Supreme Council Member and Ruler of Sharjah.

He noted that the center also aims to conduct academic research in the field of Islamic banking and finance as well as cater to the increasing demands of the marketplace for qualified graduates in this field.

He stated that this MOU is part of the bank's strategy to establish partnerships with institutions that are working to play their part in the development of the UAE and its nationals.

"This endowed center indicates the Sharjah Islamic Bank's commitment to exposing students to banking and finance based on Shariah principles," said Dr. Peter Heath, Chancellor of AUS. "Generations of students will benefit from the new educational Center, which will help strengthen our students' ability to meet the challenges of tomorrow while retaining the core values and practices of Islamic finance. Students and professors at AUS will be able to contribute significant research on the continued growth and advantages of Islamic banking," he added.

WAM/ES/AM
http://www.wam.ae/servlet/Satellite?c=WamLocEnews&cid=1264322511187&pagename=WAM/WAM_E_Layout&parent=Query&parentid=1135099399852

UK-based Pak bank launches Islamic deposits scheme

Wednesday, 03 February 2010
LONDON, (APP)-A UK-based Pakistani bank has launched its Islamic deposit products to cater to the needs of both the business community as well as individuals interested in conducting their economic activities in accordance with the tenets of Islamic Shariah .United National Bank which was created in 2002 and is now a joint venture of United Bank Limited, a major share holder with 55 per cent, and National Bank of Pakistan which has 45 per cent stake.

The management is under the control of United Bank Limited now owned by the UK's richest British-Pakistani businessman Sir Anwar Pervez who also has other extensive business interests in Pakistan.

These deposit products are 90 Days Notice Deposit account and Fixed Term deposits for six months and one year and are based on Mudaraba structure, a permitted Shariah mode.

Speaking on the occasion, UNB CEO Mansoor Khan said London has emerged as a global hub for Islamic Finance and a huge market potential exists in the UK market for Islamic products.

He further said the bank is focusing on the South Asian Muslim community and have set them as their initial target market for these products.

"Predominantly over a one million people are clustered across the UK and the philosophy behind launching their products is a belief that savings play a vital role in managing future needs."

"The people generally try to save a portion of their income with a view to protecting themselves from future financial hardship and also to enhance their earnings for their benefit and the benefit of their family," said Mr.Khan.

Explaining further, he noted most of the Muslim community does not believe in accepting interest (Ribah) as it is prohibited in Islam and therefore tend to keep their savings in current accounts or in the shape of cash at home or in their lockers.

He said the UNB Islamic deposit products will provide them an opportunity to invest their surplus funds in the new scheme to protect their capital and earn purely “halal” profit with no fear of interest.

Setting out future strategy of the bank, Mr.Khan said this will be based on introducing new technology such as debit cards and internet banking. “We intend to bring in the new technology across all our British branches by the end of this current year.”

The CEO said though UNB is not competing with other major UK high street banks, yet it knows its target market and hope to do well in selling the new products.

The bank has branches in London, Birmingham, Bradford, Glasgow and Manchester. He spoke of the hugely successful remittance scheme launched by the bank which delivers free, secure next day cash payment in Pakistan at over 700 UBL branches.

Atif Bukhari, President, UBL, and Board Director, UNB, who flew in especially from Karachi for the launching of the Islamic deposit product, told the media that UNB was already offering Ijara Mortgages to its customers and has booked a sizeable portfolio.

UNB, he added, has taken the lead to offer a complete Shariah compliant solution where the customers will have peace of mind that their money has been invested in a sound product and they are sharing profit not interest.

The marketing head of the bank Mir Muhammad Akhlaq said the Islamic products are also very attractive to the general public by virtue of their product features and benefits.

Ehsan Mani, a bank Director and Aamir Karachiwala, Chief Controller, also spoke on the occasion, and said the deposits generated through these products will be utilised in the bank’s existing Ijara mortgage product.

App
http://www.app.com.pk/en_/index.php?option=com_content&task=view&id=95513&Itemid=2

Jordan Dubai Islamic Bank launches operations

Wednesday, 03 February 2010
Dubai Islamic Bank (DIB) announced today that its Jordanian subsidiary, Jordan Dubai Islamic Bank (JDIB), has officially launched its operations through its first and main branch located in Amman, the Jordanian capital. The branch has opened its doors to its first clients, following a high-profile launch ceremony held under the patronage of Samir Al-Rifa’i, Prime Minister of the Hashemite Kingdom of Jordan, and Dr. Umayya Toukan, the Governor of the Central Bank of Jordan, as well as government ministers and senior public and private-sector officials.

JDIB is focused on offering innovative Islamic banking products and solutions of international standards that meet the needs of corporate and retail clients. JDIB seeks to create a banking solutions system compliant with Islamic law in a modern economic environment, stimulating the demand for such services in the Jordanian market.

The launch of the bank's first branch in Amman, Jordan, will be followed by an aggressive expansion of its operations across the Kingdom, including the planned opening of a total of 10 branches by the end of this year. The progressive launch of the branch network will also be supported by the launch of a number of innovative Islamic financial products, which will be launched over a period of time in line with the bank's overall strategy. The launch of operations of JDIB also signals DIB's focus on expanding its presence internationally.

"We are extremely pleased to announce the launch of operations of JDIB, which will provide a full range of Shariah-compliant products and services to clients across the Kingdom," said Abdulla Al Hamli, Chief Executive Officer, Dubai Islamic Bank.

"The launch of JDIB further underscores the importance of increasing our international footprint," he said. "As part of our global growth strategy, DIB intends to aggressively identity further expansion opportunities in underserved markets."

JDIB is a public shareholding company with a capital of US$70 million, resulting from the conversion of Industrial Development Bank (IDB) into an Islamic financial institution. IDB was re-launched as JDIB following the completion of a private placement of 26 million shares. DIB and Jordan Dubai Capital (JD Capital) jointly own a 52 per cent stake in JDIB. Apart from being a shareholder in the bank, DIB also has a management contract to convert, restructure and establish the business.

Sami Afghan, Chief Executive Officer, Jordan Dubai Islamic Bank, said: "The bank's entry into the Jordanian market heralds a new era of Islamic banking in the Kingdom. JDIB is focused on adding value to our customers, shareholders and the Jordanian economy at large, and is committed to further developing the Islamic banking sector through world-class products and international service standards."

"The formation of JDIB has been made possible thanks to the significant efforts and vision of His Excellency Samir Al-Rifa'i, Prime Minister of the Hashemite Kingdom of Jordan," said Ismail Tahboub, Acting Chief Executive Officer, Jordan Dubai Capital. "We would like to further acknowledge the strong support of our founding partners, as well as the ongoing support provided by the Central Bank of Jordan, the Securities Commission, and the Ministry of Industry and Commerce."

Founded in 2005, JD Capital is a Jordanian company focused on investments throughout the Kingdom and managing assets in excess of US$1.5 billion. JD Capital's unique strategy is founded on the premise of unleashing Jordan's full economic potential by targeting opportunities in key sectors while also leveraging public-private partnerships through its three main verticals:

Jordan Dubai Energy & Infrastructure, Jordan Dubai Financial, and Jordan Dubai Properties. JD Capital maintains a distinctive edge by interacting with the local community to ensure solid contributions towards making a positive difference.

al-Bawaba
http://www.albawaba.com/en/countries/Jordan/260396

UAE banks need up to $6.8 billion injection

Wednesday, 03 February 2010
DUBAI - Noor Islamic Bank chief executive has called on the UAE government to inject up to 25 billion Dirhams ($6.8 billion) into the country's banks, highlighting that the banking sector is not yet out of trouble, daily newspaper the National reported on Tuesday. “The banking sector in the UAE needs continued capital injection,” Hussain al-Qemzi was quoted as saying in the newspaper. “I can say we need another dirham 20 billion to dirham 25 billion.”

UAE media reported this week that the central bank is expected to order lenders to increase provisions for bad loans, a move that will further constrict lending. However, banks need cash to revive lending to consumers and business.

The country's central bank has already injected120 billion Dirhams to help UAE banks since the financial crisis hit the region in 2008, the National reported.

National Bank of Abu Dhabi, the emirate's largest lender by market capitalization, said on Monday that its fourth quarter net profit fell 13 percent to 429 million Dirhams as more provisions for bad loans weighed on earnings.

Maktoob
http://business.maktoob.com/20090000429126/UAE_banks_need_up_to_$6_8_bln_injection/Article.htm

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Sharjah Islamic Bank spreads its wings to international markets

Wednesday, 03 February 2010
Sharjah Islamic Bank (SIB) has moved into international markets through partnerships and acquisition of companies in Turkey, Europe, Malaysia, the Gulf and other Arab countries. CEO Mohammed Abdullah said the bank has enough liquidity and it will expand further in the Gulf and examine opportunities that have not been impacted by the financial crisis.

Asked how the performance of Islamic banking compares with that of conventional ones, he said Islamic banks are built on more solid ground. But he urged both Islamic and conventional banks to consider diversifying their investment portfolios to help minimize the negative impact from the collapse of any sector.

He said the reason SIB managed to record 12 per cent profit in 2009 was that it had diversified investments. "Our investment portfolio cover industrial, trade, shipping, aviation and property sectors and the property sector represents no more than 20 per cent of our investments. We finance only 60 per cent of the value of a property.

"In addition, since the bank is a risk-sharer our policy was to take into consideration, when setting a mortgage rate, a probable reduction in property prices. I can say we are in a safe position with regard to current property prices." Abdullah said the bank would never take a defaulter to court, adding: "We had a few default cases and we rescheduled the installments. The main principle of Islamic banking and finance is caring about society and people's welfare and ensuring economic and social development. We do not take harsh actions."

Asked whether the bank had considered reducing its mortgage rates, he said: "Since the beginning of the crisis the bank has reduced rates whenever it was considered necessary."

Regarding profit rates on deposits, he said the bank did not specify rates in advance but based them on year-long performance and end-of-year results. "Some Islamic banks do specify profit rates on deposits, but we do not do that and rates are based on performance."

Business 24-7

Al Baraka in key finance agreement

Thursday, 04 February 2010
Al Baraka Islamic Bank has signed a MoU with Blue Water Investment Company to finance customers seeking to buy properties from the company. 'Since its launch of our Taqseet product, which was designed to finance the different consumer, housing and investment needs of our customers, it has been met with high demand and widespread acceptance in the local market,' said Al Baraka Islamic Bank director and chief executive officer Mohamed Isa Al Mutaweh.

'The signing of the memorandum of understanding with Blue Water Investment Company is perhaps further evidence of this popularity.'

He said the bank had designed the Taqseet mortgage finance to meet such needs by offering a finance amount up to BD500,000 ($1.3 million) for a period of 25 years at very competitive profit rates compared to other banks.

Blue Water said that they were pleased with the co-operation with Al Baraka Islamic Bank because it enjoyed an excellent reputation in the local market in providing high quality banking services.

Trade Arabia News Service

Bank Saves Brunei's Distressed Credit Crunch Victims

Thursday, 04 February 2010
Bandar Seri Begawan - Brunei's largest Islamic bank is to come to the rescue of the financially distressed public in the country. In the wake of the credit crunch that has come down hard on many households in Brunei, some measure of financial relief has been provided from the country's largest local Islamic banking group, BIBD At-Tamwil Berhad.

The bank yesterday stated its readiness "to assist and balance customers' short-term and immediate needs to get access to financing, whilst at the same time, build up their future savings".

This savings measure comes as a result of the recent issuance of several directives from the Ministry of Finance, through its Financial Institutions Division, to curtail excessive lending amongst Bruneians. In 2005, a cap on personal lending was issued, as well as the recent directive on credit card lending.

In addition, the monetary authorities have also issued directives on minimum nonperforming accounts (NRF) provisioning requirements and Basel II capital adequacy ratio requirements. Further down the line, BIBD At-Tamwil Bhd has also acknowledged the benefits of setting up of a credit bureau that may be introduced soon to effectively curtail excessive lending.

"All these industry reform efforts are commendable and should be given credit," a press release stated.

The bank is playing its part in heeding His Majesty the Sultan and Yang Di-Pertuan of Brunei Darussalam's call for financial institutions to offer more ways for their customers to save and offer a long-term solution to the problem of poverty and Al-Gharimin (debt-ridden) in the country.

"This is why we introduced the 'My Real Savings Account' product in August 2008," explained Irwan Lamit, General Manager of BIBD At-Tamwil Bhd, before going on to explain that the account "offers simple, practical and actionable advice to our customers".

By saving just a minimum of$15 per month, BIBD At-Tamwil Bhd would assist its customers to save by providing free standing instructions, whereby savings would be automatically debited from one's salary and credited into one's savings account, which automatically lends credence to the fact that the higher the savings, the higher the monthly Hibah (dividends) that will be credited to the account.

"This is the only product of its kind in the market," Irwan pointed out. "I believe that customers who have saved their hard-earned money over a long period of time will not just spend it wastefully. If you buy your dream 'stuff' from your own long and hard-earned savings, you will tend to appreciate it more than if you get it on instant gratification. When a customer has a personal emergency and makes a withdrawal from their 'My Real Savings Account' to solve their problems, they would have first-hand appreciation on the importance of savings."

The philosophy behind the saving account is simple. According to BIBD At-Tamwil Bhd, "It's a win-win business proposition." The company gets to earn reasonable profit on financing, its customers get to save for their future needs and the company will share the profit with depositors by giving monthly hibah. "Our Muslim customers will also have peace of mind since the Hibah is Syariah compliant and they can spend it freely without hesitation."

To date, more than 8,000 of BIBD At-Tamwil Bhd's customers have opened 'My Real Savings Accounts' with "regular monthly savings average balance close to $2,000 each". BIBD At-Tamwil Bhd hopes to increase this number to 15,000 customers by year's end, to 35,000 customers by 2013 and 50,000 by the end of 2016.

"With minimum monthly savings of $15 per month, even if you earn $500 per month, you will still be able to afford it," advised Irwan Lamit. "Some people may say that $15 per month is too little, however, this balance will still build up over time. The point is not wealth accumulation," he stressed, "but to build one's future security by having enough emergency funds."

The press release went on to list out exactly how this new savings account would help its customers save money by spending. "On average, our customers save roughly between $50-100 per month. For a customer who saves $100 per month, by the time their car financing is settled in seven years time, they would have saved close to $10,000, including all compounding Hibah that is credited monthly."

This savings account is indeed one of the real and practical ways that BIBD At-Tamwil Bhd is trying to inculcate to its customers towards appreciating the value of money. But in order to make an even greater impact in denting the credit issue, the issue has to be tackled right at its source, which is why BIBD At-Tamwil Bhd is also setting its focus on the future generations of the country. "We look to the cascading effect where children see their parents save and they will too. In the long term, these simple saving habits will have significant and quantifiable impact on our community," said the general manager.

He gave another example by citing that if BIBD At-Tamwil Bhd has 50,000 customers that save regularly and that each customer has three dependents, "we would have helped 200,000 Bruneians indirectly and this is our long term corporate social responsibility objective to help our people to be financially independent in the long term". Ideally, Irwan said, one should save approximately six to eight times his/ her monthly income, which he pointed out, was the average time to look for a new job. "However, by the end of 2013, we aim to have an average savings of $5,000 per customer and grow incrementally from there onwards."

He went on to emphasize that this is the beauty of Islamic banking, "where all transactions and activities must be fair and equitable for all parties". This is what BIBD At-Tamwil Bhd is doing to the best of its abilities to achieve. Furthermore, "the central tenet of Islamic banking is that it must be anchored on real economic activities and not on speculative monetary activities, which was the cause of the recent global financial crisis". As Islamic banking is based on real economic activities, the growth of Islamic banking will also contribute to the growth in the country's gross domestic product, "again a win-win business proposition for everybody".

Brudirect
(Courtesy of Borneo Bulletin)

Kuwait Finance House to grow retail banking business

Friday, 05 February 2010
Kuala Lumpur - At a recent sales rally held in Kuala Lumpur, Kuwait Finance House (Malaysia) Berhad (KFH-Malaysia) announced its plans to grow its retail banking business. The rally, which was attended by branch and sales teams from all over Malaysia, also gave recognition to the top performers.

"Retail and Consumer Banking will be playing a key role in 2010 and beyond. There is a growing demand for a "back to basics" approach to bank products and services - our current range of retail deposit and financing products has always been simple and straightforward and that is appreciated by many," announced Mr. Ab Jabar Ab Rahman, Deputy Chief Executive Officer of KFH-Malaysia.

Currently, KFH-Malaysia range of Islamic banking products and services include deposits and investment accounts, home and personal financing as well as Priority Banking services to address the needs of mass affluent and high net-worth individuals who seek steady rate of returns on their investments.

KFH-Malaysia is a member of the KFH Group, one of the world's largest Islamic banking institutions with a diverse range of products and services, including full-scale corporate and investment banking, commercial banking, retail and consumer banking and asset management.

KFH-Malaysia entered the Malaysian market in 2005 focused on growing its Corporate and Investment Banking business. In such a short time, KFH-Malaysia has firmly established its own reputation in Malaysia with its innovative financing initiatives with renowned local corporations such as Air Asia, KL Sentral, Pavilion, among others.

"Retail Banking will be a key engine of growth for KFH-Malaysia moving forward. We will steadily increase our retail banking product and services range to include others that will be sure to excite the market," concluded Mr Ab Jabar.

Zawya
http://www.zawya.com/Story.cfm/sidZAWYA20100204083733/Kuwait%20Finance%20House%20to%20grow%20retail%20banking%20business

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SUKUK (ISLAMIC BONDS)

Saudi-based IDB eyes $5 billion Sukuk issues

Wednesday, 03 February 2010
CASABLANCA: The Saudi-based Islamic Development Bank plans to issue Islamic bonds, or Sukuk, worth a total of $5 billion over this year and the four following years, its president said on Tuesday. "We hope that we can mobilize $1 billion every year beginning in 2010 and for a period of five years," IDB President Ahmed Mohamed Ali told Reuters.

The planned Sukuk would beef up the capability of the triple-A lender to allow it to increase lending to soften the impact of the global financial and economic crisis on some of its 56 member countries, many of them poor states in Africa, he added.

"We plan to raise $1 billion every year and for five years from 2010. The issue would be Sukuk and the maturity is normally for five years," Mohamed Ali added.

"The Sukuk will be issued on the capital market and open for all investors in Asia and Europe and elsewhere," he said.

The IDB has granted more than $56 billion in loans to poor member states over the past three decades, including $4.8 billion in 2008, according to the latest figures.

"The board directors of the bank had demanded that it increase its financing to its member countries affected by the crisis. To have these resources, we will go to the market and raise more financial resources," he said.

The IDB plans to expand lending to its member states by 30 percent in the three years to 2011.

"Our growth will be by 30 percent in 2009 and the following years of 2010 and 2011 as ordered by our board of directors to assist some of our members who had been affected by the crisis," said Mohamed Ali.

He was speaking on the sidelines of a conference about the bank's leading role in financing projects by private sector investors in Morocco.

HIGHER PROFILE

IDB was not affected by the impact of the financial crisis on global markets because it had doubled its capital in 2005 long before the crisis hit.

"We could manage in the context of this crisis even if some of our member states were affected ... What happened became a blessing for us. The IDB is resilient and was able to increase its operations to help member states," he said.

In the past, foreign investors had been reluctant about Islamic financing because of its nontraditional business features but the mood shifted for the better, he said.

"In the past, the price of borrowing by us was higher but not recently and not now. Investors understand and appreciate the bank's health especially after it won AAA grade from the three main rating agencies in the world," he said.

"From now on, we can go to the market and the prices would be normal and our member states would benefit from these prices when we grant them loans," he added.

As an example of the Bank higher profile on the market eh cited the oversubscription of IDB's $850 million Sukuk last September.

"We asked for $850 million and we got $2 billion of offers. We expect more borrowing and the price would be lower," he added.

In September the IDB sold $850 million Sukuk which was priced at 40 basis points over mid-swaps. (Reporting by Lamine Ghanmi; Editing by James Dalgleish)

Reuters

Pakistan May Sell as Much as $1 Billion of Bonds

Friday, 05 February 2010
Pakistan may offer as much as $1 billion of bonds and resume selling state assets in the coming months, Finance Minister Shaukat Tarin said, as the government forecasts a widening budget deficit amid rising war costs. “We have made all the arrangements and we will conduct road shows in the next couple of months,” Tarin said in an interview in Singapore. The government may sell about $500 million each of euro-denominated and Islamic bonds, totaling no more than $1 billion, he said.

The country will try to sell state assets in the fiscal year starting in July after pausing for the past two years because of market conditions, he said after meeting investors to update them on Pakistan’s economy.

Pakistan’s budget deficit may widen to 5.3 percent of gross domestic product against a target of 4.9 percent in the year ending June 30 because of higher spending, including the cost of fighting militants in tribal areas, Tarin said on Jan. 27. The country was forced to turn to the International Monetary Fund for a bailout to avert defaulting on its debt in 2008.

"A global bond offering from Pakistan may be more feasible in a few months as global economic conditions improve," said Asad Farid, an economist at AKD Securities Ltd. in Karachi. "The risk premium is very high so it's better for the government to opt for funds from donors rather than the markets."

Bond Sales

The cost of protecting against Pakistan defaulting on its bonds will probably fall from current levels as the government begins to market more debt, Tarin said.

Vietnam raised $1 billion from its second global bond sale last week, offering higher yields than lower-rated Philippines and Indonesia, amid the busiest start to a year for global borrowing by developing nations since 2005. Developing nations from Turkey to Slovenia sold more than $14 billion in overseas bonds so far this year, compared with $24.7 billion at the start of 2005, according to Bloomberg data.

Pakistan also plans to introduce a value-added tax to boost revenue in the next fiscal year, Tarin said. The state's revenue targets are "intact," he added.

The country sold local Islamic bonds worth 14.4 billion rupees ($170 million) in September. Islamic law, or Shariah, bans the payment and receipt of interest, prohibits investment in businesses tied to gambling and alcohol, and stresses profit- sharing.

Foreign Aid

The IMF on Aug. 8 agreed to increase a loan to Pakistan by $3.2 billion, after the nation was forced to turn to the Washington-based lender for a $7.6 billion bailout in November 2008. Pakistan is expecting $2.2 billion of aid and loans from the U.S. and Japan before June 30, which may help bridge the government's financial gap, Tarin said last week.

The Friends of Democratic Pakistan, an aid group that includes the U.S., U.K., Japan and Saudi Arabia, may provide $1.4 billion to $1.8 billion to Pakistan in the current fiscal year ending June 30, Tarin said today.

The group was formed in 2008 to provide help to the nation at the forefront in the fight against terrorism. The group pledged $5.3 billion in aid in April.

The South Asian nation war against Taliban guerillas in the country's northwest is taking a toll on businesses and the economy. More than 3,000 people were killed in terrorist attacks in Pakistan last year, according to the Pakistan Institute for Peace Studies in Islamabad.

Growth Forecast

Economic growth in the 12 months ended June 30, 2009 cooled to 2 percent, the slowest pace in eight years. The $168 billion economy expanded an average 5.5 percent in the five years through June 2009.

GDP may expand 3.4 percent this fiscal year, Tarin said today, reiterating an earlier government forecast. That's lower than a World Bank estimate for a 3.7 percent expansion. The lender predicts a 3 percent growth rate in the next period.

The State Bank of Pakistan kept its benchmark interest rate unchanged at 12.5 percent on Jan. 30 amid accelerating inflation, after reducing the rate by 2.5 percentage points from April to November last year.

Pakistan aims to bring interest rates lower when inflation eases, which won't happen "in the next couple of months," Tarin said. Inflation will average about 11 percent this fiscal year and 6 percent to 7 percent the following year, he said.

Consumer prices rose 10.52 percent in December, the most in four months. The inflation rate may climb further after the government last month raised power tariffs by 14 percent and increased gas prices by as much as 18 percent to help contain its budget deficit.

Foreign Investment

Foreign direct investment may total as much as $5 billion in the next fiscal year, including asset sales by the government, Tarin said.

The government expects investment to continue to be focused on industries such as telecommunications, energy and banking, Tarin said. Broad-based investment in the economy is probably "still a few years away," he said.

Pakistan's existing commercial banks may expand further into Islamic banking because of demand for such services, Tarin said. "Islamic banks will continue to outperform other commercial banks," he said.

Bloomberg

TAKAFUL (ISLAMIC INSURANCE)

Insurers jostling for family Takaful licenses

Sunday, 31 January 2010
Keen competition is expected between a number of local insurers to land the two family Takaful operator licenses up for grabs, with some insurers already hiring key people to boost their chances.

Industry sources say as many as eight insurance companies are already at various stages of their preparation to lobby for the licenses.

The players are showcasing their worth to get a foot into the lucrative market which saw a total income of RM2.83 billion in 2008, more than double the RM1.22 billion just four years earlier. "Some of them are going about it as if they are sure to land the license. This has made some people at the central bank a little uncomfortable," said one Takaful executive.

Based on conversations with industry players and previous announcements, among the insurers keen on getting the family Takaful Operators license include country's largest life insurers Great Eastern Life Assurance (Malaysia) Bhd, American International Assurance Bhd (AIA Bhd) and Manulife Holdings Bhd.

In a recent interview, Malaysian Takaful Association Chairman Datuk Syed Moheeb Syed Kamaruzaman said players keen to get the license will have to present a strong business plan.

"That would be the uppermost on Bank Negara agenda - to make sure that Malaysian Takaful is exported and flourish aboard."We hope that the two companies who will get the license will pave the way to the other companies," he said.

Right now, according to another Takaful executive, except for Takaful Malaysia who has full operations overseas, the others have not been able to put in place a plan that will take them abroad.

As part of the announcement on the liberalization measures for the financial sector announced in April 2009, it was announced that Bank Negara Malaysia (BNM) would issue two new licenses for Islamic banking with a minimum paid-up capital of US$1 billion and up to two new licenses for family Takaful.

In its statement in April 2009, BNM said the new family Takaful operator will be registered under the Takaful Act 1984 and will have a minimum issued and paid-up capital of RM100 million.

In assessing the merits of the applications, the first criteria adopted is that the applicant must be a reputable regulated institution or a shareholder of a reputable regulated institution The second reads as follows: "The applicant must demonstrate, through a comprehensive business plan, that the proposed new licensed institution to be established in Malaysia or the foreign partner intending to acquire equity interest in an existing domestic Islamic bank, needs to have necessary expertise and resources that can tap the global Islamic financial market and contribute to reinforce Malaysia's position as an international Islamic financial hub."

The winners will join other Takaful players like Syarikat Takaful Malaysia Bhd, Etiqa Takaful Bhd and Takaful Ikhlas Sdn Bhd.

Takaful Malaysia, which already has a presence in Indonesia, has been invited to provide technical support to a financial institution in the Middle East and is considering the move as a stepping stone into the West Asia region, its group managing director Datuk Mohamed Hassan Kamil said in November 2009. The company has about 34 branches in Indonesia and about 56 branches locally.

Asked if the existing Takaful players are concerned with more new players, Syed Moheeb said that from the industry perspective, the penetration rate for Takaful is only at 7% compared to conventional insurance which is at 30%.

"There is enough business for everyone. The more important thing is that we need to get more people joining Takaful. Currently, the rural market is very much left untapped," he said.

IFA (Islamic Finance Asia)

Takaful Industry to See Steady Growth

Wednesday, 03 February 2010
KUALA LUMPUR: The Takaful industry will continue its steady growth momentum this year in line with the expansion of the industry globally which has seen an annual growth rate of 25 per cent the past few years.

The industry is in a strong position to increase further in an environment of stronger economic performance projected for 2010, said Malaysia Takaful Association chairman Datuk Syed Moheeb Syed Kamarulzaman.

"The efforts and commitment by industry players focusing on customer service with a stronger marketing strategy will enable further growth in the industry," he told Bernama in an interview recently.

The combined family and general Takaful sector is estimated to have recorded 15 per cent growth or RM3.0 billion in premiums last year over RM2.7 billion recorded in 2008, Syed Moheeb said.

He said due to strong interest in Takaful both among Muslim and non-Muslim customers due to growing awareness about Syariah insurance will bring more positive impact to the sector.

"The industry will benefit from the growth trend in family Takaful products such as saving, education and investment-linked products," he said.

Syed Moheeb, who is Takaful Ikhlas Sdn Bhd president and chief executive officer, said industry players should consider in keeping the premium at affordable rates in order to create better demand for Takaful products. This will enable businesses and families in society to have access to insurance protection.

He said companies should also create a more sustainable environment for the recruitment, training and human capital development in the effort to bring new blood into the industry.

"We are facing new challenges in the industry, in terms of attracting quality talents who can understand the Takaful landscape in line with Syariah principles," he said, adding that the industry's growth will be hampered by the lack of talents.

Meanwhile, Syed Moheeb said Takaful Ikhlas, which is currently in the consolidating phase, is on track to achieve RM630 million in premium for the financial year ending March 31, 2010 from RM580 million previously.

In order to better serve its customers, he said the company would be opening two more branches by the middle of this year. This will be also in line with its expansion plans.

"The branches would be opened in Kuala Terengganu and Klang with a cost of between RM500, 000 and RM1 million each," he said.

BERNAMA

Formation of new Takaful firm delayed

Thursday, 04 February 2010
The founders of Al Jasr Takaful Insurance Company (under formation) have decided to postpone the Company establishment.

The decision, taken at a meeting held in Doha, is due to the changing business and investment environment caused by the global financial crisis, chairman of the founders committee Shaikh Nawaf Bin Mohammed Bin Jabr Al Thani said in a statement. It said the meeting also decided to await the completion and commissioning of the “Al Mahaba” causeway linking Qatar and Bahrain.

Trade Arabia

T’azur Named Best Islamic Insurance Company for Corporate Social Responsibility

Thursday, 04 February 2010
T’azur Company (t’azur), a Takaful (Islamic Insurance) company founded by Unicorn Investment Bank and headquartered in the Kingdom of Bahrain, has been named “Best Islamic Insurance Company” as part of the prestigious Maqasid Al-Shariah CSR Awards which recognizes outstanding achievements in the field of Corporate Social Responsibility (CSR).

The award was presented to t’azur in recognition of the company’s ongoing commitment to its employees, customers, the environment and the communities in which it operates, as well as several innovative CSR initiatives recently launched by the company. This includes the t’azur Sadaqah product, the first charitable insurance product of its kind, launched by t’azur in Ramadan of 2009.

The Sadaqah Plan helps donors save regular donations which t’azur invests in Shariah-compliant funds over a set number of years, after which the accumulated capital is then passed to the charity of the donor’s choice. In the event of certain unforeseen circumstances which prevent the donor from making charitable donations (e.g. disability or critical illness), t’azur will continue making the regular donations on behalf of the donor, thus guaranteeing that the charity receives the intended donation in any event.

Commenting on the award, Sh. Dr. Abdelaziz Al Orayer, Chairman of t’azur, said: “We are grateful for receiving this prestigious award; this shows that we are on the right track and it will encourage us further to build and grow our company in an ethically responsible manner.”

The Maqasid Al Shariah CSR Awards, organized by two leading Islamic Finance Industry service providers, DinarStandard and Dar Al Istithmar, attracted over 160 entries from the largest Islamic financial institutions worldwide. The award recognizes and honors companies for their projects and programs in corporate social responsibility, and is backed by AAOIFI, the Accounting and Auditing Organization for Islamic Financial Institution.

“It gives us great pleasure to recognize t’azur commitment to the development of the insurance industry in line with the principles of social responsibility and co-operation that Islam promotes. Of all the Islamic Financial institutions we looked at worldwide, t’azur is setting a benchmark of the types of activities that Islamic Finance should be promoting including utilizing the strengths and capabilities of the contemporary financial system to redistribute wealth and bring about socio-economic justice,” said Dr. Sayd Farook, Senior Consultant for Structuring and Legal at Dar Al Istithmar.

Al-Bawaba

Bahrain's wealth fund moves towards liquidity

Sunday, 31 January 2010

Bahrain Sovereign Wealth Fund (Mumtalakat), which invests mostly at its home-country, plans to diversify away from private equity projects and into stocks and bonds, The Peninsula reported. Chief Executive Officer, Talal Al Zain, said that Mumtalakat expects to receive a credit rating in 2010, which would allow it to tackle capital markets for funding, including Islamic bonds.

Mumtalakat, which has assets of around $10 billion, has investments in 35 firms, and it owns stakes above 50 percent in more than 15 of those firms.

The wealth fund plans to diversify its investments and will be looking into investing oversees and channeling funds towards liquidity, Zain said.

A $1 billion motor sports-themed commercial property project in the kingdom was likely to be financed by a combination of investment from strategic investors, private sector funding and some of its own equity, he added.

MENAFN

Shariah Capital and DMCC to boost funds to multibillion level fund plans

Monday, 01 February 2010

Connecticut-based Shariah Capital and Dubai Multi- Commodities Centre (DMCC) plan to boost assets under management in their specialized commodity funds to "multibillion" dollar level in three years from almost $260 million (Dh954.2m) now, senior officials said. "Our plan is to make this a multibillion project within three years. We're now ready to raise funds," Eric Meyer, Chairman and Chief Executive of Shariah Capital, told Zawya Dow Jones in an interview.

DMCC, part of Dubai World, in a joint venture with Shariah Capital known as Dubai Shariah Asset Management (DSAM), launched a basket of four commodity-focused funds in 2008 and seeded the funds with $50m each. DSAM develops and manages Shariah -compliant investment funds focused on commodities.

The DSAM Kauthar Commodity Fund, an equally-weighted fund of funds comprised of the four single-strategy commodity-focused funds, had total assets under management of $259m as at January 31 this year, DMCC's Chairman Ahmed bin Sulayem said.

"We have a track record now. I don't see this trend stopping any time soon. We've got a very good position in our portfolios," said bin Sulayem.

The DSAM Kauthar Commodity fund of funds was up 41 per cent in 2009, with all single-strategy funds also in positive territory last year.

The Shariah Capital-DMCC joint venture is now in the process of partnering with banks and insurance companies in the Middle East, Europe and Malaysia to sell the funds, Meyer said, adding that the target is to secure 25 per cent of the assets from Saudi Arabia.

DMCC was set up in 2002 as a free-trade zone for gold and precious metals, pearls and coloured stones, steel and base metals, diamonds and other commodities.

The Dubai Multi-Commodities Centre, a state-owned tax-free business park, said it will have no problem paying the final installment of a $200 million Islamic bond maturing in May.

The last outstanding payment is $20 million, the DMCC said in an e-mailed response to Bloomberg questions yesterday.

"We have got no issue meeting our obligations," said the business park, which seeks to attract commodities traders to take office space there.

Business 24-7

Islamic unit trusts resilient during crisis

Sunday, 31 January 2010
Barely three weeks into the New Year, two unit trust funds have been launched and coincidentally both funds are Islamic-based funds. CIMB-Principal Asset Management got the ball rolling by launching it Islamic global commodities equity fund. It was followed by Public Mutual Bhd which introduced the Public Islamic Asia Leaders Equity Fund to tap the growth potential of middle to large capitalized Shariah compliant stocks within regional markets.

The resilient performance of local Shariah funds throughout the global meltdown could be the reason why both the funds launched so far this year are Islamic-based. According to the Securities Commission (SC), the total net asset value (NAV) of Islamic-based funds have been steady around RM16 billion to RM17 billion throughout 2008 while net asset value (NAV) of its conventional counterpart fell 23.7% to RM134.41 billion. When the unit trust industry rebound in 2009, Islamic funds rode the recovery as well.

The total NAV of all local funds started rising from RM137.56 billion in March 2009 to hit RM193.2 billion in November 2009 surpassing its previous peak of RM170 billion in January

2008. During the same period, the NAV of conventional funds grew 43.7% to RM169.19 billion while Shariah funds added 25.6% to RM21.34 billion.

Putting the worst behind, fund houses are set to tap investor optimism in unit trusts with the launch of more funds this year. There were 28 funds launched last year compared to 54 funds launched in 2008 as fund houses held back on poor investor confidence. As of November 2009, there were 545 unit trust funds in the market with 400 conventional funds and 145 Shariah funds.

The unit trust industry's total NAV is equivalent to 19.6% of Bursa Malaysia's market capitalization.

"According to fund houses, a lot of funds are being lined up and more funds will be launched this year. Investor sentiment has improved in the last six months and people are starting to put money back into unit trust," said Dennis Tan, MD of iFAST Capital Sd Bhd, a wealth management portal. Tan added that iFAST has seen pickup in sales through its web-portal and financial advisors.

"We are not back to the top but it's far better than the first half of 2009," he said.

On 2010's outlook, Tan said in the first half of this year, investor confidence is there but it may be more challenging in the second half. In the next few months, iFAST will embark on a road show to market its portal. With investor confidence returning, Tan said it is good timing to promote its portal which offers competitive rates and research tools.

IFA (Islamic Finance Asia)
http://islamicfinanceasia.blogspot.com/2010/01/islamic-unit-trusts-resilient-during.html

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ISLAMIC FINANCE EVENTS; SEMINARS, WORKSHOPS & CONFERENCES

Jeddah- ICD seminar focuses on trade finance
Sunday, 31 January 2010

Jeddah-based Islamic Corporation for the Development of the Private Sector (ICD), a subsidiary of Islamic Development Bank, together with Export-Import Bank of Malaysia Berhad (Exim Bank) and in collaboration with Construction Industry Development Board Malaysia (CIDB), conducted a daylong seminar on financing for overseas projects in Kuala Lumpur recently.

The seminar succeeded in detailing the opportunities available to Malaysian investors and contractors in expanding their business to new and emerging markets, especially to the Organization of the Islamic Conference (OIC) countries. Issues related to banking and credit insurance were also discussed.

The seminar attracted more than 250 participants from various Malaysian businessmen as well as local financial institutions. It was chaired by Zamani Abdul Ghani, deputy governor of Central Bank of Malaysia.

Among the speakers at the seminar were senior representatives from ICD, ICIEC (The Islamic Corporation for Insurance of Investments and Export Credits), CIDB and Exim Bank.

In conjunction with the seminar, business networking sessions were also organized to enable participants to discuss business and joint investment opportunities as well as forging mutually beneficial business collaboration and linkages.

Exim Bank stressed the importance of playing an active "partnership" role in its customers' ventures by providing a variety of products and services, all of which would assist Malaysian business exporters in sourcing the most cost-effective funding structures for the development of their business.

Fawaz Abdelnour, director of investment, said ICD hoped the seminar gave the Malaysians businessmen further insight of the changing pace of development in OIC countries as well as those in MENA region.

It was also emphasized that with Malaysia's local potential and IDB's global reach, a mutual enriching collaboration could potentially be developed to be productive.

Menafn

Jordan to hold Islamic Finance and Investment Forum in March

Tuesday, 02 February 2010
Jordan will hold the First Islamic Finance and Investment Forum for the Middle East IFIF in March 2010. The forum will be coupled with an exhibition that will be the premier event of its kind in Jordan, and may only be accessed by trade participants and conference attendees. The exhibition will feature products and services related to Islamic finance.

The event, which will take place at King Hussein Bin Talal Convention Center (KHBTCC) on the shores of the Dead Sea on the 2nd and 3rd of March, is bound to attract the most influential key players in the field of Islamic financing and other parties and individuals concerned with the industry.

Organized by King Hussein Bin Talal Convention Center (KHBTCC), Lawrence & Husseini Consult, B-design and Marketing, and Strategy Business Development, the event is in co-ordination with Ministry of Finance, Ministry of Planning and International Cooperation, Islamic Development Bank, International Islamic Financial Market, Islamic International Foundation for Economics & Finance, Bahrain Association of Banks and the Central Bank of Jordan. Moreover, the event is sponsored by Jordan Islamic Bank, Jordan Dubai Islamic Bank, Price Waterhouse

Coopers and Unicorn Investment Bank. The event comes amid growing interest on the part of Jordan in Islamic financing tools, including the issuance of Sukuk to finance public debt.

Experts note an increasing international trend towards utilizing these Shariah-compliant instruments, even in Western countries and especially in the aftermath of the global financial crisis.

According to Mr. Naif Zureikat, General Manager of King Hussein Bin Talal Convention Center (KHBTCC), "Islamic finance has long been an important alternative financial system in the global marketplace. The increasing interaction between Western and traditionally Islamic markets has raised a number of issues relating to the present and future use of Islamic Finance."

He added that the two-day forum will examine current trends and critical issues in Islamic finance and investment, and particularly in the Middle East. National and local industry leaders will share their ideas and respond to queries from the audience. Additionally, "Participants will learn how to gain a competitive advantage in a constantly evolving marketplace and sharpen their knowledge of Shariah compliance within Islamic investments and retail banking."

According to the forum's agenda, topics of deliberation include the role, functions and responsibilities of central banks in Islamic banking, Islamic funds & alternative investments, the situation of Islamic finance in the Middle East. Also proposed on the agenda; identifying the driving forces of global Islamic banking, Sukuk, challenges facing Islamic finance and Islamic finance and the global crisis, among others.

AME

Strengthening the foundations of Islamic insurance industry at the 5th annual World Takaful Conference

Tuesday, 02 February 2010
The 5th Annual World Takaful Conference (WTC 2010) will this year become an even more crucial platform for discussions that will shape the future of the international Takaful market as more than 350 industry leaders from across the world gather at WTC 2010 to revise their business strategies in a challenging business climate.

The Islamic insurance industry continues to face regulatory and operational hurdles, which are made more complex by the fact that the regulation of Takaful is at different stages of development in various jurisdictions around the world. The keynote address at WTC 2010 will emphasize key elements for prudential regulation, risk management and disclosure imperatives for Takaful operators, as well address solvency frameworks for the Takaful industry.

Chakib Abouzaid, Chief Executive Officer, Takaful Re Limited said

"After four editions, the World Takaful Conference (WTC) has become one of the main Takaful events around the world. We in Takaful Re are committed to the Takaful industry; it is our duty to support this event and make it even more successful. With the recent recession, and questions about Islamic Finance in general, and the Takaful industry in particular, Takaful operators and professionals are requested to question their business models and practices, respond to the legitimate customers' questions; and also pave the way for more differentiation from conventional insurance in order to think and act Takaful. The WTC is the best forum to discuss such matters; we would like to see the delegates making the WTC sessions an even more rewarding experience."

The World Takaful Conference builds on 5 years of successfully meeting industry needs and it is set to continue its status as the pre-eminent meeting place for international Takaful and Insurance Operators, Re-Takaful and Re-Insurance players, financial institutions, Captive insurance firms, and leading legal and advisory firms.

AME

Bahrain Forum Discusses Islamic Liquidity Management

Tuesday, 02 February 2010
During a two-day event marking the new Memorandum of Agreement (MoU) between Bahrain Financial Exchange (BFX) and Bursa Malaysia, a forum was held that discussed matters relating to Islamic liquidity management and financing, in particular topical issues regarding Commodity Murabaha transactions and Tawarruq practices.

The event, held at the BFX offices, attracted more than 50 key players from the Islamic financial markets and enjoyed the attendance of three of the most eminent Shariah scholars within the industry. Dr. Mohd Ali Elgari, Sheikh Nizam Yaqubi and Dr. Aznan Hasan participated with the objective of providing insights and expert opinion on the concept of Tawarruq and its application and practices in relation to the facilitation of Islamic liquidity management and financing.

Raja Teh Maimunah Raja Abdul Aziz; the Global Head of Islamic Markets, Bursa Malaysia; also the moderator of the panel discussion commented, "The use of Tawarruq and its role in money markets and risk management is important in further developing the industry and through discourses such as this, we hope to provide industry participants with greater understanding of the concept from a Shariah perspective as well as its commercial importance."

The event also introduced a newly developed regulated Islamic commodity trading platform to industry participants specifically designed to facilitate Islamic financing and liquidity management aimed at tightening the application and enhancing integrity of Tawarruq practices.

Tawarruq is a sale of an asset to a purchaser on deferred payment with an onward sale by the purchaser to a third party on cash.

"It gives me great pleasure to host such a high-profile panel and audience from the Islamic finance community," BFX Director, Arshad Khan, said.

"I am confident I can say from all involved, that this was an extremely informative and thought-provoking discussion with the practitioner community," he concluded.

GIFM (http://www.globalislamicfinancemagazine.com/news_list.php?nid=344)

CEO of HSBC Amanah to Speak at Euro-money Islamic Finance Summit in February

Wednesday, 03 February 2010
CEO of HSBC Amanah will deliver the keynote address at Euromoney Islamic Finance Summit in London on 23rd February 2010 at The Landmark. In his speech, Mukhtar Hussian is expected to highlight how to put the economic crisis and lessons learnt from recent Sukuk defaults to good use. He will also reveal how the industry can drive competitiveness with conventional banking, while ensuring stable growth through 'best in class' risk management. Also on the agenda: Why high-profile Sukuk defaults have generated a timely debate, enforceability and the lessons the industry must learn about reputational risk.

This year's Islamic Finance Summit is hosting the biggest names in the industry. Hear from senior scholars including Sheikh Nizam Yaquby, Sheikh Esam M. Ishaq, Dr Mohamed A. Elgari, Dr. Muhammad Imran Ashraf Usmani, Dr Mohammed Daud Bakar, Dr Hussein A Hassan and Mufti Abdul Kadir Barkatulla.

Also speaking are key governors, regulators and public agencies including Robert Pickel, Chief Executive Officer, International Swaps and Derivatives Association, Dr Mohamad Nedal Al Chaar, Secretary General, AAOIFI, Ijlal Ahmed Alvi, Chief Executive Officer, IIFM Khairul Nizam, Assistant Secretary General, AAOIFI, Simon Gray, Director, Supervision, Dubai Financial Services Authority (DFSA) and Raed H. Charafeddine, First Vice - Governor, Banque du Liban.

Euromoney Seminars has been at the forefront of this exciting industry for the past decade and continues to deliver the premier Islamic finance event for the industry. Playing host to the industries' most senior and distinguished representatives, the summit provides an incomparable platform on which to network and debate the most pressing issues within Islamic finance.

al-Bawaba

COMMENTARIES/ARTICLES

Islamic finance to grow in 2010 as geographical reach widens

Wednesday, 03 February 2010
Islamic finance is likely to advance in 2010 on firm growth and a widening geographic reach, according to a new report by Standard & Poor's. "In our view, Islamic finance is poised to make further inroads in developed Western markets while Southeast Asian countries will likely fuel the Islamic finance advance in Asia during the coming year," say S&P analysts.

Even in 2009, a year when many of the world's financial systems found themselves deleveraging amid the capital market dislocation and its spread to economies around the world, growth of Islamic finance stayed more or less intact.

According to the S&P report, assets of the top 500 Islamic banks expanded 28.6 per cent to total $822 billion (Dh3, 019bn) in 2009, compared with $639bn in 2008. Total assets at Islamic financial institutions in the GCC grew continuously between 2003 and 2008, representing $288.2bn at end-2008.

Structured products

The main reason why Islamic financial institutions seem to have weathered the crises better is due to their principles prohibiting interest. "This is the reason why Islamic banks didn't invest in structured products and so have not suffered from the fall in some of these instruments' values," says the report.

Even though Islamic financial institutions fared better than their conventional counterparts, they did not escape the pressures of the economic slowdown.

"We consider that the deepening economic recession in many countries, scarce liquidity, pronounced stock market declines, and plummeting real estate prices in some countries have hit the profitability of Islamic banks, especially in GCC countries. Some of the negative rating actions that Standard & Poor's has taken on some Islamic banks over the past 18 months reflect our view of the impact of these adverse changes."

There was some bad news as well in the Sukuk market as there were a couple of defaults, namely the Sukuk issued by Saad Group and The Investment Dar Co KSCC.

"These reminded all those involved in the market that defaults can and do happen in Islamic finance. We believe they are also shedding light on the possible consequences of defaults for creditors – ranging from recovery perspectives to access to underlying assets for investors," believe the authors of the report.

However, going forward, the near-term Sukuk pipeline looks healthy. As per the S&P report, issuance of Shariah -compliant Sukuk notes currently accounts for about 10 per cent of the global Islamic finance industry, following fast growth over the past decade.

"Cumulative total issues topped the symbolic mark of $100bn at end-2009, compared with less than $500 million at year end 2001. In our view, the market is slowly reviving after a major slowdown in 2008. Sukuk issues totaling $23.3bn in 2009 clearly outpaced the $14.9bn registered in 2008 and regained some ground against record issues of $34.3bn in 2007, according to our calculations. We believe medium-term growth prospects for the world Sukuk market are good. The pipeline is sizable and we have noted that interest from issuers in both Muslim and non-Muslim countries is increasing. In our view, Asia confirmed itself in 2009 as the major locomotive for Sukuk market growth."

During the year, 63.9 per cent of global issuance occurred in Asian countries. Malaysia led the pack, serving as the host country to 54.1 per cent of the region's issuers.

According to S&P estimates Shariah -compliant assets worldwide currently total about $1trn after brisk growth during the past decade. "With this expansion, we believe Islamic finance has become a recognized and a specific segment of finance on its own with still-bright growth prospects."

In time to come, S&P sees external factors shaping growth in non-Muslim countries, especially Europe.

For instance, following the UK, France is introducing Islamic finance into its financial system. The sector is still in its nascent stage but prospects seem bright.

Other European countries, such as Italy and Malta, also seem to be warming up to the idea and are showing interest.

Domestic markets

"We understand they are also considering whether it is possible to implement an Islamic finance offer in their respective domestic markets. We have noted that some Asian and African countries are also striving to develop Islamic finance by establishing Islamic banks or by joining the league of countries issuing Sukuk," the report says.

However, questions about Islamic finance's future growth and broadened geographic reach still linger on. S&P sees various factors setting the pace of Islamic finance growth in non-Muslim nations, particularly in Europe.

Firstly, the size of demand for Shariah -compliant products and whether or not the market can achieve critical mass is, in S&P's view, uncertain. The authors of the report cite a lack of visibility on how Muslim customers are interested in an Islamic banking offering and whether the principles of Islamic finance will attract non-Muslim customers.

Secondly, S&P believes the regulatory environment for Islamic finance and the need to ensure the same treatment for Islamic and conventional banks from a regulatory and tax perspective are necessary pillars in building the foundation for Islamic finance development outside of its countries of origin.

For instance, the British and French regulators are deploying efforts to make their tax and regulatory frameworks more attractive to Islamic financial institutions.

Thirdly, gaining the support of different stakeholders, especially in the political and business communities, is likely to be among the critical factors in the view of S&P. "In the UK, we have seen major conventional financial institutions playing what we believe is an instrumental role in developing the local Islamic finance offering.

"We believe it is likely that replicating this strategy in other European nations that plan to extend their own local offerings would accelerate growth."

Fourthly, European sovereign Sukuk issuance, currently lacking, could help to construct a remuneration curve against which private sector issuers could benchmark themselves in our view.

Several governments of non-Muslim countries – in particular the UK – have announced plans to issue Sukuk in the past, but issues have yet to materialize, says the report.

Fifthly, whether or not the EU will forge a common strategy for Islamic finance development in Europe is an open question.

Moreover, the differing interpretations of Shariah law appear to have resulted in the fragmentation and lack of integration of the market for Islamic financial products.

Standardization could help cut the costs of Islamic products and increase their attractiveness. It could also foster the emergence of a truly integrated global market for some Islamic finance products, in our view, suggest S&P analysts.

Liquidity management

Another factor is that Islamic financial institutions typically lack the necessary instruments for liquidity management. The Sukuk market is small size and limited liquidity is also a challenge in the context of assessing the possibility of future growth.

"However, we have observed that many major stakeholders are moving to create new markets for listing Sukuk or enabling their listing in global markets. Transforming the Sukuk market from an over-the-counter market to a more global and liquid market will, in our view, take time."

The scarcity of human resources and expertise in Islamic finance is another impediment to growth.

"Our perception is that bankers and financiers with conventional expertise and backgrounds have brought the sector forward so far.

"To expand knowledge of Islamic finance, major European business schools are launching tailored training and degree programmes."

Islamic Finance in the West – a dual objective

The West may benefit from Islamic finance and Islamic finance may be an opportunity for the West.

Islamic finance could improve the access to banking services for some Muslim customers that are avoiding conventional banks because they are not compliant with their beliefs.

Western financial institutions would be able to access a compartment of investors that are looking only to invest in Shariah -compliant transactions by offering Shariah -compliant products.

S&P has observed numerous big Western banks participating actively in developing modern Islamic finance since its inception.

These have also tended to be major contributors to innovation in this field. As long as the potential client base is there, S&P expects their role in broadening Islamic finance to remain important given their stated business interests in developing customized solutions for clients.

For instance, major global banks and law firms have participated in the structuring and offering of a large number of Sukuk issued so far.

In addition, S&P considers that access to Western economies may mean that Islamic financial institutions gain entry into large and diversified economies with a wide array of asset classes for investment, and in case of most developed countries, strong legal frameworks.

The West may benefit in S&P's view to the extent that Islamic finance opens up new potential markets for banking services.

By developing a tailored financial offering, Western markets could achieve a dual objective:

- Islamic finance could improve the access to banking services for some Muslim customers that are avoiding conventional banks because they are not compliant with their beliefs

- Western financial institutions would be able to access a compartment of investors that are looking only to invest in Shariah -compliant transactions by offering Shariah -compliant products S&P believes that Islamic finance investments may emerge gradually in the medium term in Western countries, starting probably with a wholesale offering that mainly aims to attract foreign direct investments in eligible sectors, or through raising money on the Sukuk market.

Examples of this include Bahrain-based Arcapita Bank (not rated) acquisitions of France-based Compagnie Europeenne de Prestation Logistiques (CEPL, not rated) and Irish energy company Virdian Group (not rated), alongside the General Electric Capital Corp (AA+/Stable/A-1+) and World Bank Sukuk issues in November 2009 and October 2009, respectively.

In the longer run, S&P believes a retail offering could take shape in some western countries with large Muslim populations, such as France, the Netherlands, and Belgium, among others.

Business 24-7