

**Report Week # 106**  
**BUSINESS AND POLITICS IN THE MUSLIM WORLD**  
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**Submitted By: Muhammad Ibrahim**  
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## ***GLOBAL FINANCE & GLOBAL ISLAMIC FINANCE***

### **India Mulls Syariah Banking**

Sunday, 07 February 2010

NEW DELHI: Indian Minister for Corporate and Minority Affairs Salman Khurshid said that his ministry is open to seek the views of experts on interest-free banking, Qatar News Agency (QNA) reports. He added that India has to reach out to huge savings potential that lies untapped through interest-free banking or Syariah-compliant financial instruments.

Citing a local daily reported published in Times of India, QNA reported that an international conference of economists, investors, consultants and academicians called upon the government to create an Indo-Arab entrepreneurship fund.

They also urged it to accept the recommendations of the committee on financial sector reforms of Planning Commission, under the chairmanship of Raghuram Rajan, with regard to interest-free banking in India.

In order to bring in minorities and weaker sections in the national mainstream, Indian government has established an Equal Opportunities Commission, which will be announced soon, the paper said.

*BERNAMA*

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### **Britons to face increased bills for public services**

Monday, 08 February 2010

Britons should prepare themselves for shouldering the burden of increased bills for a range of public services as the local authorities will start charging VAT on services such as waste collection, toll charges and parking. The concerned measures are contained in the Finance Bill which was published by the Minister for Finance Brian Lenihan.

Speaking on the issue, Mr. Lenihan said, "It also ensures that all sectors play their part in stabilizing the public finances and thereby restoring domestic and international confidence in our economy".

The Government will also end reliefs, such as gifts of property to the State and capital allowances for childcare facilities.

However, the public transport, water charges and health and education have not been hit.

The Finance Bill also introduced some measures to make Ireland more attractive place for highly skilled foreign workers.

Measures to make Ireland more attractive for Islamic investment and compliant with Shari'a Law have also been included in the Finance Bill.

*Top News (www.topnews.co.uk)*

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## **Abu Dhabi Financial Services appoints new Managing Director**

Monday, 08 February 2010

The Abu Dhabi Financial Services (ADFS), the financial brokerage arm of the National Bank of Abu Dhabi (NBAD) and one of the leading brokerage companies in the UAE, today announced the appointment of Mr. Aymen Samawi as the Managing Director of ADFS.

Mr. Samawi holds a BA in International Business from Texas Wesleyan University. He joins ADFS with than more two decades of experience working in the financial services industry in the United States and the UAE.

Immediately before joining ADFS, Mr. Samawi was the Chief Executive Officer (CEO) of National Finance Brokerage Company (NFBC), a subsidiary of Abu Dhabi Investment Company. Between 1995 and 2005 and again from 2007 to 2008, he served in a number of senior positions at ICAP, the world's largest inter-dealer broker based in New York City.

Mr. Samawi served as the Executive Vice President at ICAP North America in New York in addition to spearheading the ICAP venture in property derivatives information business as CEO. He also held past positions with ICAP's interest rates division as Vice President and later as Managing Director. He founded BroadReach Financial Group in 2005 and served as the chief executive of the Dubai-based financial advisory for two years. He also co-founded Capstone/Pinnacle Global Energy in 1999 and served as its managing director and chief operating officer for four years.

Prior to Capstone, Mr. Samawi was Vice President at Tullet & Tokyo in New York, where he founded the relative value group. During his professional journey, Mr. Samawi has built strong relationships and networks with major investors, corporate and financial institutions and gained experience in all aspects of financial industry.

Commenting on the appointment of Mr. Samawi, Mr. Michael Tomalin, NBAD's Group Chief Executive, said, "I welcome Mr. Aymen Samawi to the senior executive team at NBAD. The Bank has achieved excellent financial returns for its shareholders over the last several years and Aymen joins to strengthen the team to help achieve our growth

targets. He will continue the development of a world-class financial brokerage business focusing on meeting the needs of investors in the UAE, GCC and round the world."

Mr. Samawi, the Managing Director of ADFS, plans to utilize the significant strengths of the NBAD brand to deliver the highest standard of services and to focus on customer satisfaction. He will tackle the competition by ensuring a clear positioning strategy for ADFS supported by an established and well experienced team. His growth plans for the brokerage arm of NBAD include diversification and specific client targets.

"Throughout my career, I always strived to be part of a team that is or determined to be number one while adhering to best corporate global business and ethics practices. I would continue this journey with NBAD, as I believe in NBAD vision of becoming the Number One Bank in the Arab world," Mr. Samawi said.

"Based on performance and reputation, NBAD is an industry leader in the UAE. ADFS is one of the top three primary brokers in the UAE. I want to be where things are developing, changing, and growing. ADFS is to grow strategically, through market diversification and specific client targets," he added.

*AME*

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### **Islamic Bank of Thailand Promoted in Pattaya**

Tuesday, 09 February 2010

Pattaya: On Friday, We held an exclusive interview with the Vice President, Mr. Zati Sankhavanija, who has been involved in of banking for the last seven years here in Thailand, concentrating heavily on the retail side and automatic banking systems.. There are seven branches around Bangkok and one in South Pattaya which has been open for the last five years, with a total of 28 branches throughout Thailand.

There has been very little promotion for the Islamic Bank until last year when they started to widely promote their services and it is unexpected to learn that only 20% of their clients are actually Muslim. The Islamic Bank welcomes all foreign customers, and this relatively new Islamic Bank of Thailand is offering a unique method of credit, especially when it comes to housing loans.

They offer an unusual alternative of alternative of purchasing the intended property and selling to the customer for cost price plus a small service fee over an agreed payment time period. If there is a period of non-payment, the penalty charges are minimal, and not at the crippling "compound interest rate" penalties charged by western banks, which is a great help to people who are experiencing a temporary financial crisis.

Likewise, personal or business loans are also available using an existing property as security, thus allowing clients to be able to get finance. Personal loans are also available to clear multiple credit card debts by lumping them all together and making monthly payments to settle the balance over a 72-month time period. The customer maintains their credit rating and later they are able to top-up the loan amount for some further purchases.

This year, the first Islamic credit card in Thailand will be promoted, focusing on spending on essential items, because there will be some restrictions on what can be purchased. For example purchases do not include alcohol, gambling and entertainment expenses, so this alternative method of credit is very competitively priced and more flexible. It is interesting to find that the Vice President, Mr. Zati Sankhavanija, is the brother of Pattaya's famous guitar playing star, "Lam Morrison."

*PDN (http://www.pattayadailynews.com/en/2010/02/08/pattaya's-new-islamic-bank-promoted-at-"money-expo"/)*

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### **Kuwait Finance House appoints Jamelah Jamaluddin as Chief Executive Officer of Malaysian Operations**

Tuesday, 09 February 2010

Kuwait Finance House, a leading international Islamic financial institution has appointed Puan Jamelah Jamaluddin as the new Chief Executive Officer (CEO), of its wholly-owned Malaysian subsidiary, Kuwait Finance House (Malaysia) Berhad (KFHMB). The appointment will take effect from 9 February 2010.

An experienced Islamic banker, having been in the financial industry for 25 years, Puan Jamelah will play a pivotal role as the new CEO of the Bank, in delivering the strategy for the Bank's operations in the country and in the Asia-Pacific region.

Puan Jamelah rejoins KFHMB from RHB Islamic Bank Berhad, where she served as the Managing Director. She was in the pioneer team of KFHMB in 2005 as the Deputy Chief Executive Officer, and also headed the Corporate & Investment banking division (CIB). She was responsible for the day-to-day running of CIB which included Treasury, Private Equity, Real Estate, International business and the Research unit among others.

Puan Jamelah was in charge for driving business opportunities within the Asian region for KFHMB, and her main responsibilities included sourcing investors, to subscribe to Islamic capital market instruments for KFHMB investments around the world, as well as looking after the provision of financial advisory and structuring services to clients. She also spearheaded the execution of deals with the aim of achieving financial close, and led the treasury management and operations for the Bank.

Prior to her new appointment, Puan Jamelah as the former Managing Director of RHB Islamic Bank Berhad since 2007 had led the operations of the Bank and the overall

strategy for RHB Banking Group, in relation to the Group's Islamic business. She had established the Islamic Investment banking division and set-up 12 RHB Islamic branches throughout Malaysia. Her other key achievements include the establishment of the Az-Zahra unit- the only Islamic retail banking branch dedicated to women, and the introduction of Islamic debit cards and credit cards for RHB Islamic Bank.

Her professional history includes assignments as Chief Operating Officer of RHB Sakura Merchant Bankers Berhad and several well-acclaimed financial institutions in the region, namely Macquarie Malaysia (M) Sdn Bhd and Perwira Affin Merchant Bankers Berhad. She holds a Masters in Business Administration in Finance from Central Michigan University, and a Bachelor of Business Administration in Finance from Western Michigan University, United States of America.

Puan Jamelah holds the distinction for being the first woman to head a KFH bank as CEO, representing a special milestone and significant breakthrough within the KFH Group.

In making the announcement, the Chairman of KFHMB, Mr Shaheen Alghanem, said: "Puan Jamelah's extensive in-depth knowledge and exposure in both Islamic and conventional banking, coupled with her strong business relationships and her demonstrated ability to understand business dynamics, have made her the best person for the position of Chief Executive Officer for KFHMB. Her proven track record and experience in successfully establishing innovative financial solutions, will not only accelerate, but will grow the Bank's business further, and propel KFHMB to the next level, to be the leading and preferred regional Islamic bank."

Mr. Shaheen added, "I am confident that Puan Jamelah together with the support of a high calibre management team will lead KFHMB to even greater successes. As the regional headquarters of KFH in the Asia-Pacific region, our presence in Malaysia will continue to play an important role, in facilitating two-way investments and trade between the country and the Middle East."

"I am honored to have this opportunity and to be entrusted to lead Kuwait Finance House (Malaysia) Berhad in my new capacity. I thank the Ministry of Finance, Bank Negara Malaysia, as well as the Chairman of KFHMB for their trust and confidence in me. Having been a part of Malaysia's first foreign Islamic bank at a very early stage, has given me an insight to witness its growth. With the right values and culture, and a dedicated management team, these will provide me a clear vision, from which to launch the next phase of development for KFHMB," said Puan Jamelah.

"Kuwait Finance House has a strong focus on operational excellence. My goal is build on the core capabilities and Islamic values of the Bank, to continue delivering cutting-edge Shariah-based solutions to all our customers," added Puan Jamelah.

*AME (<http://www.ameinfo.com/223481.html>)*

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## **London promotes Islamic banking**

Thursday, 11 February 2010

Abu Dhabi London is promoting Islamic banking which receives wide acceptance in the City and also acts as a bridge with the Islamic world, according to Lord Mayor of the City of London Alderman Nick Anstee.

"It does make a bridge with the Islamic world, at the end it is also money," Anstee told Gulf News yesterday in Abu Dhabi in response to a question. He said an Islamic bank set up seven years ago has 50,000 customers. "It shows the wide acceptance of Islamic banking," he said after addressing students of Zayed University (ZU) in the capital.

"Five principal organizations [apart from 17 other banks] operate in that market [Islamic banking] in London including multinationals like HSBC which is a key player in the sector," he said.

According to a report titled 'Islamic Finance 2020' published by International Financial Services London, the UK placed eighth in global Islamic banking, is the leading Western country and Europe's premier centre with \$19 billion (Dh69.78 billion) of reported assets, largely based on HSBC Amanah.

The Lord Mayor said London would cooperate with Abu Dhabi to develop public-private partnerships in infrastructure projects.

Dubai Dubai will remain a prominent business hub as it is a gateway to MENA [Middle East and North Africa] and Asian regions, according to Lord Mayor of the city of London Alderman Nick Anstee. It is like London being the gateway to Europe, he said in response to a question from the audience, after addressing the students of Zayed University. "Even we [people in London] cannot have a direct flight to Australia or west coast of America. But you people [in Dubai] can," he said.

### *Islamic Finance in the West, making inroads*

- 22 banks in London including five that are fully Shariah compliant are more than in any other Western country. Two Islamic banks were granted licenses in 2008.
- 20 Sukuk issues raising \$ 11 billion listed on London Stock Exchange, exceeded only by Dubai Nasdaq
- Seven Shariah compliant exchange-traded funds (ETFs)
- 20 law firms supplying services in Islamic finance.
- Institutions offering educational and training products in Islamic finance.



(Source: 'Islamic Finance 2020' published by International Financial Services London.)

*Gulf News*

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## **Islamic banking boosts demand for key IT solutions**

Thursday, 11 February 2010

The rapid growth of the global Islamic banking market over the last five years has boosted the demand for specialized Islamic banking and finance software solutions, according to Misys, a global application software and services company. With the influx of mainstream banking institutions, particularly leading Western brands, into Islamic banking throughout the world, the support from specialist solution vendors has become a necessity to ensure a smooth transition to Shariah-based banking, the company said.

'Banks embarking on Islamic banking operations in key markets around the world are searching for partners with a thorough understanding of the sector and a proven track record in delivery,' noted Samir Safa, business development manager, Islamic Banking at Misys.

'Islamic banking has opened new and exciting growth possibilities, but it remains a challenge for banking institutions to work within the Shariah-based banking system and adopt its distinct practices.'

'The core banking technology used by financial institutions that operate in this market is essential for meeting local customers' needs, regulatory reporting, operational requirements and Shariah boards' approvals,' he added.

Research from the analyst community estimates that the global Islamic banking market is now worth over \$500 billion, with growth forecast of between 10 and 15 per cent during 2010.

According to Safa, Misys has been providing specialized services and software solutions for over two decades that have enabled banking institutions to maintain their competitive edge in this burgeoning market.

'Although the Middle East has in the past been the primary market for Islamic banking, we have been expanding our presence in other regions as the market grows globally. The experience and knowledge we have built from more than 25 years of delivering integrated, comprehensive solutions to customers puts us at the forefront of the marketplace,' he added.

Misys, Safa said, provides its BankFusion Equation Islamic Banking and Finance solution for retail and corporate banking clients that help them deliver robust and efficient products and services to their customers.

The solution supports a wide range of Islamic Finance products, including Murabaha, Ijarah, Istisna, Musharaka and Al Tawarruq, together with fully automated Islamic Profit calculation and distribution. BankFusion Equation uses our revolutionary BankFusion platform to deliver re-usable components, he added.

*Trade Arabia News Service*

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## **Tapping potential of Islamic finance studies**

Thursday, 11 February 2010

A BRUNEIAN company wants to offer the first Master in Islamic Banking and Finance online programme, to take advantage of the untapped market for Islamic finance studies in countries such as China, Japan, South Korea and Australia. Crescent Sdn Bhd's education product was one of the winners of iCentre's recent ThinkBig Business Plan Competition.

"In these countries, Islamic banking is very much a new product which is about to bud. The knowledge content of Islamic finance is not easily accessible as it is not taught in the higher education levels," said Crescent Managing Director Hjh Salma Hj Abdul Latiff. "If a student from China wishes to obtain a Master's degree in Islamic banking and has the necessary academic qualification, they can register as a student with the Crescent Online Global programme," she said, adding that the student will qualify in the co-university that has adopted the programme as one of their curriculum.

"When I first planned to have this programme, I was thinking of bankers, professionals and students who are anxious to learn Islamic banking and finance, but are unable to obtain this knowledge since such knowledge is still not yet offered in higher learning institutions in their countries. Currently, only a handful of universities are offering Islamic teachings in finance," she said.

She said the website for the Master's degree course is in the process of construction and will hopefully be up and running soon. "We also hope to launch some of the modules by July or August this year, to test the market's response," she said.

Hjh Salma said the programme will consist of 10 modules, written by well-known practitioners and academicians, who have been in the field for a considerable period of time. "The module contents go through a rigorous process to ensure its high quality standard before they are downloaded into the learning management system," she said.

However, those who are interested in certain modules only, such as Islamic Economics or Accounting for Islamic Financial Products, may take them as separate modules. "The qualifying entry is a first-degree from a recognized university. However, holders of HND (Higher National Diploma) degree may join the programme if they have already possessed at least four years relevant experience. Those who do not have any

qualification but have at least 15 years working experience in relevant organizations may also qualify for this programme,” said Hjh Salma.

She added that the online learning is suitable and convenient for those working full time and do not have the opportunity to attend classroom teaching.

Hjh Salma said so far the feedback from the Brunei market has been very welcoming. “Businesses, education and public communities are anxious to see this product being launched as soon as possible,” she said.

“There is a massive potential here because this market is still untouched, although the time lag is short. This will be the first, and the product will place Brunei on the map since it will be the first country to offer such an end-to-end completely online programme in the world,” she said.

*Brunei (<http://news.brunei.fm/2010/02/09/tapping-potential-of-islamic-finance-studies/>)*

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## **HSBC sees strong growth in SME business**

Thursday, 11 February 2010

KUALA LUMPUR: HSBC Bank Malaysia Bhd is anticipating a stronger growth for its small and medium enterprise (SME) business this year compared with last year, buoyed by among others, its larger branch network’s ability to service this segment.

Managing director for commercial banking David Morton said: “We are expecting at least a double digit growth for our SME business this year, and this will be better than last year.”

However, he declined to divulge figures.

The bank is planning to establish a wider footprint by opening more branches, notably for its Islamic banking or HSBC Amanah.

“We opened four Islamic banking branches last year and will open two more probably by the first quarter of this year. We hope to have an additional six HSBC Amanah branches this year, bringing the total number to 10 by year-end,” Morton said after a press briefing on HSBC latest semi-annual Small Business Confidence Monitor survey here. The survey gauges the small businesses outlook in 20 markets worldwide.

HSBC Bank currently has 40 conventional branches nationwide.

Morton also said the higher level of confidence in SMEs as well as the bank’s continuous investment in terms of capability and capacity in the Malaysian market would also boost the bank’s SME business growth.

The survey showed that confidence level among Malaysian SMEs climbed 24 points in the fourth quarter of last year from the fourth quarter of 2008.

It also revealed that 25% of SMEs in Malaysia said they planned to do international business by 2011, up from 15% which were already doing so, and a 67 % increase from 2009.

The top markets for Malaysian SMEs planning to expand their international operations are Indonesia, Singapore and Greater China.

On the outlook on capital expenditure, local SMEs were also more confident when it came to investing in their own businesses in the first half of this year – 28% of the local businesses (up six points from 22% in the second quarter of 2009) planned to increase their capital expenditure.

Unstable financial conditions such as fluctuating exchange rates and interest rates, and insufficient margins or profitability were cited by Malaysian SMEs as some of barriers to doing business internationally.

<http://biz.thestar.com.my/news/story.asp?file=/2010/2/11/business/5654504&sec=business>

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## **Korea Needs Islamic Finance to Curb Trade Deficit**

Friday, 12 February 2010

South Korea must embrace Islamic finance to attract Arab investment that will help offset its trade deficit with oil-producing Gulf Cooperation Council states, according to Korea Investment & Securities Co.

“By attracting Islamic funds South Korea can fix the imbalance of capital flows with the GCC nations which export the major portion of Korea’s oil,” Lee Yul Hee, head of the Islamic finance team at Korea’s fourth-largest brokerage, said in a telephone interview from Seoul.

The six GCC states of Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates pumped 68 percent of Korea’s oil and 53 percent of its natural gas last year, causing a \$38 billion trade deficit, according to the Korea International Trade Association. Oil may rise to \$95 a barrel by the end of 2010 from about \$74 now as the global economy recovers, Goldman Sachs Group Inc. forecasts.

A subcommittee of the Korean parliament will debate a bill this month that would exempt Islamic bonds from tax on distributions as the government seeks to diversify its sources of funding. Korea Exchange Inc., the nation's bourse operator, said in November that it may introduce an Islamic equity index as rising Muslim wealth spurs demand for investments that comply with Shariah law's ban on interest and proscribed businesses such as gaming and weaponry.

Sales of Islamic bonds, known as Sukuk, may rise to \$30 billion this year, approaching the record set in 2007 before the credit market freeze deterred investors, Standard & Poor's said in a Jan. 27 report. Malaysia, the biggest issuer last year, will continue to lead Sukuk sales, S&P said.

Korean companies may sell more than \$1 billion of Sukuk and conventional bonds each year in Malaysia if the National Assembly passes the tax benefits, according to Lee. Middle Eastern investors would also buy the notes once they recover from shock of a credit crunch in Dubai, he said.

Korea Investment hired Shariah scholar Mohammed Daud Bakar to help it structure Islamic financial products, Lee said, without being more specific.

*Bloomberg*

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### **Westpac to offer Islamic banking**

Friday, 12 February 2010

WESTPAC is poised to bolster its exposure to the fast-growing Islamic finance market by offering a commodity trading facility intended for overseas investors operating under the principles of Islamic law.

Islamic finance prohibits the earning of interest. Instead, there is a focus on profit sharing based on the buying and selling of tangible assets such as property.

The move by Westpac, which targets Islamic institutions, coincides with a new emphasis by the Australian government on Islamic financing.

Trade Minister Simon Crean will today launch a study outlining opportunities for the nation's financial services sector to tap investment and banking markets that comply with Islamic law.

This comes on the heels of a recommendation last month by a government-backed finance taskforce that called for tax rules to be overhauled to ensure that Islamic financing products were given equal treatment.

The Australian Financial Centre Forum, which released a broader report into the nation's finance sector, highlighted Islamic financing as a potential funding source for the nation's banks.

The global market for Islamic financial services, which has grown rapidly in recent years backed by surging oil prices, is estimated to be worth close to \$1 trillion.

The issue of Sukuk - the Islamic alternative to conventional bonds - is in excess of \$50 billion a year.

"Accessing this market could increase the diversity of the sources of capital available to Australian businesses and consumers," the Australian Financial Centre Forum said in its report.

Mr Crean said Islamic financing represented a key plank in the government's strategy to make Australia a financial hub in the Asia-Pacific region.

"Continued growth in major Asian economies will create a need for resources-related services and infrastructure, which are ideal assets for forms of Islamic financing," Mr Crean said.

All the major Australian banks now provide Islamic-style banking products for retail investors.

<http://www.theage.com.au/business/westpac-to-offer-islamic-banking-20100211-nv86.html>

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## **Gold rises as dollar weakens**

Friday, 12 February 2010

### **CHINA BUYS**

On the physical markets, analysts reported good demand for gold in Asia ahead of the Chinese New Year holiday beginning this weekend.

'Even if Chinese demand slows during and after the Chinese New Year festivities, gold demand in India and other emerging nations appears likely to remain firm and at the least provide a cushion to prices,' said HSBC in a note.

Holdings of the world's largest gold-backed exchange-traded fund, the SPDR Gold Trust, were steady on Wednesday. The fund reported its first inflow this year after prices fell to three-month lows on Friday, but holdings have since steadied.

On the supply side, South Africa's statistics office said gold mine output fell 8.8 per cent in December in volume terms.

The republic was the world's third-largest mine producer in 2008 with output of 233.3 tonnes.

But South Africa's fourth-biggest gold producer reported a 4 per cent rise in gold output for the quarter to December and a return to profit owing to lower operating costs.

Among other precious metals, silver was at US\$15.34 an ounce against US\$15.18. Platinum was at US\$1,514.50 an ounce against US\$1,507, and palladium at US\$414 against US\$411.50.

Aquarius Platinum said in a conference call that it sees attributable platinum group metals production at 445,000-450,000 ounces this year.

Constraints on platinum output from South Africa this year are a potential support to prices. South Africa is the source of four out of five ounces of mined platinum supply.

## LONDON

GOLD climbed towards US\$1,080 (S\$1,525) an ounce in Europe on Thursday as the euro rose against the dollar and Bund futures extended losses after the European Union president said a deal to help Greece had been reached.

Spot gold was bid at US\$1,078.35 an ounce at 1241 GMT, against US\$1,071.55 late in New York on Wednesday. US gold futures for April delivery on the COMEX division of the New York Mercantile Exchange rose 10 cents to US\$1,078.80.

Gains in gold are being capped, however, by a relatively weak technical picture and concern over the medium-term outlook for the euro, which will influence investment demand.

'It is very much investor sentiment which is going to set prices in the first half of this year,' said Barclays Capital analyst Suki Cooper. 'We think there is likely to be further downside from here as the first half progresses, mostly down to the fact that our FX strategists see the euro-dollar moving towards US\$1.35.'

The euro climbed against the dollar on Thursday, boosting gold prices, after EU president Herman Van Rompuy said European leaders had reached a deal to provide aid to Greece in a move to stave off a broader crisis in the euro zone. A Spanish source told Reuters that details of the aid would be worked out at the latest by Tuesday, when EU finance ministers are due to hold a meeting.

The dollar is benefiting from euro weakness rather than any innate strength of its own, analysts said, and so could be due a correction if and when euro zone debt problems are resolved.

*REUTERS*

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## **Centennial College to offer Islamic finance course**

Saturday, 13 February 2010

Scarborough's Centennial College, one of the most diverse campuses in the country, has become the first in Canada certified to teach Islamic finance – a system that does not charge interest or invest in commodities that contravene Islamic law.

The one-term course will be offered online, starting this fall, to students across Ontario for about \$500.

One major bank has already expressed interest in training some of its staff in the basics of Islamic banking, said John Harris, chair of the college's accounting and financial services programs.

"We have created the course in response to demand from a number of sectors – including one of the major banks that said it wants to be able to talk the same language as clients whose background is based in Islamic finance," said Harris, adding that the course will be taught by Islamic scholars.

"They want to be able to structure contracts without offending their client base."

The London-based Chartered Institute for Securities and Investment has accredited Centennial to deliver the new Islamic Finance Qualification.

Students will learn how to draw up alternative contracts for lending money that might include a letter of credit or a guarantee, said Harris, rather than the application of interest over time – which Islamic law sees as punitive to the borrower.

"The funds are provided as more of a partnership, an agreement between two parties that avoids the promise to pay interest," he said.

There has been a growing market for Islamic-compliant mortgages, which are often structured so that the borrower ends up leasing to own the property: essentially paying rent instead of interest.

A study by the Canada Mortgage and Housing Corp. recently concluded there is no legal impediment to offering such financing in Canada.

At a regional summit last spring on reviving the GTA economy, federal Liberal Finance Critic John McCallum suggested making Toronto a global hub for Islamic finance, a field said to be the fastest-growing segment of the financial services industry, expanding by 20 per cent each year since 2001.

A study of Islamic finance by the law firm Stikeman Elliott projected that by 2017, Muslims will make up between 3.7 per cent and 4.9 per cent of Canada's population.

"Consequently, there is expected to be increased demand for Islamic financial services in Canada in the coming years, potentially providing a tremendous opportunity for financial firms prepared to serve this growing community,"



The course can be taken online as a stand-alone course through the continuing education service "Ontario Learns," through corporate training or as a credit course in one of Centennial's two-year accounting programs.

*Toronto Star* (<http://www.parentcentral.ca/parent/article/764247--centennial-college-to-offer-islamic-finance-course>)

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## **ISLAMIC BANKING & INSTITUTIONS**

### **DIB signs fund deal with UAE finance ministry**

Monday, 08 February 2010

Dubai Islamic Bank has signed an agreement with the UAE ministry of finance, which grants the lender capital to provide Shariah compliant products. The finance ministry has granted to Dubai Islamic Bank "the Wakala capital for the purpose of providing Shariah-compliant financing or products and to stimulate the economic activity in the UAE," a statement on the Dubai Nasdaq website said. It did not give the value of the deal.

*Arabian Business* ([www.arabianbusiness.com](http://www.arabianbusiness.com))

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### **Al Yusr Islamic banking service expands network**

Tuesday, 09 February 2010

Under the patronage of HE Sheikh Abdullah Saud Al-Thani, Governor of Qatar Central Bank (QCB) and in line with its ongoing commitment to expand its network, Al Yusr Islamic banking service of IBQ, announced the opening of a new dedicated retail branch in the Al Rayyan area of Doha. The new branch officially opens on February 4.

The opening ceremony will also see attendance from other dignitaries, including Sheikh Waleed Bin Hadi, Head of the Shariah Board, Ibrahim Dabdoub, Vice Chairman of the Board of IBQ and Group CEO of NBK, and other members of the Board. The new branch, located on Al Shafi Street in Al Rayyan, will offer the full range of Islamic banking services available. These include current, savings and term deposit accounts, consumer and personal finance solutions, in addition to Elite and Private banking services (corporate banking).

Al Yusr Islamic Banking Service already offers eight products in the retail segment with more products planned for launch in 2010, including credit card solutions and online banking services.

"Following the remarkable success of the launch of our Islamic banking service last year, we are delighted to further strengthen the Al Yusr network," said Mr. Nasra, Managing Director of IBQ. "The branch network expansion is part of our ongoing commitment to

enhance the range and quality of our Islamic offering and to facilitate accessibility for our clients.”

Highlighting the growing significance of Islamic banking, Nasra said: “Recent reports suggest Islamic banking assets, worldwide, rose by over 25 per cent in 2009. This is significant growth for a period that saw continued strains on the banking sector, as a result of the global financial crisis. Indeed, Qatar and the wider GCC region continue to be the epicenter for Islamic finance, driving much of the demand for Islamic banking services. We are confident that our product strategy strongly positions us to not only meet these demands, but also lead innovation and further sophistication of Islamic banking in the Middle East.”

“The retail division of Al Yusr Islamic Banking Service has been witnessing strong growth ever since it commenced operations in May 2009,” said Hassan Al Mullah, Head of Islamic banking. “The past year has been especially significant for us, having launched four new products in the final quarter, a period which also saw customer base double. The new branch at Al Rayyan is ideally located to serve this fast growing business and residential hub of Doha, while providing easier access and a range of specialized services for its existing customers.

“Our product pipeline for Al Yusr Islamic Banking Service continues to be robust, with new products ready for launch in 2010. Having already developed a full range of solutions, we are now focused on further expanding and enhancing our product portfolio as well as strengthening our network by adding new branches,” said Al Mulla.

The new Al Yusr branch in Al Rayyan offers customers a host of facilities, including an ATM for cash withdrawal and deposit 24 hours a day. Opening hours are 7:30 am to 1pm, Sunday through Thursday, and 5:30pm to 7:30 pm, Sunday and Wednesday.

*Bawaba ([www.albawaba.com](http://www.albawaba.com))*

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## **QNB’s Al Islami set to expand globally**

Tuesday, 09 February 2010

QNB, the country’s largest lender, will see its Islamic banking division grow internationally this year. “2010 will witness an expansion in QNB Al Islami international activities with the establishment of new overseas branches along with offering of new services,” said QNB chairman and Finance Minister HE Yousef Hussein Kamal while addressing the annual general assembly, which approved the 70% total dividend.

The bank, whose net profit had risen by 15% to QR4.2bn in 2009, approved the 40% cash bonus and 30% stock dividend to shareholders.

The general assembly also elected five members (of the seven nominees) from the private sector for the board for a three-year term. The newly-elected members are Sheikh Jassem

bin Abdulaziz bin Jassem bin Hamad al-Thani; Sheikh Hamad bin Abdullah bin Khalifa al-Thani; Ali Hussain Ali al-Sada; Bader Abdullah Darwish Fakhro and Fahad Mohamed Fahad Buzwair.

QNB Al Islami recorded strong growth in activities, resulting in an increased market share. Its domestic network has 11 branches and in February last year, it opened the first international branch in Khartoum, Sudan, where its focus has been on bridging the gap in that country's transactional banking and trade financing segment.

"We look forward to increasing our presence in the Middle East and North Africa region over the coming years," QNB CEO Ali Shareef al-Emadi said in the board of directors' report.

Acknowledging that 2010 would be a challenging year, he said "we are confident that our increased capabilities and resources will allow us to successfully implement our strategic goals" (domestically and internationally).

The bank would continue to adopt a conservative approach in implementing the expansion plans to safeguard the high quality of the loan portfolio through an effective risk management process, according to al-Emadi.

The general assembly of shareholders also approved retaining KPMG as the external auditor for this year.

*Gulf Times*

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### **Abu Dhabi bank plans to start operating in Malaysia**

Tuesday, 09 February 2010

PETALING JAYA: The National Bank of Abu Dhabi (NBAD), one of the United Arab Emirates' (UAE) biggest banks, plans to start commercial banking operations in Malaysia following the Government's move to liberalize the financial services sector.

The bank, according to sources, is one of the foreign banks vying for a license to operate in Malaysia under the liberalization plan.

Contrary to the general perception that it would solely pursue Islamic banking, sources said it was keen on commercial banking avenues.

A source told *StarBiz* that one of the possible areas of focus for the bank would be in the small and medium enterprise (SME) segment.

"NBAD is strong in the SME business in UAE and Malaysia as a developing nation with more than 90% of total businesses comprising SMEs is a good fit for the foreign bank," he said.

“Since SME is one of the fastest growing business segments in the country, NBAD will use its experience and expertise to offer niche products and services to this segment. This will help it leverage and ride out the stiff competition in the local banking sector arising from the liberalization.”

When contacted on whether NBAD was a likely candidate for the foreign banking license, Bank Negara said it would not comment on specific financial institutions.

Analysts view the move by NBAD to pursue commercial banking operations as a surprising one as a Middle Eastern Bank would normally focus on Islamic banking. A banking analyst opined that the emergence of NBAD would add to the depth and breadth of the SME market, a backbone of the Malaysian economy.

NBAD, which is listed on the Abu Dhabi Securities Exchange, was incorporated in 1968 and is majority owned by the Abu Dhabi government. It has operations in 12 countries on four continents and was rated as one of the 50 safest banks in the world.

News on NBAD in the local financial scene emerged in the wake of Prime Minister Datuk Seri Najib Tun Razak’s state visit to the Middle East last month.

The likelihood of Bank Negara granting the license to NBAD, according a Malaysia-based online portal, was mentioned during a meeting between Najib and Khaldoun al-Mubarak, the chairman of Abu Dhabi’s Executive Affairs Authority and the managing director of Mubadala, an investment group that has varied interests in Malaysia.

In April last year, the Government announced a financial sector liberalization plan that included the issuance of licenses for seven banking and two Takaful players from 2009 until 2011. It also, among others, eased foreign ownership rules by increasing limits of equity ownership to 70% from 49% for investment banks, Islamic banks, insurance companies and Takaful operators.

The decision by the central bank on the successful applications of foreign banking licenses would be announced by June. It is currently evaluating and processing the applications. The deadline for applications lapsed in December last year.

Under the liberalization measures for the financial sector, up to two new commercial banking licenses would be issued to qualified foreign players in specialized areas and up to three for foreign players that offer significant value propositions.

For Islamic finance, the measures would see up to two new licenses for Islamic banking with a minimum paid-up capital of US\$1bil, as well as up to two new licenses for family Takaful.

<http://biz.thestar.com.my/news/story.asp?file=/2010/2/9/business/5636180&sec=business>

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## **OCBC Opens First Islamic Branch in Southern Region**

Tuesday, 09 February 2010

JOHOR BAHRU: OCBC Bank (Malaysia) Bhd Islamic banking subsidiary OCBC AI-Amin Bank Bhd officially opened its first branch in the southern region today, consolidating OCBC's position as a leading banking partner to individuals and businesses in Johor.

Located in Jalan Sutera Tanjung 8/2, Taman Sutera Utama, Skudai, the branch marked OCBC Bank's seventh branch in Johor, in addition to branches in Johor Baharu city centre, Taman Molek, Muar, Segamat, Kluang and Batu Pahat.

Introducing the OCBC AI-Amin Skudai branch, OCBC AI-Amin's director and chief executive officer Syed Abdul Aziz Syed Kechik said the new operations in Johor would cater to the needs of individuals and businesses in both the immediate and surrounding areas by providing Syariah-compliant products and services.

"There remains vast potential in Johor with large number of businesses operating here and the presence of the Iskandar Malaysia in the vicinity illustrates the extent of the opportunities before us," he said.

Syed Abdul Aziz said OCBC AI-Amin believed it could help catalyze the growth of industries such as engineering, plantation, electrical and electronics, education, information and communications technology (ICT), and retail tourism by providing innovative financial services.

He also announced the introduction of the bank's latest offering called Diminishing Musharakah Asset Financing-i. It is a financing product offered on a floating rate basis made available for corporate customers for financing of industrial and commercial properties.

The Diminishing Musharakah principle is a combination of two Syariah contracts, Musharakah and Ijarah, in which the bank and the customer will first jointly own the asset under the Musharakah contract. The bank will subsequently lease its share in the asset to the customer under the Ijarah contract.

As part of the opening celebrations, OCBC AI-Amin offered customers an attractive wealth management programme called Rezeki Dalam Genggaman, through which customers enjoy an indicative rate of 2.5 per cent per annum on a three-month General Investment Account and two per cent per annum Hadiyah (gift) for Savings Account.

Customers will also receive free gifts upon signing up for selected products.

*BERNAMA*

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## **First Gulf Bank reports 10% increase in full year 2009**

Wednesday, January 27, 2010

*United Arab Emirates: The Board of Directors of First Gulf Bank (FGB) today announced its full year 2009 financial results with net profit reaching a new record at Dhs3, 310m, representing a 10% increase over the bank's 2008 results.*

Abdulhamid Saeed, Board Member and Managing Director commented on the results: "Once again, FGB delivers an outstanding financial performance in 2009. At a time where the world is challenged by the global economic crisis, FGB emerges stronger and delivers record results. This reaffirms the bank's leading position as a very solid financial institution built on strong fundamentals."

"FGB continues to deliver strong results year after year. This consistent success is clearly attributed to the vision and sound business strategy from the Board of Directors. This vision is implemented by the highly qualified and experienced management team and the fully dedicated staff," said Andre'Sayegh, Chief Executive Officer.

"This success is also attributed to our focus on efficiently managing the balance sheet and to the appropriate allocation of both financial and human resources to the most profitable and creditworthy businesses of the bank," added Sayegh.

Net profit for the quarter was at Dhs855m, 27% higher than same quarter of last year at Dhs671m. 75% of the full year net profit of Dhs3, 310m was contributed by the Core Banking businesses of the Group mainly Retail, Corporate, Treasury, Investments and Islamic Finance. The remaining 25% was contributed by the subsidiaries and associate companies of the group, which falls in line with the bank strategy of a balanced diversification.

"Our Core Banking businesses remain the main revenue generating power. We have a very strong model and year on year it proves to be remarkably successful. Our Core Banking businesses will undoubtedly continue to be of ultimate strategic importance to the Group," said Sayegh.

"We are always focused on diversifying our sources of income even within the same class of assets. It is as an increasingly important means for us to mitigate risks and manage the economic cycles. Associating a regular stream of cash flow to the various classes of assets remains the core of our diversification strategy." commented Sayegh

For the full year of 2009 the Earning per Share (EPS) stood at Dhs2.09, compared to Dhs2.10 at the end of year 2008. "Among the banking sector, our earnings per share is by far the highest. Maximizing value for our shareholders is a primary objective for FGB," commented Sayegh.

The revenue analysis highlighted a very strong contribution from the Net Interest and Islamic Financing activities which was at Dhs3, 834m for the full year 2009. This represents a 49% increase over 2008.

The Corporate and Retail fees and commissions at Dhs1, 189m are 9% higher than those of 2008. Net Interest and Fees and commissions combined together represent 81% of the total revenue generated by the Group during the year 2009. This demonstrates the consistency and strength of the Core Commercial Banking activities of the group.

The Foreign Exchange and Derivative income at Dhs344m was 8% higher than last year.

Through a prudent investment strategy the bank was able to make a positive investment income of Dhs66m which is much higher than the negative income of Dhs229m booked in 2008.

"FGB will continue its focus in the future to protect and strengthen its balance sheet and optimize its efficiency through prudent lending and investing activities, timely sourcing the funding requirement and maintaining an appropriate level of liquidity," said Sayegh.

The loans and advances book has grown by 13.9% to reach by end of December Dhs90.4bn, which represents 72% of the total assets of the Group. The Corporate Loans represented 70% of the total and the Retail Loans represented the remaining 30%.

The quality of the loan book is in line with the international standards. The Non Performing Loans to Gross Loans Ratio stood at 1.6% and the Provision Coverage Ratio was maintained at a high 174%.

Total deposits stood at Dhs86.4bn, after the conversion of the Federal Government deposit of Dhs4.5bn from customers' deposits into Tier II Capital. With this conversion, the adjusted Loan to Deposit ratio increased from 100% to 105%. The Advance to Stable Deposit Ratio as calculated by The Central Bank of UAE was by year end at 86%, which is far below the regulatory maximum of 100%.

The Government of Abu Dhabi injection of Tier I Capital Notes and the conversion of the Federal Ministry of Finance Deposits into Tier II Capital boosted the capital adequacy ratio by end of 2009 to 23%, where the Tier I Ratio is at 19%, one of the highest in the banking industry. By year end 2009, the total shareholders' equity base was at Dhs23bn. This solid pillar in FGB strong financial position will be supporting its future potential growth over the coming few years.

During the fourth quarter of 2009, FGB \$500m medium term note issue was oversubscribed by six times. The funds raised from the international and regional wholesale market reflect the confidence placed by the investors in FGB strong financial position and bright future.

In 2009, the bank continued with its prudent geographical expansion plans. The bank upgraded its Singapore representative office into a wholesale branch and launched its operations both in Qatar and India through the opening of representative offices. This is in addition to the bank's joint venture in Libya, First Gulf Libyan Bank which was inaugurated in the last quarter of 2008.

"Our international footprint is part of our income diversification strategy. The markets we are in are very strategic to us and we will continue to spread our presence gradually in more leading financial centers across the globe," explained Sayegh.

FGB continues to enjoy a prominent position in the marketplace, locally and internationally, with its reaffirmed ratings. FGB is rated A+ by Fitch, A2 by Moody's and A+ by Capital Intelligence. "Our reaffirmed ratings reflect our solid financial performance, significant strategic importance, and the role we play," said Sayegh.

In 2009, the bank continued its success story as it was named 'Bank of the Year 2009, UAE' by the Banker Awards and the "Strongest Bank in the UAE 2009" by The Asian Banker. These awards reflect the success and the strength which the bank enjoys today.

In 2009, FGB marked its thirtieth anniversary. Since 1979, the journey of FGB has exemplified an amazing success story of a bank, whose Board leadership and dedicated staff transformed it into a great financial institution.

"Today, after three decades, we proudly state that we have set new benchmarks, provided innovative services and significantly participated in the growth of the UAE economy," commented Sayegh.

"Ten years ago, the bank has seen the major transformation with the change of ownership and management. Since then, the real growth has begun. Year after year, we have consistently expanded our asset base and profits," stated Sayegh. "As we enter into a new era, we look forward to continue to raise the bar with everything we do, bring more innovative products and services to the market and pave the way for more opportunities," he added.

"We will maintain our focus on delivering customer excellence and optimum stakeholder returns while being a key supporter of initiatives in the communities we serve," concluded Sayegh.

During its meeting today, the Board of Directors recommended the distribution of cash dividend of 50% of capital ie Dhs0.50 per share.

"FGB has consistently been paying dividend since the year 2000. We are very proud with what we have achieved in term of returns, which our shareholders enjoyed over the past ten years. As we look back with pride, we look ahead with confidence. We are fully



committed and equipped to meet the future challenges and continue to outperform. We will continue to play our role and participate in the growth of the economy. As a market leader, we will continue to set a model, set standards and set new milestones," said Abdulhamid Saeed, Managing Director of FGB.

AME (<http://www.ameinfo.com/222423.html>)

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## **OCBC Bank to open 10-20 branches**

Wednesday, 10 February 2010

JOHOR BARU: OCBC Bank (M) Bhd plans to open 10 to 20 new branches, including Islamic banking outlets, nationwide within the next two years.

Director and chief executive officer Jeffrey Chew Sun Teong said the bank was now looking for suitable locations for the new branches, including in Sabah and Sarawak. "It doesn't matter whether we are opening a conventional or an Islamic branch as our Islamic banking products and services are also available via our conventional branches," he said yesterday.

Chew was speaking to reporters at the opening of OCBC Al-Amin Bank's Taman Sutera Utama branch, the group's first Islamic outlet in southern peninsula. The Taman Sutera branch is also OCBC's seventh in Johor. OCBC Al-Amin Bank, the group's wholly-owned Islamic banking subsidiary, has five branches.

Chew said OCBC was now a foreign bank with the largest number of branches in Johor. "Our branches in Johor also serve Singaporeans, including the republic's small and medium enterprises (SMEs) which have operations here," he said.

He said the opening of two integrated resorts (IR) in Singapore would bring economic spillover to Johor, including the SMEs, and create job opportunities for the locals.

OCBC Al-Amin Bank director and chief executive officer Syed Abdull Aziz Syed Kechik said the prospect was good for Iskandar Malaysia, especially in tourism and real estate sectors.

"We don't want to miss the opportunities in Iskandar and our presence here is to offer a choice of either Islamic or conventional banking to customers," he said.

Syed Abdull Aziz also said OCBC would look at southeast Johor, comprising Teluk Rumania and Pengerang, slated to be the regional oil and gas hub by 2013.

<http://biz.thestar.com.my/news/story.asp?file=/2010/2/9/business/20100209094011&sec=business>

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## **DIB delays board meeting to discuss financing deal**

Thursday, 11 February 2010

Dubai Islamic Bank postponed its board of directors meeting by one day to Feb. 11, pushing back the discussion of its recent financing deal with the UAE ministry of finance. In a statement released on Wednesday, the company delayed the meeting to Feb. 11 from Feb. 10. The UAE finance ministry earlier this week agreed to grant the Dubai Islamic Bank with wakala capital in order to allow the bank to provide Shariah-compliant financing or products. The move was touted as an effort "stimulate the economic activity in the UAE," according to a statement on the Dubai Nasdaq website Sunday.

*Arabian Business (www.arabianbusiness.com)*

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## **Dubai Islamic Bank Q4 rises**

Friday, 12 February 2010

DUBAI - DUBAI Islamic Bank (DIB), the emirate's largest Islamic lender, made a fourth-quarter net profit of 80 million UAE Dirhams (\$30.7 million) but missed analyst expectations as provisions for bad loans hurt earnings.

The bank's shares closed up 5.2 per cent as investors welcomed a proposed 20 per cent cash dividend for 2009. DIB reported a full-year profit of 1.2 billion Dirhams, according to a statement, down 30.6 per cent from 2008.

Reuters calculated fourth-quarter figures from previous financial statements. The bank reported a nine-month profit of 1.12 billion Dirhams and in the fourth quarter of 2008 made a net profit of just 1.44 million. Analysts polled by Reuters had on average estimated a net profit of 196.7 million Dirhams for the latest quarter.

Provisions for bad loans in 2009 amounted to 818 million Dirhams, jumping 56 per cent from 520 million in 2008. DIB board of directors recommended a dividend of 20 per cent for 2009, the statement said.

Earlier this week, the Islamic lender signed a deal with the United Arab Emirates' ministry of finance, granting the lender capital to provide Shariah-compliant products. Kashif Moosa, vice president and head of business planning and strategy at DIB, said on Thursday the Bank Wakala deal with the ministry was not a new deal, rather the completion of a long-term deposit promised to the bank.

Wakala is an agency structure where a depositor authorizes an agent to invest in Shariah-compliant assets. DIB issued a statement Sunday saying it was to receive Wakala capital

in order to allow the bank to provide Shariah-compliant financing or products but didn't disclose financial terms.

*REUTERS*

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### ***SUKUK (ISLAMIC BONDS)***

#### **Qatar Islamic hires 2 banks for Sukuk issue**

Monday, 08 February 2010

**QATAR:** Qatar Islamic Bank SAQ, complying with Islamic banking rules, hired HSBC Holdings plc and Credit Suisse Group AG to sell Islamic bonds, two bankers familiar with the transaction said.

The Islamic bonds, or Sukuk, offer is in its early stages, said one of the bankers, who declined to be identified as the terms aren't set.

A spokesman for Qatar Islamic declined to comment when called yesterday.

Qatar Islamic said December 31 it sold a 5 per cent stake to Qatar Investment Authority, the country's wealth fund, for 956 million riyals (100 riyals = RM97.25).

*Bloomberg*

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#### **Indonesia Sells 8.033 Trillion Rupiah of Retail Sukuk**

Tuesday, 09 February 2010

Indonesia sold 8.033 trillion Rupiah (\$852 million) of retail Islamic bonds, more than the 3 trillion Rupiah the government sought, Rahmat Waluyanto, director general of debt management at the Finance Ministry, said today. The notes, which mature in February 2013, will pay a return of 8.7 percent, Waluyanto said. Total demand from investors was 8.749 trillion Rupiah, he said. Southeast Asia's largest economy is tapping individuals to widen the investor base and reduce dependence on overseas debt sales. Retail bonds are usually offered in small amounts to make them affordable to the general public.

*Business Week/Bloomberg*

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## **Dar Al-Arkan to issue \$500-750m Sukuk**

Tuesday, 09 February 2010

Saudi Arabia's Dar Al-Arkan Real Estate will likely issue a five-year fixed rate Islamic bond worth between \$500-750 million by the end of the week, two bankers with knowledge of the deal said on Monday. The Islamic bond, or Sukuk, could be priced to yield between 10.5-11 percent, they said.

The bond for the kingdom's largest developer by market value could be the first international issue from the Gulf region since conglomerate Dubai World rocked global markets on Nov 25 with plans to request a delay on repaying \$26 billion in debt.

'They have been struggling,' one banker said referring to the interest in the Sukuk. 'They still haven't closed anything and they have been on the road for a long time now. 10.5 percent is not something that would make me excited. Mid-teens would have been good.'

The road show has been held in the Middle East, Europe, Asia and the United States.

The new bond will likely be used to refinance a \$600 million Sukuk due in mid-February. The bonds proceeds will help finance 2.7 billion riyals of capital expenditure during 2010, a prospectus for investors showed.

Deutsche Bank, Goldman Sachs and Unicorn Investment Bank are arranging the sale.

The issue has been given a provisional rating of Ba2 and BB- by Moody's and Standard & Poor's respectively. Executives at Dar were not immediately available for comment. - Reuters

*Trade Arabia(www.tradearabia.com)*

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## **RAM Ratings expects renewed growth in corporate bonds, Sukuk**

Tuesday, 09 February 2010

KUALA LUMPUR: With the normalization of external conditions, a steadily recovering domestic economy and expectations that Bank Negara Malaysia (BNM) will keep its benchmark rates intact until the second half of 2010, RAM Ratings Bhd believes that it is an opportune time for corporations to raise funds, whether for new funding, refinancing or building up their war chests.

"Conducive fund-raising conditions and a brighter economic outlook will also encourage corporations to seek additional funding to fuel their growth," its CEO Liza Mohd Noor said in a statement today.

She said the outlook on the bond market hinged on the ongoing rollout of the various stimulus packages and allocations under Budget 2010, which would require further funding.

"We also expect government-related infrastructure projects and banks' capital-raising efforts to account for the bulk of the debt capital market's activity this year," Liza added. RAM Ratings expects Malaysia's gross domestic product (GDP) growth to come in at 4.9% in 2010.

In its report, RAM Ratings said the Malaysian debt capital market, which had experienced a dry spell in 2009, was set for a rebound this year following an up tick in bond-market activity since the second half of 2009 and as the economic recovery gains traction.

The ratings agency said given the uncertainties weighing down the health of the domestic economy throughout 2009, the market had only favoured debt papers with at least double-A ratings.

It said the rated value of newly issued private debt securities (PDS) totaled RM61 billion last year. Of this, RM46.9 billion was rated by RAM Ratings, translating into about 77% of the rated market.

"Nonetheless, actual fresh PDS issuance only amounted to RM20.8 billion - a 31.8% year-on-year (YoY) drop amid the bleak economic and investment landscape last year," it said. Looking ahead, however, RAM Ratings expects about RM55 billion – RM60 billion of gross corporate and Sukuk issues in 2010.

RAM Ratings said the much-awaited debut of PDS issues with a financial guarantee or Al-Kafalah guarantee from Danajamin Nasional Bhd (AAA/Stable/-) would boost the growth momentum of the bond market.

It has been reported that Danajamin has already received four applications to extend guarantees to RM1 billion of bonds, with another 30 applications in the pipeline and a potential issuance value of RM8.4 billion.

RAM Ratings said banks, which had tightened their credit policies at the height of the global financial turbulence, had now returned to the market with competitive borrowing rates while balancing their risks with a very selective clientele of good credits.

"While we acknowledge that bank loans have traditionally been the primary source of funding for the corporate sector, we believe that it is essential for corporations to maintain some diversification in their funding options," RAM Ratings deputy CEO Chong Kwee Siong said.

RAM Ratings has a favourable view of rubber-glove manufacturers and also support services for the oil and gas sector.

"We remain upbeat that companies that operate predominantly in Malaysia will enjoy stable demand as Petroliaam Nasional Bhd (Petronas) has reaffirmed its upstream commitments up to 2012. We also note that rubber-glove makers have been largely unaffected by the recent economic crisis, given the products' non-cyclical nature.

Meanwhile, RAM Ratings said CIMB Investment Bank Bhd (CIMB IB) took the top spot in the RAM League Table for 2009 — in terms of both programme value and number of issues; AmInvestment Bank Bhd came in second ahead of RHB Investment Bank Bhd in terms of programme value.

CIMB IB also retained its pole position in the RAM League Table for Sukuk Issues in 2009, with a programme value of RM26.5 billion and four issues under its belt.

<http://www.theedgemaalaysia.com/business-news/159342-ram-ratings-expects-renewed-growth-in-corporate-bonds-Sukuk.html>

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### **Indonesia sees strong Sukuk demand, plans buy limit**

Wednesday, 10 February 2010

- \* Indonesia raises 8 trillion Rupiah from retail Sukuk
- \* Bids totaled 8.749 trillion Rupiah vs. 3 trillion target
- \* Analysts see 8.70 percent yield as attractive
- \* Indonesia plans limit on individual bids at next sale

JAKARTA: Indonesia raised 8.033 trillion Rupiah (\$856.3 million) from the sale of three-year retail Sukuk, a finance ministry official said on Monday, more than double the indicative target of 3 trillion Rupiah.

Indonesia, which has the world largest Muslim population, has pledged to develop its domestic Islamic finance market to diversify its funding sources.

The finance ministry received bids totaling 8.749 trillion Rupiah, Rahmat Waluyanto, head of the ministry debt office, told reporters.

The retail Sukuk matures in 2013 and carries an 8.70 percent yield, which helped draw in retail investors.

"So, I think it's quite attractive," said Handy Yuniarto, bond market analyst at Mandiri Sekuritas, who pegged fair value at about 8.4 percent.

The government hasn't specified how much it plans to raise this year from Sukuk, but the finance ministry has about 17 trillion Rupiah of underlying assets earmarked for its 2010 domestic Sukuk programme after Monday's issue, said Waluyanto.

The government plans to raise just over 175 trillion Rupiah (\$18.59 billion) this year from both external and domestic financing to repay maturing bonds and help plug a budget deficit seen at 1.6 percent of gross domestic product.

About three quarters, or 130 trillion Rupiah, would be raised in domestic markets and the remainder, roughly 45 trillion Rupiah (\$4.8 billion), would come from external sources.

#### *EXTERNAL*

The government raised \$2 billion last month by selling 10-year U.S. Dollar-denominated bonds and it has said it is targeting up to about \$1 billion from samurai bonds this year and it also plans global Sukuk issuance.

Waluyanto said that the global Sukuk issuance could take place "early in the second half" of 2010 although analysts said rising debt concerns globally triggered by Greece would suggest the government should move on the sale as soon as possible to avoid paying higher premiums later to attract investors.

Waluyanto said limits would be placed at the next retail Sukuk sale on the size of individual bids. He did not elaborate but analysts said the move would be aimed at attracting more bidders in an effort to boost market liquidity.

"I think the government will use that scenario for maybe broadening retail investors," said analyst Yunianto.

Islamic finance does not allow lending in return for interest. Borrowing, via instruments such as Sukuk, typically involves the sale and purchase or lease of specific assets.

Indonesia is rated below investment grade by international ratings agencies but an upbeat economic outlook, high domestic interest rates and a firm currency have attracted foreign investors (\$1=9420 Rupiah).

*Reuters*

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## ***TAKAFUL (ISLAMIC INSURANCE)***

### **Takaful sector booms as customers switch**

Monday, 08 February 2010

LONDON/DUBAI: Growth in the emerging global Islamic insurance industry, or Takaful, is waning slightly due to the economic slowdown, but remains strong as more people switch from conventional insurance.

The global market is seen growing as much as 30 to 40 percent annually in the next three to five years and could reach as much as \$11 billion by 2015, Ahmed al-Janahi, managing director of Noor Takaful, told the Reuters Islamic Banking and Finance Summit, held around the world this week.

Industry players agree the Takaful market is in a better position to weather the global economic downturn than the conventional market, given their asset-based investment strategies.

"We have seen the likes of AIG and others burning so many people, so even in the West, people are looking at Takaful on ethical and not just religious grounds," said Sheikh Abdul-Aziz bin Naif al-Orayer, chairman of Bahrain-headquartered Islamic insurer t'azur.

Under Islamic insurance, members contribute to a pool of funds which is used to indemnify participants who suffer a loss. Profits made from investing the funds are distributed among members.

Abdul Rahman Tolefat, chief executive of Bahrain-based Allianz Takaful, said these profits give Takaful an advantage over conventional insurance.

"There's more transparency, you know whether you join a surplus or a deficit fund," he said, adding the majority of the firm's customers are non-Muslims.

### ***SLOW START IN EUROPE***

While Takaful is growing rapidly in the Gulf Arab region, Indonesia and Malaysia, the market is virtually non-existent in Europe and this could be an interesting area for expansion.

The UK has one stand-alone pure Shariah insurer, Salaam Halal, which is marketing its products to Britain's Muslim community. HSBC Amanah is also present with a home insurance product.

France, home to around 5 million Muslims, is also changing its legal system to allow Islamic financial institutions, which are expected to include Takaful companies.

The first movers could get a huge advantage, according to Mohammed Khan, director for Takaful business at PricewaterhouseCoopers.

"Some of the bigger players in Europe definitely have plans to offer Takaful products. The question is when is the right time to launch them," Khan said.



Insurers from other countries will wait and see how Salaam's business develops before dipping their toes in the industry, he added.

Large insurers, although potentially better positioned than niche players in terms of capacity, will not necessarily be able to make a move into the market after chalking up losses on their investments. Those with capital remain cautious.

"We're in a period where the deployment of capital is important. It's not that easy to raise capital," Khan said.

But the emergence of specialists like Salaam could increase pressure on big insurers to offer Islamic products.

There may be room for both large and niche players in the Takaful market, in the UK at least, said Humayon Dar, CEO of the Islamic consultancy division of BMB group.

"Takaful is a better growth area for Islamic finance compared with retail or investment banking," Dar said.

*Reuters*

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## ***ISLAMIC INVESTMENTS; EQUITIES/SECURITIES & FUNDS***

### **NCB Capital launches new Shariah-compliant fund**

Wednesday, 10 February 2010

RIYADH: A US dollar-denominated, open-ended, Shariah-compliant fund was launched Monday in Riyadh by NCB Capital, the investment banking arm of National Commercial Bank (NCB), the largest commercial bank in the Kingdom. Under the new 'Sukuk and Murabaha Fund', NCB Capital will invest in Sukuk and Murabaha issued by highly rated companies and governments.

"This is a mid-term fund that will provide investors with an opportunity to participate in a new expanding asset class Sukuk as a developing asset and that will help them to balance their overall portfolio risk," Jawdat Al-Halabi, managing director of wealth and asset management at NCB Capital told newsmen at a press briefing here on Monday.

Explaining the objective of the launch, Al-Halabi noted that the new fund aims to generate a higher yield than money market investments and will benefit from a diversification across countries, sectors and companies in the GCC (Gulf Cooperation Council) region. The minimum subscription amount is fixed at \$10,000, he added.

"This is an exciting addition to our growing portfolio of funds and supports our reputation of providing our clients with the best performing products," Al-Halabi, said, adding that the fund seeks to stabilize investment portfolios while providing enhanced returns traditionally offered by money market investments.

Explaining why the new fund is an ideal opportunity for an investor, Al-Halabi said that GCC and some other emerging market's economic fundamentals remain strong, while oil prices have dropped from their peaks; they remain relative to historical levels and are backed by strong future demand fundamentals. In addition to hydrocarbon revenues, he noted, favorable demographics as well as diversification of local economies into non-hydrocarbon sectors underpin the positive economic outlook.

In support of its claims to be a market leader in the provision of funds for investors, Al-Halabi recalled that an earlier NCB Capital fund, called the Saudi Midcap Equity Fund, has just won the MENA Newcomer Award from MENA Fund Manager Magazine.

Other recent highlights of NCB Capital's strengths in this area include: The Saudi Trading Equity Fund (STEF), which had the highest absolute return in its category last year, according to Zawya website. In addition, Al-Ahli Trading Fund denominated in Saudi riyals, the largest investment fund concerning assets, reached SR17.8 billion by the end of December 2009. According to Tadawul statistics, by the end of December 2009, NCB Capital possesses 33 percent of investment funds share in Saudi Arabia.

"As a result of its long track record, NCB Capital has a deep knowledge of the GCC regional markets and companies. With solid equity research capabilities, seasoned professionals who study the markets on a continuous basis, and diligent screening processes," Hamed M. Fayez, head of asset management said. He added that NCB Capital asset management team has the ability to make the best available selection for the new portfolio

"The launch of this new fund reinforces the fact that we aim to provide the best products and levels of service to our investors, which is exactly what they should expect from the Kingdom's largest manager of wealth."

*Zawya*

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## ***ISLAMIC FINANCE EVENTS; SEMINARS, WORKSHOPS & CONFERENCES***

### **Shariah scholars discuss Tawarruq practices**

Sunday, 07 February 2010

The Bahrain Financial Exchange (BFX) and Bursa Malaysia recently organized a forum to discuss matters related to Islamic liquidity management and financing and in particular contemporary issues relating to commodity Murabaha transactions and Tawarruq practices. The forum was part of a two-day event marking the inauguration of a commercial relationship between the two exchanges. The companies said in a press

release that, “the underpinning for this relationship is to provide financial products to Islamic market participants and strengthen bilateral ties between both organizations.”

“The event, held at the BFX offices, attracted over 50 players from the Islamic financial markets and was graced with 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 an opinion on the concept of Tawarruq and its application and practices to facilitate Islamic liquidity management and financing,” the media statement said.

Raja Teh Maimunah Raja Abdul Aziz, the Global Head of Islamic Markets, Bursa Malaysia, who was also the moderator for 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.

*CPI ([www.cpifinancial.net](http://www.cpifinancial.net))*

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### **Kazakhstan to Host Conference on Development of Islamic Finance**

Sunday, 07 February 2010

BAKU: The Kazakh city of Almaty will host an international conference on development of Islamic finance in the Commonwealth of Independent States, Azerbaijan's news agency AzerTac reported Friday.

The conference, organized by Cbonds Information agency, will be a pioneering event featuring discussions on how to strengthen Islamic financing in the region.

Roughly 200 representatives of Kazakh financial institutions, corporations, and state agencies are expected to attend, as are representatives from Russia and other CIS countries. The conference will be held with the support of the RFCA and the Association of Financiers of Kazakhstan.

The event will be held as part of annual Kazakhstan Financial Forum.

*BERNAMA*

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## **Mashreq announces support for 5th Annual Middle East Retail Banking Forum**

Monday, 08 February 2010

Mashreq announces support for 5th Annual Middle East Retail Banking Forum, organized by Fleming Gulf. Mashreq announced to be the Conference Sponsor for the 5th Annual Middle East Retail Banking Forum, which will be held in Dubai on 12th - 14th April 2010, and organized by Fleming Gulf. The 5th Annual Middle East Retail Banking Forum will take you to a new league altogether in Retail Banking where you will witness & learn what has to be an ideal Retail Banking Strategy for your bank to enjoy the Economies of Large Scale Production.

Fleming Gulf welcomes senior retail bankers from Middle East to the region's largest retail banking conference 5th Annual Middle East Retail Banking Forum to develop an effective retail banking strategy.

Listen to the GURUS of Retail Banking:

- Atif Bajwa, MCB Bank Limited - President
- Sanjoy Sen, Citibank NA - Head of Consumer Banking - Middle East
- Ajay Makhija, SAMBA Financial Group - Group Head - Consumer Banking
- Louis Anthony Scotto, Doha Bank - Head of Retail Banking
- Anand Dorai, Al Rajhi Bank - General Manager, Retail Banking
- Dr. Adnan Chilwan, Dubai Islamic Bank - EVP - Chief of Retail & Business Banking
- Dr. Imad I. Itani, Bank Audi SAL - Audi Saradar Group - Board Member & General Manager | Group Retail & Islamic Banking
- Nabeel Malik, First City Monument Bank Plc - Executive Director - Retail Banking
- Malik Sarwar, Abu Dhabi Islamic Bank - EVP - Global Wealth Management & Private Banking
- Kevin Goodburn, Bank Muscat SAOG - Head of Customer Experience & Quality;

And many more.

*AME*

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## **Libya to host workshop on Islamic finance**

Saturday, 13 February 2010

Tripoli: The Union of Arab Banks will hold a workshop under the theme Islamic Finance from 14 to 18 February in Tripoli geared towards training executives of Islamic banks on their products and transactions.

The workshop will also tackle many other issues, including foundations of Islamic finance, legal requirements, products and the legal monitoring of services provided by Islamic banks.

The meeting, according to the organizers, targets agents of Islamic banks, supervisors of Islamic financial services, staff of the legal department, investment and financing of banking transactions.

Since the beginning of the world financial crisis, which has affected the banking system in the world resulting in the collapse of many banks in the US and world wide, Islamic finance has gained grounds in many Arab countries, the Islamic world and Western countries.

*AFRICA NEWS* (<http://www.afriquejet.com/news/africa-news/libya-to-host-workshop-on-islamic-finance-2010021243962.html>)

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### **Islamic Finance Symposium at the Diana**

Saturday, 13 February 2010

The Muslim Student Association hosted the first ever Islamic Finance Symposium at Columbia on Thursday, debating Islamic finance and its relevance in the global economy at the Diana Center Event Oval.

The event, sponsored in part by the Barnard Office of Career Development, featured Umar Moghul, a professor in Islamic law at the University of Connecticut School of Law, and Taha Abdul-Basser, a former researcher in Islamic ethics and law at the Harvard Islamic Finance Information Program and current Muslim chaplain at Harvard University.

Barnard President Debora Spar emphasized the importance of learning about Islamic finances in her welcoming address. “As our economic system takes a downturn, it’s important to consider other economic systems and the fundamental connections between belief system and their economic system,” Spar said.

Islamic law forbids interest-bearing transactions and subjects its financial laws to religious ethics, Abdul-Basser said. Islamic finances aim to develop creative solutions to create profitable and feasible mechanisms around these legal and ethical issues, he said. Islamic finances have emerged as a “religio-social movement, commercial sector and academic field of inquiry,” Abdul-Basser added.

Moghul in the discussion said that Islamic finances are intimately connected to its faith. “Islamic finance system looks to preserve five values: the preservation and protection of faith, life, lineage, intellect and property. It aims to please the creator with economic and financial activity,” Moghul said.

He continued, “Islamic finances challenge the status quo that ethics and morality have no place in economic systems and growth. ... Ethical review panel and codes of ethics are innovations that Islamic finance brings to customary finances.”

Some in the audience agreed that Islamic finances do have global implications.

“This is not just related to Islam, its part of a larger discussion of economics, religion and spirituality and has a lot of intellectual interest,” Taimur Malik CC '11, MSA board member and co-organizer of the event, said.

Haroon Moghul, a Ph.D. candidate in Columbia’s Department of Middle East and Asian Languages and Cultures, said, “It’s positive to see people engaging this topic as a serious discourse and system of thought that is demanding and part of a larger conversation, as opposed to presenting something in a narrow sphere.”

Muzna Ansari, BC '10 and MSA president, said, “As I consider loans post-college, I will take Islamic finances into consideration.” She also reflected on the ways in which Islamic finances have grown, dating back to the 1970s, when her parents came to the U.S. and Islamic finances were not an option. “It’s great to be part of a growing movement,” she said.

<http://blogs.columbiaspectator.com/newsroom/?p=1410>

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## **COMMENTARIES/ARTICLES**

### **Saudi Arabia budget 2010 reflects Kingdom quick economic recovery**

*Saudi Arabia: The Kingdom of Saudi Arabia is 'well positioned to reap the benefits from the rebounding global economy', according to a report by NCB Capital Chief Economist Dr. Jormo T. Kotilaine.*

Increased government spending, including 'outlays for both physical and social infrastructure development along with other diversification initiatives will likely ensure that the economy comes back to its historical growth trajectory,' the report says in commenting on the largest budget in the Kingdom's history.

While in 2009 Saudi Arabia posted its first deficit in eight years in the face of the global economic crisis, the actual deficit of SR45bn was significantly less than the SR65bn projected in the 2009 budget as a result of the rebound in oil prices to \$60 per barrel over the \$44 per barrel projected in the budget.

"While we expected the Kingdom economy to contract (on real as well as nominal terms) in 2009, the 0.15% real GDP growth surprised us on the upside' the NCB Capital report stated. In line with diversification initiatives, growth was largely driven by the non-oil sector which expanded 3.0% in 2009 in contrast to the contraction of the oil sector resulting from the fall in oil prices and production cuts due to OPEC's quota regime. Private sector growth was registered at 2.5% while the government sector grew by 4.0%."

According to the report, the Kingdom was not immune to the global economic downturn. 'The decline in oil prices led to a fall in the Kingdom's current account balance in 2009. According to the Saudi Arabian Monetary Agency (SAMA), the Kingdom's current account surplus declined 84.5% from SR496.2bn (or 28.6% of GDP) in 2008 to SR76.7bn (5.5% of GDP) in 2009.'

The 2010 budget projects revenues at SR470bn, 14.6% higher than the budgeted revenues of SR410bn in 2009 while the spending is projected at SR540bn, 13.7% higher than the 2009 budgeted expenditure of SR475bn. This estimated revenue and spending figure for 2010 indicates a budget deficit of SR70bn. The NCB Capital Report concludes that, 'a series of surpluses since 2002 has positioned the Kingdom in a financially sound position to have an expansionary fiscal policy to sustain its domestic economy in a challenging global environment.'

According to the budget summary, 48% of the Kingdom's 2010 budget (about SR260bn) is allocated for capital investment projects, 'underscoring the government's determination to improve critical infrastructure and diversify the economy'. The budget will also include increased spending on Education and Training (SR137.6bn).

Education allocations include construction of 1,200 new schools and rehabilitation of 2,000 existing school buildings during the year. Healthcare and social services comprise 11% of spending (SR61.2bn) for building 92 new hospitals with a capacity of 17,150 beds and new primary care centers.

Budget allocations also include SR23.9bn for road-building, ports, airports, railroad developments and new postal services. Spending to enhance water and sewage networks comprises 8.5% of the budget (SR46.0bn). The 2010 budget also includes allocations amounting to SR48.3bn for loans through the Specialized Credit Institutions including the Real Estate Development Fund, the Saudi Industrial Development Fund, the Saudi Credit

and Saving Bank, the Agriculture Development Fund, the Public Investment Fund, and the Government Lending Program.

NCB Capital expects oil GDP to grow 4.3% in 2010. 'With the value of exports recovering smartly in 2010, in line with our assumption of average oil prices at \$73 per barrel, we forecast 2010 surplus to stand at around SR80bn as compared to the Saudi government's forecast of a budget deficit of SR70bn.'

*AME (<http://www.ameinfo.com/219802.html>)*

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### **Takaful growth will be driven by a rising user base**

Wednesday, 10 February 2010

The Takaful, Islamic insurance, sector will continue to experience steady growth momentum this year, said financial analysts. This will be driven by a growing number of individuals and corporations opting for Takaful insurance cover, improving regulatory mechanism and increasing government support, they said.

"Across the board in the GCC there is growing appetite for Takaful and the industry is very much in growth mode. Appetite continues to grow from both individuals and corporate institutions, who are looking to purchase policies on behalf of their employees," David Hunt, Head of Insurance, HSBC Middle East, told Emirates Business.

"We are fairly positive about the outlook of Takaful insurance in the GCC in 2010. Given the low insurance penetration across the region, we think the industry would continue to grow faster than non-oil GDP and conventional insurance.

The industry is expected to grow at about 16 per cent per annum between 2009 and 2012, said Tommy Trask, Executive Director and Head of Industry Research services, Alpen Capital, Dubai.

Market analysts believe government support across the region is a major factor pushing the Takaful insurance industry.

"The religious factor is important. Apart from that, governments are promoting the use of insurance across the Gulf. Saudi Arabia, for instance, completely rebuilt its insurance sector around the Takaful model," said Kevin Willis, credit analyst, S&P Ratings Services, from London.

"They have introduced compulsory motor and health insurance. So, there is a natural growth momentum. Similar approaches have been taken in other Gulf countries. Abu Dhabi, for instance, has introduced compulsory medical insurance for its workforce."



However, asset price volatility remains a concern for Takaful players in the region. Trask said: "These companies are highly exposed to the local equity and real estate markets, where we've seen quite a lot of volatility.

"These firms would continue to see volatility until they adopt more conservative investment strategies and start allocating more of their assets into Sukuks, for example," he said.

Willis said: "The underlying profitability that we're seeing in the Takaful sector is not as great as that which we're seeing in the conventional insurance sector.

"But there's a growth appetite in the Takaful sector in the region".

Asked whether Takaful is a safe option for buyers in the current challenging times, Hunt said: "Risk profiles tend to be similar to those of conventional insurance and the way Takaful operations underwrite the risk is also very similar. The difference lies in the investment portfolios of Takaful companies, which must comply with the investment restrictions relating to forbidden sectors or instruments under Shariah law."

He said in the GCC a lack of regulations has historically impeded progress, but as competition continues to increase, regulators are developing supervisory frameworks. "The Saudi Arabian market is one good example where regulators have greatly developed the framework in recent years. The market has gone from having more than 100 unregistered companies to a handful of separately-listed Saudi companies," Hunt said.

Globally, Takaful continues to display rapid growth in new and existing markets – with the largest markets including Saudi Arabia and Malaysia.

On whether there are any risks involved, Trask said: "There're two risks. The first is that Takaful industry is characterized by a small number of very big players and very large number of small players or start-ups in the region.

"Additionally, the market is very fragmented and there's a fear that some of the smaller players would be marginalized," he said.

*Business 24-7 (www.business24-7.ae/articles)*

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