

**Report Week # 110**

**BUSINESS AND POLITICS IN THE MUSLIM WORLD**

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

**Period: Mar 07 – 13, 2010.**

**Submitted By: Muhammad Ibrahim**

**Presentation: March 17, 2010**

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***GLOBAL FINANCE & GLOBAL ISLAMIC FINANCE***

**GFH to open in Syria and India**

Monday, March 08, 2010

Gulf Finance House (GFH), an Islamic investment company based in Bahrain, is pushing ahead with plans to start an Islamic bank in Syria and will soon begin construction on a major development near Mumbai.

The moves mark a surprising turnaround for the company, which was recently forced to restructure debts after it ran out of money and could not secure refinancing from banks on US\$400 million (Dh1.46 billion) of loans. Paying down debt and reforming GFH's business model have been central to an aggressive restructuring strategy under Ted Pretty, the chief executive.

The new commercial bank, to be called Syria Finance House, was announced on Saturday with capital of 15 billion Syrian pounds (Dh1.19bn). The bank is to be 60 per cent financed by GFH and its co-investors, while 10 per cent of it is to be owned by Syrian investors and 30 per cent listed on the country's stock market. The bank is now awaiting final approval from Syria's central bank.

"Islamic commercial and investment banking in Syria promises great potential for growth with a significant demand for Islamic financial services and low penetration," Mr Pretty said. "The Syrian market enjoys excess liquidity, with deposits amounting to 41 per cent of GDP last year, which could be utilized in developing the country in line with the Syrian government's plans ambitions for socioeconomic growth and prosperity."

GFH yesterday announced the start of work on the infrastructure for its Mumbai Economic Development Zone project, launched in 2007 and covering 647 hectares

located 65km from the country's financial centre. The project is to include a large energy city project, along with zones for telecommunications, software development and entertainment.

GFH ran into trouble late last year because it took out short-term Islamic loans to help finance large, long-term property projects across the region, including in Bahrain, Qatar, Jordan, Tunisia, Libya and Algeria. As the global economic downturn set in and investors retreated, the value of GFH projects declined, along with its ability to secure financing for them to continue construction.

The turmoil led the company to re-evaluate its business model and aggressively mark down its investments, leading to \$607m in losses during the final three months of last year.

It has also tackled its debt issues head-on under Mr Pretty, coming to terms with lenders to extend maturities on two Islamic loans, one for \$300m and the other for \$100m. GFH last month repaid two thirds of the first loan, delaying repayment of the remainder for six months. This month, the company repaid \$20m of its \$100m loan and spread out repayment of the rest over two years, with equal payments of \$20m every six months. The company aims to sell assets to raise at least \$250m in order to pay down debt.

The announcements of new investments in Syria and the start of work in Mumbai marked a turnaround for GFH, which was recently upgraded by Standard & Poor's to "CCC minus" from "selective default" after it renegotiated the second loan, a source at the company said. GFH plans other deals, the source said, pointing to an upcoming investment in transportation and logistics in the region.

An analyst in Dubai said the Syrian bank and Mumbai project fell in line with a strategy to sell assets and go forward only with investments that could generate revenues or be sold to raise cash.

"Now they're focusing on selling assets and generating revenue at least for some projects they have in the pipeline," he said.

For financial institutions to operate freely in an environment free of government interference, Syria must abolish laws (i.e. law number 20 of 1983) which give the government the power to arbitrarily appropriate private property from its rightful owner. These laws are anti free capital business enterprise and anti free investment markets.

<http://www.thenational.ae/apps/pbcs.dll/article?AID=/20100307/BUSINESS/703079906/104>

## **Jordan government turns to Islamic banks for borrowing**

Monday, Mar 08, 2010

Amman - The Jordanian government on Monday borrowed 100 million dollars from the Jordan Islamic Bank, in what Finance Minister Mohammad Abu Hamour described as a recognition of the successful performance of Islamic finance during the latest global financial crisis.

Abu Hammour, who signed the loan agreement on behalf of the government, said that the credit would be used for buying wheat and barley to enhance the country's strategic stockpile of the two basic commodities. 'Our decision to turn to Islamic banks for borrowing came in the light of the success scored by Islamic banking during the world financial crisis,' the minister said.

Abu Hammour said that his ministry had set up panels for appraising the feasibility of borrowing through the issuance of Islamic bonds, the Sukuk.

According to regional and international studies, Islamic banks were the least affected by the crisis that rocked the world economy in the last quarter of 2008, compared with big losses incurred by conventional banks.

Abu Hammour said that his ministry had come up with a plan to handle the record deficit in Jordan's public budget which was expected to reach 1.5 billion dollars in fiscal 2010.

[http://www.monstersandcritics.com/news/business/news/article\\_1539365.php/Jordan-government-turns-to-Islamic-banks-for-borrowing#ixzz0iMzggoZT](http://www.monstersandcritics.com/news/business/news/article_1539365.php/Jordan-government-turns-to-Islamic-banks-for-borrowing#ixzz0iMzggoZT)

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## **Dubai World players prepare for final act**

Monday, Mar 08, 2010

Talks between the indebted conglomerate and the many creditors to whom it owes money appear to be rapidly approaching some kind of denouement. Ever since the announcement last November that Dubai World was seeking to restructure some US\$26 billion (Dh95.5bn) of debts and liabilities, the conglomerate has been in de facto talks with its creditors – the 90-odd banks, international investors and trade creditors to whom it owes money.

Those talks have been sometimes completely informal, over a coffee or in a discreet phone call between advisers and creditors. Sometimes they have been played out in the media, with offer “details” and proposed “terms” leaked into the public domain as part of the negotiating process, to be met with official denial or “no comment”.

But now a denouement of some kind is rapidly approaching. The Dubai Department of Finance, which plays a crucial role as financier of last resort to Dubai World, said last month that formal proposals could be ready by the end of March, a month ahead of the deadline in the original “standstill” announcement. Some advisers suggest they might emerge within 10 days.

Dubai World representatives and advisers are in London talking to the four British banks and one Japanese lender that control the co-coordinating committee of creditors, the “cocom”. With the circle of insiders to the talks widening, the pace of disclosure will accelerate fast.

The number of people involved in the Dubai World talks has grown exponentially since the “standstill” announcement on November 25.

Leading negotiations for the company itself is Aidan Birkett, the chief restructuring officer, and his band of advisers from the international accounting firm Deloitte. The company is also advised by the investment bank Rothschild, as well as lawyers and communications experts.

The Dubai Department of Finance is closely involved in the process via the Dubai Financial Support Fund (DFSF), run by its executive director, Dr Marwan Abedin, which has been paying Dubai World’s operating bills and interest charges since November 25. The DFSF is advised by a team from the US investment bank Moelis and Co, led by one of the bank’s executives, Augusto Sasso, and supported again by lawyers and public relations advisers.

The Government of Abu Dhabi is also kept fully aware of progress. As the source of funds for the DFSF, via the two \$10bn bond issues last year, it has made it its business to monitor day-to-day developments.

The cocom of creditors consists of the British banks HSBC, Standard Chartered, Royal Bank of Scotland and Lloyds TSB, as well as the Bank of Tokyo Mitsubishi of Japan. Representing regional banks are Emirates NBD and Abu Dhabi Commercial Bank.

Although no full list has been disclosed, the rest of the creditors are small to medium-sized banks from around the world, but with surprisingly small US involvement. American banks on the whole appear not to have lent big sums to Dubai World.

The official figure for total group debts and liabilities of the Dubai World conglomerate is \$59bn, as disclosed in filings to NASDAQ Dubai. But not all of that is subject to

renegotiation. The conglomerate believes it can service most of its debts from ongoing facilities, operational cash flow, and asset sales.

The November restructuring identified \$26bn of debts and liabilities to be renegotiated.

No breakdown has been officially given, but it is thought about \$10bn of that related to Nakheel, the property developer responsible for the Palm and World developments in Dubai.

Some of that debt was bank loans, some in unpaid contractors' bills. There was also a \$4.1bn bill for the Sukuk, or Islamic bond, that fell due in December. The balance of the \$26bn was in the form of group financial debt and other trade liabilities. Since the Sukuk was repaid, the amount owed to outsiders fell to \$22bn. But the DFSF insists the full sum owed is \$26bn, because it borrowed the money on commercial terms and is seeking repayment by Dubai World on the same unsecured terms as other creditors.

Since the November announcement, DFSF has put more than \$5bn into those parts of Dubai World undergoing restructuring.

The Sukuk repayment accounted for most of that, with roughly \$1bn extra for interest payments, salary, general and administrative expenses. DFSF is committed to maintaining its financial support until a deal is done with creditors, subject to a deadline of April 30.

#### *Options for the Dubai World*

The conglomerate can present creditors with the “carrot or stick” ultimatum common to restructuring situations the world over: accept our terms for revised repayment or we will go into bankruptcy.

Since the Government of Dubai announced special procedures to deal with a Dubai World bankruptcy, involving a tribunal to hear and rule on creditors' claims, the stick option has greater credibility. There are now mechanisms in place to deal with insolvency if creditors do not agree on a deal, in which case they might lose out in the scramble for assets.

That is a “doomsday” scenario for the creditors, but also for Dubai World. Bankruptcy would have far-reaching implications for the rest of its liabilities, and knock-on effects for other indebted Dubai corporations like Dubai Holding and the Investment Corporation of Dubai.

The creditworthiness of Abu Dhabi companies, which have already come under pressure from the international ratings agencies as a result of Dubai's troubles, might be further affected. Dubai's ability to raise capital on the international markets for post-recession recovery could be jeopardized.

The carrot element entails a promise by Dubai World that creditors can look forward to receiving some, perhaps most, of their money back over time, if they agree to the terms. Details of these plans are what creditors in London, the UAE and the rest of the world are now awaiting. According to people familiar with the negotiations, the proposals are likely to involve some form of "haircut" – a discount to full repayment.

Various levels have been suggested, between 60 and 80 per cent of principal amounts, depending on how long creditors are prepared to wait for their money back. Full repayment is still a possibility, but over as much as 10 years.

#### *Creditors' options*

Once they know the options, creditors can go along with the carrot, or take their chances with the stick. One great imponderable is that nobody really knows a fair value of Dubai World assets in a bankruptcy and break-up situation. Insiders talk of a maximum return of 50 per cent, a severe haircut by any standards.

Reaction to the proposals will vary between the different classes of creditors. The big global banks, as represented on the cocom, might take the view that the value of continuing business in the UAE and the Gulf justifies accepting a significant discount now and drawing a line under the whole affair. Regional banks are more likely to accept long-term proposals for full repayment, perhaps with guarantees of assistance from Gulf central banks if big write-offs are required in the short term.

In between, there are a range of banks and investors, like holders of the next two Nakheel Sukuks due this year and next, who could react unpredictably. Some might insist on immediate repayment in full, and began legal action to retrieve assets. Sukuk holders have proved themselves ready to use the courts, especially in the US, to protect their interests.

#### *Where do we go from here?*

Restructurings tend to be long, drawn-out affairs. One recent example was Global Investment House in Kuwait, which took a year to do a deal with 15 banks over \$2bn of

debt. On the international stage, Eurotunnel was in talks with creditors and shareholders for the best part of 15 years.

Dubai World does not want it to drag on for that long. Advisers to the Dubai Government have talked of a deal by the summer, but once their proposals are put, events fall outside their control. Friends of Mr Birkett say he does not want to miss another winter skiing season.

<http://www.thenational.ae/apps/pbcs.dll/article?AID=/20100308/BUSINESS/703089889/1058&template=columnists>

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### **Dubai Debt Crisis Not Permanent Setback to Islamic Finance, Says Mukhriz**

March 10, 2010

KUALA LUMPUR: The Dubai debt crisis does not represent a permanent setback to Islamic finance even though the Sukuk or Islamic bonds suffered a blow as potentially safer instrument than conventional.

Deputy Minister of International Trade and Industry Datuk Mukhriz Mahathir said this was because of the reasonable disenchantment with the banking and financial system as practised in the West. However, a marked slowdown in business could occur, he said at the launch of the Amanah Mutual Bhd Shariah-compliant close-ended fund AMB Dana Aqeel Capital Protected on Tuesday.

Mukhriz said the Islamic finance players in the country must be prepared to counter the impending negative effects from the uncertainties in the global market. "We must aggressively open up new markets following the present capital-surplus countries that have been buying our Islamic products may be undergoing a slowdown from reduced revenue in commodities," he said.

Mukhriz said the Islamic unit trusts in the country have emerged as a significant growth area for the overall unit trust and fund management industry.

From just 17 products in 2000, the unit trust industry now offers 144 Islamic unit trusts products in both equity and bond categories, he said. "The viability of Islamic unit trusts is evident from their acceptance by investors with the total net asset value (NAV) of the products touching RM22.0 billion or 11 per cent of the entire industry's NAV of RM200 billion," he added.

*BERNAMA*

<http://www.bernama.com/bernama/v5/newsbusiness.php?id=481128>

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## **Dubai Financial Services Authority launches electronic Islamic finance handbooks**

Mar 11, 2010

United Arab Emirates: The Dubai Financial Services Authority (DFSA) has launched a series of electronic Islamic finance tailored handbooks, designed to help Firms undertaking Islamic finance activities in the Dubai International Financial Centre (DIFC). The Islamic finance handbooks are designed to assist with the identification of the DFSA Rulebook requirements applicable to financial activities conducted as Islamic or Shariah compliant.

The five tailored handbooks relate to five different types of Islamic finance activities. Each handbook contains the parts of the DFSA Rulebooks which apply to that particular area of activity namely:

- Islamic Banking;
- Islamic Investment Business, other than Operating Funds;
- Islamic Insurance;
- Islamic Insurance Intermediation and Management; and
- Operation of Islamic Funds.

The Chief Executive of the DFSA, Mr Paul Koster said, "Islamic finance has witnessed tremendous growth and as such is an important area of focus for the DFSA. We want to provide the industry with improved access to our framework of Laws and regulations which is why we have created the Islamic finance tailored handbooks. By improving our delivery of information to Firms conducting Islamic finance activities, we hope that the handbooks will help Firms access the requirements that apply to their Islamic finance activities more easily."

<http://www.ameinfo.com/226351.html>

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## **Centennial College launches Islamic finance course**

Mar 11, 2010

Centennial College is aiming to enhance Toronto's global standing as a financial services hub with the launch of an Islamic finance course this May. The school is the first training provider to offer the course in association with the London-based Chartered Institute for Securities and Investment (CISI). The 60-hour online course will be the required first step for individuals looking to obtain their Islamic Finance Qualification (IFQ), an internationally recognized accreditation administered by CISI.

[www.aibim.com](http://www.aibim.com)

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## **Shariah boards face scrutiny amid financial crisis**

March 12, 2010

DUBAI: Shariah boards face increased scrutiny and criticism as high-profile corporate defaults and cautionary comments from respected scholars cast a harsh light on the fast growth of financial products touted as Islamic.

Experts say rapid growth in the industry, which some estimates value at around \$1 trillion, has put more pressure on scholars to sign off on increasingly complicated structures, wrapped in Shariah packaging.

"In areas that have to do with capital guarantees, fixed income and derivatives ... 40 to 50 percent of what's being sent out is form over substance," said Jawad Ali, managing partner at Dubai-based law firm, King & Spalding.

Ali said while scholars have good intentions to produce Shariah-compliant products, concerns arise when complicated structures like hedge funds and derivatives come into play -- areas that mimic conventional products but are being touted as Shariah financing by banks and attorneys.

"Mistakes do happen when a Shariah board focuses on the instrument being presented ... and there is little scrutiny on how the structures are being implemented," he said.

Influential scholar Sheikh Taqi Usmani rocked the industry last year when he said many structures presenting themselves as Islamic didn't meet the definition of true Shariah compliance, raising concerns in the industry that some deals could be deemed un-Islamic after investors had bought them.

Those concerns increased when Kuwait's Investment Dar (TIDK.KW) -- which defaulted on a \$100 million Sukuk last May -- presented a legal defense in the British High Court that one of its Wakala, or agency deals, wasn't Shariah compliant.

### *VERY PAINFULL*

Such comments are tarnishing the reputation of Shariah boards, said Mohd Daud Bakar, Islamic scholar and managing director of Amanie Islamic Finance Consultancy and Education.

"If any company claims deals aren't Shariah compliant after they've already been approved by their own boards, it would be very painful for the industry," Bakar said, adding the relationship between a Shariah board and business players structuring a deal had to be based on trust.

But Ali said there have been violations of that trust by eager bankers and lawyers, looking to cash in on the industry and push through a deal by any means necessary.

"Shariah boards can't be policemen," he said. "It's completely unreasonable to expect a Shariah board member to read every single page of a document. There has to be a level of trust with lawyers and bankers."

Part of the problem is the scarcity of Shariah scholars -- particularly those with business acumen -- available to oversee such transactions.

According to a study by consulting firm Funds At Work, in the Gulf Cooperation Council there are 755 Shariah board positions in total. But 46 percent of those positions are filled by the same 10 scholars.

The same few experienced scholars are stretched too thin, said Harris Irfan, head of Islamic products at Barclays Capital.

"The scholars take their responsibilities seriously," he said. "But I have frequently come up against bankers and lawyers that have glossed over thorny issues that might cause a problem in Shariah and hoped that scholars would just sign off."

And when a deal comes into question, as in the case of Investment Dar which said a fixed return promised in its Wakala deal ultimately constituted interest, it's the Shariah boards that get hit with criticism.

To prevent such happenings, Shariah scholars must take responsibility, Bakar said, regardless of their many obligations, to pore over every page of a contract and thoroughly understand the terms of a deal before signing it off. (Editing by Thomas Atkins and David Holmes)

<http://www.reuters.com/article/idUSLDE62A0J420100311>

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## **WIEF: Global Acceptance of the Islamic Brand Growing**

March 12, 2010

KUALA LUMPUR: Global acceptance of the Islamic brand is growing at a rapid pace based on the keen interest shown by international firms to participate in the World Islamic Economic Forum (WIEF) 2010.

The proven success of the event over the past five years has already attracted over 40 countries for the WIEF this year, said WIEF Foundation chairman Tun Musa Hitam said at the event launch here on Thursday.

The confirmed countries included Brunei, Indonesia, Senegal, Syria, Maldives, Pakistan, Kazakhstan, Bangladesh, Netherland, Canada and Mauritius, he said.

To be held here from May 18 to 20, the forum is expected to be attended by about 2,000 participants, comprising country leaders and members of the global business community.

Musa said most of these countries joining the forum, especially the Muslim countries, needed special attention and opportunities to share ideas and promote possible business ventures.

"In this environment, where the global economy seems to be stabilizing, among most Muslim countries, the situation is still bad simply because when we talk about economic improvement, it always depends on the world's leading economies such as the United States, China, Europe and other advanced countries," he said.

"The developing countries of the Muslim world have totally been neglected. They have been forced to look after themselves and look for opportunities during uncertain economic conditions," he said.

"So, these countries need special attention and opportunities and this is why a forum like this will help them."

According to Musa, those countries don't even know where to start and so that is why they are keen to participate in the Islamic economic forum.

"Many of them are in need of a much more constructive approach to develop themselves and that's why they are coming here to exchange views," he said.

"And out of this, you can be sure that there will be a lot of ideas coming out, either at government level, government-to-government or more important, within the context of ordinary businesses from the countries concerned."

Musa said Malaysia, which has always been at the forefront of the Islamic brand, is well-positioned within the Islamic world and able to facilitate those Muslim countries that needed help.

"Malaysia is performing better as compared to other OIC (Organisation of Islamic Conference) countries and this is simply because we are blessed with natural resources," he said.

With theme of "Gearing for Economic Resurgence", the WIEF 2010 will be opened by Prime Minister Datuk Seri Najib Tun Razak at the Kuala Lumpur Convention Centre.

The highlights will include a leadership panel to discuss leadership challenges in the new era, the global chief executive officer panel, a special leaders' dialogue on climate change, a signature "Countries in Focus" session showcasing investment opportunities in selected developing OIC countries, and eight parallel sessions.

It will also preceded by the Businesswomen Forum, the Young Leaders Forum and an exhibition to be opened by Deputy Prime Minister Tan Sri Muhyiddin Mohd Yassin.

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<http://www.bernama.com/finance/news.php?id=481600>

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## **SC Teams Up With Oxford Centre for Islamic Studies**

March 11, 2010

**KUALA LUMPUR:** The Securities Commission Malaysia (SC) and the Oxford Centre for Islamic Studies (OCIS) have teamed up to create an international platform for debate, dialogue and study on contemporary issues and challenges faced in Islamic finance.

The inaugural collaboration with the OCIS, will help further facilitate intellectual discourse among Islamic finance experts, Shariah advisers and scholars from around the world, the SC said in a statement here, Thursday.

The OCIS is well known for its research and academic excellence.

"The collaboration reflects our commitment to building knowledge and encouraging research and discourse in Islamic finance," SC Chairman, Tan Sri Zarinah Anwar said.

Towards this end, both sides will jointly host a high-level roundtable and public forum on March 15-16 in Kuala Lumpur, to discuss the way forward for Islamic finance following the global financial crisis.

OCIS Director, Dr Farhan Nizami said it had embarked on the study of Islamic finance, in a move to promote a more comprehensive understanding of Islamic culture and civilization.

"The OCIS is dedicated to achieving by academic means, a better understanding of Islam and the needs of Muslim societies. As part of this objective, it is embarking on the study of Islamic finance," he explained.

"Given Malaysia's success in the development of Islamic capital markets, the OCIS welcomes the opportunity to work in partnership with the SC in this important area of study," he added.

Meanwhile, the topic for the closed-door roundtable is; "Developing a Scientific Methodology on Shariah Governance for Positioning Islamic Finance Globally".

The public forum on March 16 will see 300 industry practitioners, regulators and scholars attending. It will discuss the contribution of Islamic finance, post the financial crisis.

Raja Dr. Nazrin Shah ibni Sultan Azlan Muhibbuddin Shah, the Regent of Perak, who is also the Financial Ambassador to the Malaysia international Islamic Financial Centre (MIFC), will deliver his keynote address at both events.

Zarinah and Nizami will also be speaking.

*BERNAMA*

<http://www.bernama.com/finance/news.php?id=481606>

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### **Countrywide Awareness Road Show on Islamic Banking And Takaful By Alhuda-Centre Of Islamic Banking And Economics (CIBE)**

March 11, 2010

LAHORE, PAKISTAN: AlHuda- Centre of Islamic Banking and Economics – (CIBE) is honoured to give an opening to a national Road Show by conducting over 300 awareness interactive programs in Islamic Banking and Takaful, covering 100 cities throughout Pakistan starting on 10th March 2010 from Khyber consisting over the whole month to be concluded in Karachi on 10th April 2010. The prime objective of this program is to promote logical awareness in Islamic Banking and Takaful to the businessmen and industrialists.

This caravan of Islamic Financial Road Show includes 30 Chambers of Commerce and Industry, over 40 private and public sector universities, 10 press clubs, over 25 trade and business associations and over 200 public awareness meetings at different Islamic Banking Branches of the Islamic Banks. In addition five hundred thousand information leaflets on basic learning in Islamic finance and Takaful will be distributed to the participants of all the programs and indirectly almost five million people will be attached in this program. The road show will pass through NWFP, Federal Capital, Punjab and Sindh provinces. The ongoing Road Show will complete its journey on 10th April 2010 in a very special convention at Karachi.

Mr. Zubair Mughal, the Chief Executive Officer, AlHuda-CIBE on the inaugural ceremony says that this road show will become a strong and long term link between businessmen, students, scholars, Islamic financial institutions and the general public which will lead to eliminate the misconceptions of Islamic banking and Takaful. Another special aspect of this road show is that over 20 programs in this process have been organized at different Press clubs and Media centres, so that special feature of Islamic banking and Takaful are brought to the journalists community for the first time at their doorstep which will ultimately promote general awareness on the subject in a more convenient way.

All the prominent Chamber of Commerce and Universities i-e Karachi Chamber, Rawalpindi Chamber, Lahore Chamber, Abbotabad Chamber, Gujrat Chamber, Gujranwala Chamber, Faisalabad Chamber, Sahiwal Chamber, Multan Chamber, Bahawalpur Chamber,

Sukkur Chamber, Hyderabad Chamber etc and Punjab University, Sarhad University, City university, Gift University, International Islamic University, Riphah University, Karachi University, Bahudin Zakriya University, Superior University, UMT and other Universities and Chamber of Commerce's are participating in said Road show.

Alhuda Centre of Islamic Banking and Economics

(Asianet-Pakistan and OfficialWire)

[http://www.officialwire.com/main.php?action=posted\\_news&rid=110823&catid=421](http://www.officialwire.com/main.php?action=posted_news&rid=110823&catid=421)

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### **Asian Finance Bank Offers 10 Scholarships to UiTM**

March 12, 2010

KUALA LUMPUR: Ten University Technology Mara (UiTM) students will receive scholarships from the Asian Finance Bank (AFB) to pursue their first degree in Islamic banking.

AFB chief executive officer Datuk Mohamed Azahari Kamil said the bank and UiTM would work together to identify the recipients.

"After three years of operation in Malaysia, we have finally turned the bank around. This is just one of the many ways for us to share what the bank has worked very hard for, and what better way than through education in human capital development for the Islamic finance industry.

"This is a corporate social responsibility move on our part, and we are very fortunate to be working together with Mara in this project," he told reporters after the launch of the Mara Education Fair 2010 here Friday.

Mohamed Azahari and Mara director-general Datuk Ibrahim Muhamad sealed the agreement on the sponsorship, witnessed by Mara chairman Datuk Seri Idris Jusoh.

*BERNAMA*

<http://www.bernama.com/bernama/v5/newsgeneral.php?id=481962>

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## *ISLAMIC BANKING & INSTITUTIONS*

### **BNP Paribas aims to double Shariah assets**

Sunday, Mar 07, 2010

BNP Paribas Investment aims to double its Islamic assets under management this year as the global economy recovers but higher borrowing costs worldwide could dampen market sentiment, a senior official said on Wednesday.

BNP's Islamic assets of \$500 million would be boosted by demand from Shariah insurers and private banks, with investors expected to favour equities as they embrace riskier assets, the fund manager's Southeast Asia head said.

"This first quarter, it seems like all the pipeline that was slightly delayed now is coming on stream both in terms of distribution partners who are looking to launch Islamic funds and on the institutional side where investors are putting money into this market," Cheng Tan Feng said in an interview.

"A lot of the new assets that we see will be coming from Southeast Asia this year. We are working on deals that would double our assets under management this year."

Islamic investors are expected to prefer open-ended funds and emerging markets such as India and China, BNP Paribas Investment's executive director Hisham Abdul Rahim said.

"We've seen pockets of interest in Islamic finance emerging from places like Australia, Hong Kong, Japan, Korea, France and Britain," Cheng said.

He said the global monetary tightening and Dubai's debt restructuring could affect the Islamic finance market.

"The (Dubai debt) crisis did have an impact across the market because of the perception that investors have," he said. "We're not saying that it's going to affect fundamentally the broad market but it becomes a victim of perception."

Sukuk reputation as a safe haven investment suffered after Dubai real estate developer Nakheel, issuer of the world's largest Islamic bond, became part of a debt restructuring at some Dubai state-owned companies.

Many Islamic banks use the conventional LIBOR (London Interbank Offered Rate) to price Sukuk, as there is no benchmark Islamic rate.

BNP's Islamic equity optimizer fund has gained 29 percent over the year as of end-January, compared with 26 percent for the Dow Jones Islamic Market Titans 100.

Demand for Islamic funds has grown globally but it remains a fraction of the mainstream asset management industry. There were about 750 Islamic mutual funds with combined assets below \$50 billion as of the first quarter of 2009. Only 14 funds are larger than \$500 million each, according to Ernst & Young.

Saudi Arabia holds about \$19 billion in Islamic funds under management and Malaysia about \$4.6 billion, making them the top two Shariah funds centres, Ernst & Young said.

Islamic investments have grown about 10 percent a year for the past decade, Standard & Poor's estimated. But practitioners say the industry is constrained by negative perceptions about Islamic finance, a lack of uniformity on the Shariah compliance of products, a shortage of long-term assets and a shallow secondary Sukuk market.

*Reuters*

<http://www.arabianbusiness.com/583007-bnp-paribas-aims-to-double-Shariah-assets>

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## **DIB Wins Best Investment Bank & Best CSR Program At Middle East Banking Awards**

DIB Capital wins second consecutive accolade from emefinance

Sunday, Mar 07, 2010

Dubai, UAE: In recognition of the excellence of both its investment banking and corporate social responsibility activities, Dubai Islamic Bank (DIB) announced today that it has won two awards at the annual Middle East Banking Awards, which were held recently at the Jumeirah Beach Hotel in Dubai.

For the second consecutive year, the bank's wholly-owned investment banking subsidiary, DIB Capital, was named "Best Investment Bank" in the UAE by emefinance, a leading international publication focused on financial markets in the Europe, Middle East and Africa regions. In addition, in acknowledgement of its sustained efforts to support individuals and communities in the UAE and across the Middle East, DIB has been named winner of the first-ever Pan-Arab emefinance award for corporate social responsibility.

Since its establishment in 1975, Dubai Islamic Bank has made a significant contribution to a broad range of charitable organisations and community initiatives. In particular, the bank continues to play a leading role in the area of Emiratisation, supporting and developing the professional development of the local UAE population. Also of special note, the bank has taken the initiative of establishing the DIB Foundation, aimed at



serving the UAE community and supporting those who face hardships and require humanitarian need, especially in the health, education and housing.

“Dubai Islamic Bank’s commitment to corporate social responsibility activities is fully in line with our larger mission of supporting the ambition of public organisations, private firms and individuals to realize their full potential,” said Abdulla Al Hamli, Chief Executive Officer, Dubai Islamic Bank. “We firmly believe that, as a responsible corporate citizen, we have both an obligation and an opportunity to contribute to the betterment of communities across this young and vibrant region.”

Highlighting the strength of the bank’s investment banking franchise, despite challenging global conditions, Saad Zaman, Chief Executive Officer, DIB Capital, said: “By offering the widest possible range of Shariah-compliant capital raising, financial advisory and investment solutions, DIB Capital continues to set new benchmarks in meeting the evolving investment banking needs of our regional and global client base. We are grateful to emeafinance for recognizing, for the second consecutive year, our successful focus on innovation and customized end to end solutions for our customers.”

DIB continues to be recognised by its international peers for the excellence of its operations and innovative nature of its Shariah-compliant products and services. Most recently, the bank was named “Best Islamic Bank in the UAE” for the fifth consecutive year by Islamic Finance News.

*[http://www.middleeastevents.com/site/pres\\_dtls.asp?pid=9191](http://www.middleeastevents.com/site/pres_dtls.asp?pid=9191)*

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### **Bank Muamalat Posts Pre-tax Profit of RM118.4 Million for Financial Year of 2009**

Mar 07, 2010

KUALA LUMPUR: Bank Muamalat Malaysia Bhd pre-tax profit for financial year ended Dec 31, 2009 rose by 168.7 per cent to RM118.4 million compared with the preceding 12 months.

Its net profit rose by 157.5 per cent to RM82.3 million compared with the corresponding period in 2008.

In a statement here Thursday, the bank said the enhanced performance was achieved despite the challenging global economic environment in the first half of the year, which subsequently improved in the latter half of 2009.

"The lower cost of funds amid the accommodative monetary stance during the year and enhanced cost discipline have contributed to the substantial gains in earnings," it said.

Bank Muamalat said total assets increased to RM15.9 billion, equivalent to a 10.5 per cent increase on an annualized basis, while net financing rose to RM6.6 billion from RM6.0 billion a year ago.

"Customer deposits grew to RM13.7 billion, or 10.4 per cent, higher compared with the same period in 2008," it said.

Bank Muamalat said its net profit for the latest quarter ending Dec 31, 2009 increased to RM25.7 million from RM9.5 million in the corresponding period in 2008.

The improvement was mainly attributed to improved credit recoveries, it said.

*BERNAMA*

<http://www.bernama.com/bernama/v5/newsbusiness.php?id=479802>

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### **Bank Rakyat Wants Its Pawn Broking Customers to Update Personal Data**

March 08, 2010

KOTA BAHARU: Bank Rakyat is requesting its Ar-Rahnu pawn broking customers to update their personal data with the bank in order to prevent their gold jewellery from being auctioned off, in the event they are not claimed.

The Ar-Rahnu scheme provides a source of immediate financing for pawned jewellery to assist individuals in overcoming cash-flow needs.

"Many customers adopt a lackadaisical attitude and fail to update the bank on any change of address.

"We are not able to inform them when their loan tenure is up and advise them that their jewellery will be auctioned off if payment is not made," said the General Manager for Bank Rakyat's Kota Baharu branch Abdul Malik Zainal Abidin in an interview with Bernama on Monday.

He cited a case where a customer broke down and cried when informed that her jewellery were auctioned off when the loan period ended.

"The jewellery, worth several thousand Ringgit, was of sentimental value as it was her dowry," he said, adding that the loss could have been averted if she had informed the bank of her change of address.

Abdul Malik advised customers not to take the matter lightly as the bank was left with no choice but to auction off the jewellery if all attempts to trace them failed.

"We send reminder letters to the customers whose addresses we have in our data base but a majority of them are returned to the bank undelivered.

"As much as we sympathize with them, we are left with no choice as in some instances, we wait up to one-year for the customers to show up," he added.

Abdul Malik said customers continued to disregard the bank's advice and such cases recurred despite repeated reminders.

"We want our customers to always keep in touch with us. They come to see us when they need a loan or to mortgage their jewellery but "disappear" after that," he added.

*BERNAMA*

<http://www.bernama.com/bernama/v5/newsbusiness.php?id=480727>

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### **Bank Rakyat Posts RM1.126 Billion Profit In 2009**

March 08, 2010

JERTEH: Bank Rakyat posted RM1.126 billion higher after-tax profit and zakat last year as compared with RM954 million in 2008, up RM172 million or 18 per cent, says general manager (branch operations) Ahmad Kidzullah Ridzuan.

Being Malaysia's biggest Islamic co-operative bank, Bank Rakyat can sustain its position as the best Islamic institution by offering diverse financial facilities like consumer banking products, commercial financing and related services, he said.

In the 2009/2010 edition of the Asian Banker 300 Report, Bank Rakyat has been listed No. 1 in Malaysia for Return On Assets and No. 2 in Asia-Pacific, he said.

In fact, Bank Rakyat is on the top spot for income level cost among banks in Malaysia and in second place under the Biggest Profit Increment Category during the period, he told reporters after opening the RM3 million four-storey Bank Rakyat Jerleh branch at Jalan Besar here.

On micro-credit, Ahmad Kidzullah said the soft loan scheme received encouraging response from petty traders in the east coast especially from Kelantan and Terengganu.

Over RM3 million worth of soft loans have been disbursed to petty traders in Terengganu alone, he said.

As at end of last year, a total of 792,798 individuals and 1,401 co-operatives have become Bank Rakyat members, with micro-credit facility extended to majority of them.

Ahmad Kidzbullah also said Bank Rakyat will open eight new branches this year, with two new branches already operational at Section 23 in Shah Alam and in Tanjung Karang to meet growing demand from customers.

The other branches will be opened in Bentong (Pahang), Kuala Nerang (Kedah), Kota Marudu (Sabah) and Limbang and Petrajaya (Sarawak), he added.

*BERNAMA*

<http://www.bernama.com/bernama/v5/newsbusiness.php?id=480517>

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### **Bank Islam's Profit Rises 51 Pct To RM158.1 Mln In 1st Half**

March 08, 2010

KUALA LUMPUR: Bank Islam Malaysia Bhd recorded a 51 per cent increase in profit before zakat and tax to RM158.1 million for the six months ended Dec 31 2009.

This was achieved on the back of a strong net financing growth of 8.2 per cent or RM796.1 million to RM10.5 billion.

"The mild recovery in business conditions during the period under review and the slightly more aggressive approach to growing new businesses helped deliver all round growth in revenue," Managing Director Datuk Seri Zukri Samat said in a statement on Monday.

Bank Islam's total income rose RM58.9 million to RM684.5 million compared to the same six months in the previous year, with non-fund based income continuing to grow strongly, increasing 36 per cent over the corresponding period to RM85.7 million.

Deposits from customers, excluding Negotiable Islamic Debt Certificates, grew by RM1.0 billion or 5.7 per cent to RM19.1 billion.

The bank's Return on Equity was maintained at 16.4 per cent despite an increase in its equity through the injection of RM540 million in Islamic Convertible Redeemable Non-Cumulative Preference Shares in December 2009.

Its Return on Assets improved from 0.9 per cent to 1.2 per cent.

"The strong results reflected the positive impact of the bank's Sustainable Growth Plan (SGP), launched in June last year, after the successful completion of the Turnaround Plan," Zukri said.

SGP is a corporate roadmap designed to move the bank into a high growth mode, to achieve operational excellence and deliver sustainable profits in pursuit of its goal to be the global leader in Islamic banking.

*BERNAMA*

<http://www.bernama.com/bernama/v5/newsbusiness.php?id=480675>

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### **Asian Finance Bank Raises BLR To 5.75 Pct**

March 08, 2010

KUALA LUMPUR: Asian Finance Bank Bhd (AFB) will raise its base financing rate to 5.75 per cent, from the current 5.5 per cent, effective March 9.

Its Chief Executive Officer, Datuk Mohamed Azahari Kamil, said the increase was in line with the 25 basis points hike in overnight policy rate to 2.25 per cent.

Demand for financing would not be dampened as the economic recovery was firmly established as shown in the latest Gross Domestic Product (GDP) figures, he said in a statement on Monday.

He also said Bank Negara's move should be seen as part of a "normalisation" process and not as a "tightening" cycle.

"AFB was committed to offer financing to good rated customers and financing approved by the bank, to-date, had surpassed RM1 billion.

"We are more selective now as we are entering the second phase of the bank's assets growth," he added.

*BERNAMA*

<http://www.bernama.com/bernama/v5/newsbusiness.php?id=480758>

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### **Gulf Finance House establishing Syria Finance House with SYP15bn**

March 08, 2010

Bahrain: Gulf Finance House (GFH) announced that it is in an advanced stage for establishing one of the largest Islamic banks in Syria under the name of Syria Finance House (SFH).

GFH along with a number of prominent and reputed local Syrian business partners who are involved in the industrial, financial and commodity sectors, are working to position the bank

as the leading and one of the largest Islamic banks in Syria, with a capital of SYP15bn, the equivalent of \$333mln.

Once the final stage of approval has been secured from the Central Bank of Syria, the Bank will conduct an IPO for 30% of its capital whilst 10% will be funded from the local partners and the remaining 60% will be funded from GFH, strategic financial institutions and its investors.

"GFH has an established record of creating successful tailored Islamic financial institutions and its unique ability to identify hidden value and unlock its potential across emerging economies and SFH will be no exception", said Chairman of GFH, Esam Janahi.

"We are aiming to establish a comprehensive Islamic bank that provides a suite of commercial and investment activities catering to the growing demands in the Syrian market, and we are delighted to receive the support of all Syrian authorities" he continued.

"Islamic commercial and investment banking in Syria promises great potential for growth with a significant demand for Islamic financial services and low penetration," commented GFH Group CEO, Ted Pretty.

"The Syrian market enjoys excess liquidity, with deposits amounting to 41% of GDP last year, which could be utilized in developing the country in line with the Syrian Government's plans ambitions for socio - economic growth and prosperity," he continued.

"We have been working closely with our Syrian partners for over a year, laying down the framework, strategy and business model for SFH," commented Head of Venture Capital and Private Equity, Hisham Alrayes. "We have also been discussing with the Syria Investment Authority on initiating a number of industrial and infrastructure projects in Syria to be undertaken by SFH."

Syrian co - partner Saib Al Nahas highlighted the significance of the announcement, commenting that "through SFH we aim to build the leading Islamic bank in Syria, capitalizing on the growing demand for quality Islamic financial products in the infrastructure, investment and commercial banking sectors. This is a great opportunity for the country as it begins to establish a strong and competitive financial sector, especially in the areas of Islamic banking, which has shown great resilience and proved its strengths in the wake of the global financial crisis. GFH will bring their established industry know - how and expertise in Islamic finance to ensure the success of SFH."

"Cross - governmental reforms has seen Syria's economy transform into a more developed and dynamic system attracting growing foreign direct investment in recent times, particularly in the financial and infrastructure sectors. The Syrian government has adopted a proactive approach to facilitate and attract investment into the country, ensuring that the economy is

well equipped with an international standard legal and financial framework for it to grow through a 6 year development plan," sated Dr. Ahmed A.Aziz, Head of Syria Investment Authority.

"The fact that a prominent investment bank like GFH has announced its intention to establish Syria's largest Islamic bank, is an indication of how far the country has progress under the leadership of His Excellency Dr. President Bashar Al Asad," he continued.

<http://www.ameinfo.com/225902.html>

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### **Adib largest net lender in UAE interbank market**

Abu Dhabi bank claims to be the Country largest financier.

Mar 09, 2010

Abu Dhabi Islamic Bank (Adib), the oldest and the only listed Islamic bank from the capital, claims to be the largest net financier in the UAE's interbank market.

Talking to Emirates Business, Tirad Mahmoud, the bank's Chief Executive Officer, said the bank is very comfortable on liquidity and hence has financed in the interbank market hugely.

Mahmoud said Adib is a net lender of Dh14 billion in the interbank market.

The analysis of the balance sheets of a few large banks in the country shows that other than Abu Dhabi Commercial Bank, most banks are net borrowers in the interbank market. While "due to banks" shows the borrowing, "due from banks" shows the lending in the interbank market and the difference gives the net position of the bank.

While National Bank of Abu Dhabi's (NBAD) due from banks is to the tune of Dh19.520bn, its due to banks shows a whopping Dh30.776bn. This shows that NBAD is a net borrower in the interbank market to the extent of Dh11bn.

In the case of ADCB, while the bank's lending is Dh18.348bn, borrowings stand at only Dh4.738bn as at end-December 2009.

In the case of First Gulf Bank (FGB), while the borrowing is Dh1.940bn, the lending stands at Dh4.626bn.

UAE largest bank Emirates NBD's year-end details on interbank market transactions are not available.

As of September end, Emirates NBD's lending stands at Dh16.413bn, whereas its borrowing was Dh38.533bn.

"We are one of the most comfortable banks in the country in terms of liquidity, with our financing [lending]-deposits ratio staying at 83 per cent," said Mahmoud.

In October 2009, UAE Central Bank took initiative to regulate the inter-bank market by selecting 12 banks – eight national and four foreign banks – to offer their daily interbank lending rates.

<http://www.business24-7.ae/banking-finance/banking/adib-largest-net-lender-in-uae-interbank-market-2010-03-09-1.65711>

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## **Fitch Ratings: Strong profitability for Saudi-based Al Rajhi Banking & Investment**

Mar 09, 2010

Fitch Ratings has today affirmed Al Rajhi Banking & Investment Corp's (Al Rajhi) Long-term Issuer Default Rating (IDR) 'A+' with a Stable Outlook, Short-term IDR at 'F1', Individual Rating at 'B/C', Support Rating at '1' and Support Rating Floor at 'A+'.

The affirmation of the Individual Rating reflects Al Rajhi's large domestic franchise, wide margins and strong profitability, whilst also considering some deterioration in asset quality and some name concentration within the corporate portfolio in line with other Saudi banks. The affirmation of the IDRs and Support Ratings reflects Fitch's view that, given Al Rajhi's franchise, there is an extremely high probability of support from the Saudi Arabian authorities.

Al Rajhi's return on equity has remained strong at 24.5% in 2009 (2008: 25.7%). However, impairment charges increased slightly relative to pre-impairment operating profit to 20.7% in 2009 (2008: 15.8%). Since the vast majority of customer deposits are non-remunerated, Al Rajhi benefits from very low funding costs. The net margin of over 6% is substantially higher than its Saudi peers. Al Rajhi's cost-to-income ratio is exceptionally low due its strong revenue generation (2009: 25.9%). Fitch expects renewed growth of the Saudi economy in 2010, which should lead to an improvement in the operating environment. A moderate downside risk to profitability is the size of impairment charges due to the concentration in the corporate portfolio, although the expected improvement in the economy may alleviate some asset quality concerns.

Al Rajhi's asset quality has weakened and the impaired loans ratio deteriorated to 3.3% at end-2009 (end-2008: 2.5%). Al Rajhi is predominantly funded by customer deposits supported by its large branch network. Fitch views Al Rajhi's capitalisation as sound with a Fitch Core Capital ratio of 18.1% at end-2009.

Al Rajhi is the largest Islamic bank globally and operates the largest branch network in Saudi Arabia. The main shareholders are members of the founding family. The bank



commenced operations in Malaysia through a wholly-owned Islamic banking subsidiary in 2007.

In Fitch's rating criteria, a bank's standalone risk is reflected in Fitch's Individual ratings and the prospect of external support is reflected in Fitch's Support ratings. Collectively these ratings drive Fitch's Long- and Short-term IDRs.

<http://www.english.globalarabnetwork.com/201003085101/Finance/fitch-ratings-strong-profitability-for-saudi-based-al-rajhi-banking-a-investment.html>

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### **Bank Islam Raises BFR to 5.80 Pct, Hong Leong Offers Promotional FD Rates**

March 09, 2010

KUALA LUMPUR: Bank Islam Malaysia Bhd is raising its Base Financing Rate (BFR) from 5.55 per cent per annum to 5.80 per cent with effect from March 11. The rate revision is due to the recent rise in Bank Negara Malaysia's Overnight Policy Rate (OPR) of 25 basis points to 2.25%, it said in a statement on Tuesday.

The last time Bank Islam revised its BFR was on March 16 last year. The rate was then revised downward from 5.95 per cent to 5.55 per cent.

Meanwhile, Hong Leong Bank (HLB) today increased its fixed deposit (FD) interest rates on a promotional basis, following the OPR revision.

The bank said it now offers one of the best 12-month FD interest rates in the industry of 2.75 per cent per annum, from 2.5 per cent previously.

"We want to reward our loyal and long term customers by giving them a much higher return on their fixed deposits," said Yvonne Chia, Group Managing Director of Hong Leong Bank.

HLB also said its FD rates are competitively priced and have been increased from 25 basis points (bps) to up to 110 bps.

Senior Savers FD customers aged 55 years and above are being offered an even higher interest rate of up to 3.25 per cent per annum for 4-5 year tenure.

Junior Savings Account holders now receive a monthly interest of 2.25 per cent per annum, equivalent to a one-month FD interest rate, for the first RM50, 000 savings deposit.

**BERNAMA**

<http://www.bernama.com/bernama/v5/newsbusiness.php?id=481023>

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## **Standard Chartered, Standard Chartered Saadiq Increase Rates**

March 09, 2010

KUALA LUMPUR: Standard Chartered Bank Malaysia Bhd (Stanchart) and Standard Chartered Saadiq Bhd will increase their base lending rate (BLR) and base financing rate (BFR) respectively from 5.55 per cent to 5.80 per cent per annum, effective tomorrow.

In a joint statement here on Tuesday, the banks said the decision was made following Bank Negara Malaysia's announcement to raise its overnight policy rate to 2.25 per cent.

Stanchart, a member of the Standard Chartered Group, was set up in Malaysia in 1875.

It provides a comprehensive range of financial products and services to corporations, institutions, small- and medium-sized enterprises and individuals through its network of over 30 branches nationwide.

*BERNAMA*

<http://www.bernama.com/bernama/v5/newsbusiness.php?id=480993>

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## **IDB to launch road show for Istikhlaf bank soon**

Mar 10, 2010

Dubai: The Islamic Development Bank will soon launch a roadshow to attract investment for Istikhlaf, an Islamic bank, a top banking official said here yesterday. Adnan Ahmad Yousuf, Chairman of the Union of Arab Banks and CEO of Al Baraka Banking Group told *Gulf News*: "Istikhlaf will be launched with \$2 billion [Dh7.34 billion] paid-up capital and \$10 billion authorized capital and is being sponsored by the IDB."

Istikhlaf Bank is a project of the Islamic Chamber of Commerce and Industry (ICCI) announced by Shaikh Saleh Kamel, president of the ICCI.

Yousuf added: "IDB finished the feasibility study on the bank and it is in the final stage of launching prospectus for investors."

He said a road show is planned to attract investors from both public and private sectors.

*Main target*

On the sidelines of a major banking conference organized by the Emirates Banks Association, Yousuf said, there are two main concerns in developing such a huge financial project. One is to provide the full range of Islamic banking services and the other to avoid competition with other local Islamic banks. "The main target that Istikhlaf

will seek is to invest and participate in mega-projects and to share it later with other Islamic banks."

Arab central banks and governments should form emergency plans to protect their economies from the international financial crisis, he said. "Despite achievements, there are challenges ahead of Arab banks in 2010 that require serious and continuous focus," he said.

Yousuf said that to achieve a better Arab economy with financial stability and growth, the Arab Banks need to improve products and services.

"Since a good number of financial institutions and companies are rescheduling their financial commitments, searching for long-term investments such as pension funds and sovereign funds which are among the most important vehicles that financial institutions should take into consideration."

He added that despite signs of recovery, the global financial situation is still weak, particularly in many developed countries and some emerging markets.

### *Growth*

"Despite the effects of the global financial crisis on the Arab banks, they witnessed in 2009 growth in assets by 3.57 per cent, in deposits by 1.7 per cent, loans up to 6 per cent, and in funds by 19.50 per cent. These figures indicate that most of the Arab banks increased their capital to face the effect of the crisis."

However, Yousuf anticipated that in 2010 the Arab banks' bad debts would be around 8 per cent of total loans. "A 5 per cent bad debt is alarming, but with such economic scale the expected figure is reasonable and would be manageable if it is still below 10 per cent, otherwise this issue should be tackled seriously."

He said Arab banks should adapt to new regulatory requirements suggested by the Basel committee." Moreover he recommended that Arab banks should enhance their capital base and update professional practices in the banking profession.

<http://gulfnews.com/business/banking/islamic-development-bank-to-launch-roadshow-for-istikhlaf-bank-soon-1.594464>

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## **Ithmaar's \$200m rights issue launches tomorrow**

Mar 10, 2010

Manama: Ithmaar Bank will launch its \$200 million rights issue tomorrow (March 11) to help fund the planned expansion of its operations.

The rights issue is part of a capital raising initiative, which includes a Mandatory Convertible Sukuk, designed to raise a total of up to \$400 million.

Ithmaar Bank, which plans to raise up to \$200 million through its rights issue offering, said that during the subscription period that starts March 10 and ends on March 25, Bank shares will be offered at \$0.25 par value to existing shareholders.

The announcement, by Ithmaar Bank chief executive and member of the Board, Mohamed Hussain, follows formal approval from Bahrain's regulatory authorities for the rights issue.

“This rights issue presents a unique opportunity for current shareholders looking to further consolidate their stake in Ithmaar Bank,” said Hussain.

“This is particularly significant as it comes ahead of our anticipated reorganization with Shamil Bank and subsequent expansion plans,” he said.

“We decided the size of the Offering after carefully considering various factors, including the Bank's reorganization plans and our long-term strategy,” said Hussain.

“The capital generated from this Offering will be used, mainly, to implement our immediate strategic objectives,” he said.

Ithmaar Bank had, last October, announced plans for a comprehensive reorganisation with its wholly-owned subsidiary, Shamil Bank. The plans, which will see Ithmaar emerging as a premier Islamic retail bank, involve both banks pooling their resources to create a single, more efficient and significantly stronger retail-focused Islamic bank, under the Ithmaar brand.

Preparations for the reorganization are in the final stage and are now pending final approvals from Bahrain authorities.

“Our key strategic objective is to expand our operations through a combination of organic and inorganic activities,” said Hussain.

“The organic strategy of the Bank, following the anticipated reorganization, is to focus on developing our retail operations and on expanding our geographical reach across the GCC region by offering a wide range of corporate banking services,” he said.

“The increased capital will be an important milestone in the Bank’s strategic plan,” said Hussain.

“It will help further support the Bank’s retail, corporate and financial institutions activities, and enhance shareholder value by amplifying existing synergies,” he said.

Ithmaar has appointed Shamil Bank as the Receiving Banking, and KPMG as the Issue Registrar.

*Trade Arabia News Service*

<http://www.tradearabia.com/news/newsdetails.asp?Sn=CM&artid=176211>

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## **Noor Islamic Bank launches UAE First Arabic Mobile Internet Banking Service**

Mar 11, 2010

Noor Islamic Bank today announced the launch of the UAE first Arabic enabled mobile internet banking service, as part of the bank's ground breaking focus on innovative online communications to meet customer demand for convenient, bank-in-your-palm, 24 hour banking services. The new service can be accessed from any make, or type, of mobile phone with access to the internet.

A key differentiating factor of this service, from other existing ones in the market, is the direct hassle-free interface with which the customer can hook onto the Noor site. Customers don't have to either bookmark the portal or even download and install applications onto their designated mobile phone, to align itself with the site. The intelligent Noor web site will automatically detect the nature of the device logging in, and will simply adapt to the user's requirements, push the appropriate page to fit the unique screen size, and accommodate the mobile customer.

The service, available in Arabic and English, will enable Noor Islamic Bank customers to check their bank account and credit card balances, transfer funds between their Noor Islamic Bank accounts and pay off credit card balances, in Arabic, as well as in English. Additional services will be announced in the coming months.

Hussain Al Qemzi, Group Chief Executive Officer, Noor Investment Group and Noor Islamic Bank said: "With the economy slowly showing signs of emerging out of the tough times witnessed over the last 12 months, now is a unique opportunity for banks to

sharpen their focus on implementing mobile financial services solutions that enhance their banking experience.

"This requires a dramatic shift in emphasis from simply enabling basic transactions through cell phones and other mobile devices to adopting the more holistic, enterprise-wide mobile banking services strategy that we are implementing.

"For future generations, mobile internet banking will be the accepted and preferred method of personal banking. For many young people today mobile banking is becoming a key criterion for where they choose to bank. With the launch of the world's first Arabic enabled mobile internet banking service, Noor Islamic Bank is again demonstrating its leadership in the provision of innovative, technology centric, personalized banking products." Although there are no official figures on the number of people utilizing online or mobile banking services in the UAE, it is estimated that the number of mobile phone subscribers in 2009 was 10 million, representing 200% of the population.

Meanwhile, a 2009 White Paper entitled How to Achieve a Compelling ROI from Mobile Financial Services, issued by Fiserv, the leading global provider of information management and electronic commerce systems for the financial services industry, said that by 2011 the number of mobile phone subscribers that use their devices to conduct mobile banking and payments is expected to reach 150 million globally. And by 2025 mobile will surpass all delivery channels to become the most heavily used way to interact with financial institutions.

This unique offering is in line with the pioneering spirit of Noor Investment Group, and follows the earlier launches of the 1st 24/7 branch in the UAE by Noor Islamic Bank, and the 1st online Takaful offering by Noor Takaful in the region.

As part of its online strategy, Noor Islamic Bank recently launched its ShapeYourCountry.com website. The website is aimed at broadening the scope of outreach by Noor Investment Group to create an entirely new model for customer and public service best practices, as well as peer and investor relations. ShapeYourCountry.com will also serve as a thought provoking platform for shaping and enhancing industry perceptions.

And to compliment, the launch of its industry leading Arabic enabled mobile internet banking service, Noor has also launched its enhanced tri-lingual website with advanced features. The website and suite of online banking offerings now come in English, Arabic and French.

Launched in January 2008, Noor Islamic Bank has earned a solid reputation for performance, premium service and customer care and augmented its self-service banking network to cover more than 84 ATMs, across the UAE.

In addition, the bank also provides round-the-clock accessibility and convenience to its clients through its branch located at the Dubai International Airport Terminal 3, its self-service facilities of Internet Banking, Phone Banking, SMS as well as automated cash and cheque deposit services.

*Al Bawaba (www.albawaba.com)*

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### **HSBC Amanah to Have Network Of Six Branches By Year-End**

Mar 11, 2010

KLANG: HSBC Amanah Malaysia Bhd, in a move to expand its presence, will have a network of six branches by year-end, its Chief Executive Officer, Musa Abdul Malek, said on Tuesday.

It will open its sixth branch in Cheras, end of March, at a cost of between RM2 million and RM3 million.

"The Cheras branch will mark the initial entry of HSBC Amanah into the Kuala Lumpur market," he told reporters after the launch of HSBC Amanah's fifth branch in Bukit Tinggi by Mukhtar Hussain, Deputy Chairman and Chief Executive Officer of HSBC Bank Malaysia Bhd.

HSBC Amanah is a full-fledged Islamic bank, wholly-owned by HSBC Bank Malaysia Bhd, and is a member of the HSBC Group.

Other than four operational HSBC Amanah branches in Selangor, the Islamic bank also has a branch in Penang.

On another note, Musa said the bank planned to install more off-site automated teller machines (ATMs) after the success of the first such machine at the Kuala Lumpur City Centre.

*BERNAMA*

<http://www.bernama.com/finance/news.php?id=481001>

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### **Abu Dhabi Islamic Bank Emiratisation rate jumps to 40%**

Mar 11, 2010

Abu Dhabi Islamic Bank (ADIB), a top-tier Islamic financial services group and an industry leader in Emiratisation initiatives, increased its Emiratisation rate to 40% in 2009 compared to 31.5% in 2008 after recruiting a large number of UAE Nationals in 2009 bringing up the total number of Emiratis as bank staff to 570.

The bank has been recognized for its continued commitment to Emiratization by the Emirates Institute of Banking and Financial Studies (EIBFS) and was presented with their Human Resource Development Award in the first category for 2009.

HH Sheikh Dr. Sultan Bin Mohammed Al Qassimi, Ruler of Sharjah and Member of the Supreme Council, and HE Ahmed Humaid Al Tayer, Chairman of the UAE Human Resource Development Committee in the Banking and Financial sector presented the Human Resource Development Award (HRD Award) to HE Jawaan Al-Khaili, Chairman of ADIB on the sidelines of the National Career Exhibition at Sharjah Expo Centre.

The HRD Award was developed by the National Human Resources Development Committee which is run by the Emirates Institute for Banking and Financial Studies (EIBFS). This award recognizes an organization's effort and achievement in the field of Emiratization and UAE national employment, training and development.

Commenting on the Award, HE Jawaan Al-Khaili, Chairman of ADIB, said: "We are honored to be recognized for our Emiratization efforts by a prestigious organization such as EIBFS. It reflects ADIB's commitment in attracting, retaining and continuously developing the UAE national workforce. We strive to hire and develop the best local talent and this is reflected in the substantial number of UAE nationals that have worked with us over a long period of time."

Tirad Mahmoud, CEO of ADIB said, "The EIBFS HRD Award will sharpen our focus on achieving excellence in Emiratization initiatives which are critical to our success. This is a remarkable achievement and another confirmation of our leading position as an employer of choice in the UAE. Our UAE national recruitment and internship programmes bring out the hidden talent in graduates and are in line with our long term plans to train, recruit, and develop them to become leading professionals in the banking and financial industry."

Over 2009, ADIB has increased headcount, especially of UAE nationals, and increased its reach across the UAE with new branches. Its leadership training programme has been noted by the industry for its professionalism and world class curriculum as it takes trainees through both classroom and on-the-job training.

"Investing in UAE national development is leading to increased staff commitment and engagement, increased retention rate and the strengthening of our intellectual assets. Emiratization is one of our primary objectives and continuous learning and development is one of our core values. It gives us a better competitive advantage, increased efficiency and provides our customers with the most convenient banking experience," concluded Tirad.



ADIB will receive recruitment applications from UAE nationals interested in taking a banking and finance career path at its stand during the exhibition. It has been an active participant at various career fairs, aiming to attract, train and retain UAE national talent.

<http://www.gulfbase.com/site/interface/NewsArchiveDetails.aspx?n=127782>

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### **EONCAP Islamic aims to contribute more to group**

March 13, 2010

KUALA LUMPUR: EONCAP Islamic Bank Bhd, a unit of EON Bank Bhd, aims to increase its asset contribution to the group to 20% in three years by launching more *Syariah*-compliant products.

Chief executive officer Fozia Khatoun Amanulla Khan said EONCAP Islamic Bank now contributed about 15% to the group's assets.

"We will introduce more products such as Islamic deposit products," she said yesterday after the launch of EONCAP Islamic Bank's Mumtaz Children Savings Account.

The savings scheme is designed to empower children aged 15 and below to get a head start in life by educating them about the value of money and saving at an early age.

"To help young children and youth start their adult lives with a strong and solid financial base, the Mumtaz Children Savings Account offers accountholders a higher-than-normal profit.

"The rate of return, equivalent to 1-month general investment account rate, currently at 2.25%, is among the highest in the market," she said.

But unlike general investment accounts, there was no minimum tenure for the new product, she added.

Fozia said the account also offered a 24-hour worldwide *Takaful* personal accident coverage up to RM3, 000 for accountholders who maintained an average minimum balance of RM500 per month for the preceding six months, or five times their average balance if it exceeded RM3, 000 per month.

She added that EONCAP Islamic Bank Bhd aimed to sign up 20,000 accountholders for the newly launched product within a year.

Meanwhile, EON Bank Group chief executive officer Michael Lor said the upcoming EGM for EON Capital Bhd (EON Cap) on Monday was strictly a shareholders' matter and would not have an impact on the management of the group.

“Our recent results show the performance of our management has not been affected at all (by the developments in the holding company),” he said.

On the issue of EON Cap being a takeover target, Lor said that at this time, there was no formal or informal approach by any parties on that matter.

*StarBiz* yesterday quoted sources as saying that Affin Holdings Bhd may be preparing to launch a takeover of EON Cap. Earlier, Hong Leong Bank Bhd's RM4.92bil cash offer for EON Cap was rejected and had hence lapsed.

<http://biz.thestar.com.my/news/story.asp?file=/2010/3/13/business/5854180&sec=business>

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

#### **Saudi developer pays back \$600m Sukuk**

Sunday March 07, 2010

Riyadh: Dar Al-Arkan, Saudi Arabia's biggest property developer by market value, said it had repaid an Islamic bond, or Sukuk, worth 2.25 billion Saudi riyals (\$600 million).

The Sukuk's arranger Deutsche Bank had confirmed repayment of the bond, Dar Al-Arkan said in a statement on the Saudi bourse on Saturday.

Last month, Dar Al-Arkan said it raised a lower-than-expected \$450 million from a Sukuk sale that was priced at 10.75 percent, the first issue from the region since Dubai's debt problems jolted global markets.

The five-year Islamic bond was the fourth issue from the Saudi firm. –**Reuters**

<http://www.tradearabia.com/news/newsdetails.asp?Sn=REAL&artid=175916>

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## **Dar al-Arkan successfully redeems US\$600 million Inaugural Sukuk**

Mar 10, 2010

Dar Al-Arkan Real Estate Development Company (Dar Al-Arkan), a leading residential real estate developer in the Kingdom of Saudi Arabia, announces that it has successfully redeemed its inaugural Sukuk issued in March 2007. The repayment was made on schedule.

Issued by DAAR International Sukuk Company, the landmark 3-year US\$600 million issue marked the first Sukuk to be issued by a Saudi company in the international capital markets. Launched as a US\$425 issue, it received an overwhelming response from financial institutions across Europe, South East Asia and the GCC region.

Commenting on the repayment, Yousef Abdullah Al-Shelash, Chairman of Dar Al-Arkan, said: “We are pleased to report the successful repayment of our debut Sukuk and would like to thank our Sukuk holders for their confidence in Dar Al-Arkan. The overwhelming response we received from the international financial community when we launched this Sukuk represented a vote of confidence not only in Dar Al-Arkan but also in the Saudi economy. We are committed to maintaining our leading role in providing affordable housing solutions that meet international standards to middle income families across the Kingdom of Saudi Arabia.”

Majid Al Sayed Bader Al-Refai, Managing Director and Chief Executive Officer of Unicorn Investment Bank, the Joint Lead Manager, Joint Bookrunner and Shariahh Advisor to the Sukuk issue, commented: “The ability of Dar Al-Arkan, with Allah’s blessing, to successfully meet its obligations at a time when a number of Sukuk issuers have either defaulted or are seeking restructuring bears testament to the strength of Dar Al-Arkan’s business model and the strength of the Saudi economy in general. We are proud to have been associated with this transaction and would like to congratulate Dar Al-Arkan on the successful redemption of this groundbreaking issue.”

Ikbal Daredia, Head of Capital Markets, Institutional Banking and Treasury at Unicorn and Chief Executive Officer of Unicorn International Islamic Bank Malaysia Berhad, said: “The ability of Dar Al-Arkan to successfully meet its obligations sends a positive signal to the international financial community and affirms the fundamental strength of the Company strategy.”

In January 2010, Moody’s Investor Service assigned a Ba2 rating to Dar Al-Arkan, the largest developer in Saudi Arabia by market value. Moody’s noted that the Ba2 rating is

one of the highest industry ratings; the mean rating of global homebuilding companies is Ba3. The Ba2 rating also positions Dar Al-Arkan well above regional peers in the GCC countries. Standard & Poor's Ratings Service has assigned a BB- rating to the company.

*Mena Report (www.menareport.com)*

<http://www.albawaba.com/en/countries/Saudi%20Arabia/262456>

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## **Malaysia Accounts for Half of Global Sukuk Sales**

Mar 12, 2010

ABU DHABI — Global Sukuk sales rose to \$20.15 billion in 2009 from \$14.13 billion in 2008, and Malaysia accounted for about half of the sales last year, according to Dato Yahaya Abdul Jabar, the Ambassador of Malaysia to the UAE.

Islamic finance has been growing at 15-20 per cent annually across the globe and Moody's says the industry is worth \$700 billion. Malaysia has over 30 years of experience in this sector, which is increasingly being seen as a sustainable alternative to conventional banking after emerging largely unscathed from the global economic meltdown, the Ambassador said in a statement here on Thursday.

“Islamic finance in Malaysia is characterised by a high level of flexibility and diversity as well as a world-class infrastructure, regulations and human resources. It is the best environment capable of leading the anticipated industry growth,” said Dato Yahaya. Malaysia is also home to the International Centre for Education in Islamic Finance, which offers certifications and courses leading up to PhD in order to ensure steady supply of talent for the global Islamic financial services industry.

Graduates and scholars from the Centre are already working as Shariah experts in financial institutions worldwide, including in the GCC. Leading Islamic banks from the Middle East have also established their operations in Malaysia, the Ambassador disclosed.

Malaysia is inviting investors and institutions from the Middle East to use its comprehensive services platform to tap the growing interest in Islamic finance and target the burgeoning Asia-Pacific markets.

Major Malaysian banks and investment companies specializing in Islamic finance products will attend the third Malaysia Services Exhibition or MSE 2010, to be held in Dubai from April 13 to 15 to showcase their expertise and network with potential business partners. Malaysia External Trade Development is organizing the event at the Dubai International Conventions & Exhibitions Centre, the release disclosed.

[http://www.khaleejtimes.com/biz/inside.asp?xfile=/data/business/2010/March/business\\_March291.xml&section=business](http://www.khaleejtimes.com/biz/inside.asp?xfile=/data/business/2010/March/business_March291.xml&section=business)

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## **Deutsche in talks for Asia Sukuk deals**

Sees global Sukuk sales rising 20-30 percent this year

Mar 12, 2010

KUALA LUMPUR: Deutsche Bank is in talks to arrange Sukuk issues in Malaysia, Brunei, Indonesia and Pakistan as improving credit conditions bring issuers back to the market, a senior official said on Friday.

Global Sukuk issuance would probably rise 20-30 percent this year, helped by demand for Islamic assets, the lender said. Many issuers were likely to launch in the first half in anticipation of rising interest rates, it added.

"There seems to be a lot of demand for Islamic assets from countries like Malaysia," Jamzidi Khalid, chief executive of Deutsche Bank AG International Islamic Banking, said in a telephone interview. "But if you look at our neighbouring countries, Brunei for instance, and even Indonesia, we have been discussing with some larger corporations and sovereigns about doing a dollar Sukuk or a local Sukuk issuance."

The \$107 billion Sukuk market, the most popular form of Islamic financing, is trying to regain investor confidence hit by restructuring of the world's largest Sukuk and uncertainty about how legal systems will handle Shariah bond defaults.

Global Sukuk sales totaled \$23.3 billion last year, up from \$14.9 billion in 2008 but off the record \$34.3 billion logged in 2007, according to Standard & Poor's.

Jamzidi said Deutsche did not arrange any Sukuk deals in Asia last year but Malaysia, Brunei, Indonesia and Pakistan were its priority Islamic banking markets in the region.

"Korea is definitely looking to allow its issuers to tap into the Sukuk market and that's a developing story from our perspective," he said.

"China has a very large Muslim population and that could be a topic of discussion at some point, maybe not this year but going forward definitely."

Deutsche Bank ranked 19th in the Thomson Reuters Islamic bond managers 2009 league table, with \$247.5 million of deals. It was behind banks such as CIMB, HSBC, Citi and Morgan Stanley, but ahead of lenders like Calyon, Goldman Sachs and Kuwait Finance House.

Deutsche said this month it had received an international Islamic banking license from Malaysia's central bank.

Jamzidi said Sukuk pricing had gone "a bit wayward as opposed to conventional funding levels" since Dubai's debt restructuring.

"But by and large, people are coming to their senses about where a particular entity would fund out there and regardless of whether it's a conventional or Sukuk, we think that the differentiation between the two would be very minimal."

*Reuters India*

<http://in.reuters.com/article/bankingfinancial-SP/idINSGE62B07520100312?pageNumber=3&virtualBrandChannel=0>

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

### **Acute shortage of talent may dampen local Takaful market**

Mar 08, 2010

PETALING JAYA: An acute shortage of talent in the local Takaful market, coupled with two new Takaful licenses to be issued this year in line with the financial sector liberalisation, are expected to put a dampener on the Government's move to turn Malaysia into an international Islamic financial hub.

An industry observer, who declined to be named, told *StarBiz* that for the two Takaful start-ups to run efficiently, they would need around 100 to 200 people in the first two years of operations.

"The new players can't afford to just rely on fresh talent and this is where the shortage happens. The emergence of two new Takaful operators will definitely create the demand for talent, hence causing them to hire or pinch from existing operators. The main areas where (there is) shortage is actuarial, finance and accounting and business development.

"Islamic finance is globally facing shortage of Takaful talent and the Middle East and North America region itself has recruited many Malaysians to work in Dubai, Bahrain and Saudi Arabia, further aggravating the existing shortage of talent in the industry," he said.

The "pinching" strategy, he noted, would not bode well for the industry although the operating knowledge between conventional and Takaful was almost similar.

Nonetheless, the underlying principles are different and the industry needs talent, not only professionally but morally qualified personnel too, according to the industry observer.

MAA Takaful Bhd chief executive officer Salim Majid Zain agrees that the two new Takaful licenses, which are currently being processed by Bank Negara, will lead to stronger demand for Takaful talent, especially in the Syariah risk management and technical areas.

“We will need at least six more Syariah scholars, two CEOs and presumably two actuaries. Then we need several more in Syariah compliance and risk management plus those competent in family and general Takaful operations.

“On top of that, the agency force and other distribution channels need to be familiar with Shariah aspects as well. There is no definite figure. It depends on the strategies and objectives of the current and future players,” Salim said.

Syarikat Takaful Malaysia Bhd group managing director Datuk Hassan Kamil takes a different view, saying the two new licenses will likely be given to companies with a conventional insurance license, which means there will not be much movement of people since these companies will have most of their talent from the conventional business to support the Takaful operations.

He reckoned that these companies would only need to establish a Syariah division.

Hassan said it was inaccurate to say the industry was suffering from a shortage of Takaful talent as in reality, the whole industry – both Takaful and conventional – was facing a shortage of talent.

“The talent needed for Takaful is the same as conventional from an operational standpoint because the Takaful model is fixed and not evolving much – mudarabah (profit sharing) or wakalah (agency) – and a person from the conventional insurance can easily understand the Takaful model.

“We are not looking for more Syariah scholars. The industry needs more people in actuarial, finance, information technology and operations,” he said.

MAA’s Salim said the shortage in the Syariah aspects of Takaful was in the advisory and operational levels.

The World Takaful Report 2009, he noted, has rightly pointed out that the Takaful industry was lacking Syariah scholars who understood the Takaful business.

As for risk management, he said the recent global credit crisis, which also affected the insurance industry to a certain extent, has shown that the Takaful industry was not impervious to financial risks.

While irresponsible financing has been blamed for the catastrophe, Salim said a new Syariah-based architecture on risk management was urgently needed.

There are currently eight Takaful operators and two reTakaful operators in Malaysia, of which five are foreign from countries like Britain, Bahrain, Germany and Japan.

These Takaful operators conduct both domestic and foreign currency business.

As at 2008, the total assets of Malaysia's Takaful industry amounted to US\$240.2mil with market penetration of 7.5%.

Takaful assets and net contributions experienced strong growth, advancing at an average 21% and 29% respectively, from 2004 to 2008.

*The Star Online*

<http://biz.thestar.com.my/news/story.asp?file=/2010/3/8/business/5770657&sec=business>

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### **Takaful market poised for growth but lacks Shariah compliant investments, talent**

Mar 10, 2010

SINGAPORE: The Islamic insurance or Takaful market is expected to see strong growth this year.

Still, challenges remain including low market penetration and a lack of Shariah-compliant investment opportunities for Takaful players.

Industry executives said they want to see more Islamic bond, or Sukuk, issuances in order to help them balance their portfolios away from equities and reduce risk.

The multi-billion dollar purchase of AIA last week was a massive vote of confidence in Asia's insurance sector and Prudential is not alone in being bullish about the outlook.

At a conference on Islamic insurance or Takaful, industry executives said they were optimistic about growth prospects.

Total Takaful contributions only account for just one percent of the global insurance market.

But this is expected to increase significantly, thanks to growing interest among Muslims and non-Muslims alike in Shariah-compliant investment and insurance products.

Daud Vicary Abdullah, global leader, Global Islamic Finance Group, Deloitte, said: "We'll see more growth in the Gulf. I think it's occurring here in Singapore, Malaysia and



Indoneisa. I think the growth is positive. But to put a figure on it on a global basis, the numbers of 10 to 15 per cent in terms of growth of market are not unrealistic."

According to an estimate by Ernst & Young, total Takaful contributions can reach US\$7.7 billion by 2012.

That's compared with just US\$1.4 billion in 2004.

Despite the growth prospects, there appears to be a lack of Shariah-compliant bonds or Sukuks.

And some central bankers say they are working to address the shortage.

Azleena Idris, Deputy Director, Islamic Banking & Takaful Dept, Bank Negara Malaysia, said: "Malaysia regularly issues Shariah-compliant money market instruments so that it will facilitate the liquidity aspect of things. Now when it comes to the Takaful space, the longer term instruments are something we're aggressively promoting under the MIFC banner."

Industry players also said they're severely lacking in talent and the industry will likely see more consolidation as the smaller Takaful players strive to become more competitive.

*CNA*

<http://www.channelnewsasia.com/stories/economicnews/view/1042511/1/.html>

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### **Sri Lanka Amana Takaful starts general insurance in Maldives**

Mar 10, 2010

Sri Lanka's Amana Takaful Insurance said its Maldivian subsidiary Amana Takaful (Maldives) has got regulatory approval to do general insurance business in the archipelago.

The company said in a stock exchange filing that Amana Takaful (Maldives) is a subsidiary of Amana Global which is a fully owned subsidiary of Amana Takaful.

The firm said it had got an insurance license by the Maldives Insurance Authority to write general insurance business in the Maldives from March 4, 2010.

The firm started in 1999 in collaboration with Takaful Malaysia, one of the largest Takaful operators in the world.

<http://www.lankabusinessonline.com/fullstory.php?nid=519065969>

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## **Takaful Ikhlas Holds Course for Finance Ministry Staff**

March 11, 2010

KUALA LUMPUR: Takaful Ikhlas Sdn Bhd, which offers Takaful products and services, recently organised a course on Islamic finance for civil servants.

The programme was launched at the Treasury's Housing Loan Division in Putrajaya by Takaful Ikhlas' president and chief executive officer Datuk Syed Moheeb Syed Kamarulzaman.

Also present was the housing loan division's deputy secretary, operation and finance, Rahim Abu Bakar, the company said in a statement on Thursday.

Takaful Ikhlas has been a member of the Housing Loan Division panel since 2006.

Through the panel, the company offers its home owner and mortgage reducing term products to civil servants nationwide.

Syed Moheeb said Takaful Ikhlas has the responsibility to ensure that knowledge and understanding of Islamic finance is at a high level in line with the government's aim to encourage the people to consider the system as a choice.

Takaful Ikhlas, which started operations in July 2003, is a subsidiary of MNRB Holdings Bhd, which is listed on the Main Market of Bursa Malaysia.

The company has two customer service centres, located in Kuala Lumpur and Selangor, as well as branch offices in Kuala Lumpur, Kota Baharu, Johor Baharu, Sungai Petani, Kuching, Melaka, Kota Kinabalu, Kuantan, Ipoh and Putrajaya.

*BERNAMA*

<http://www.bernama.com/bernama/v5/newsbusiness.php?id=481806>

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

### **Aston Martin part owner seeks Kuwait state aid**

Monday, 08 March 2010

DUBAI, UNITED ARAB EMIRATES: The debt-troubled Kuwaiti Islamic investment firm that owns half of British luxury car maker Aston Martin said Sunday it may seek state legal protection as it struggles to appease some of its creditors.

Investment Dar said in an emailed statement it is considering turning to the Gulf state's financial stability law after failing to win over "a small minority of investors" to its restructuring plan.

Utilizing the law would give the company and a majority of investors supporting its efforts the opportunity to move ahead on a previously agreed restructuring plan while shielding it from legal claims brought by dissenting creditors that might block the process, according to the company.

"Entry into the financial stability law will enable Investment Dar to implement the agreed restructuring plan," Chairman and Chief Executive Adnan al-Musallam said in a statement. "This is in the best interests of all (the company's) stakeholders."

The investment house announced last May that it was in default of a \$100 million Sukuk -- a type of investment structured to avoid paying interest in line with Islamic law.

The company says it has gained the support of more than 80 percent of its banks and investors to its restructuring plan, which it says envisions "a full repayment of the financial arrangements with all its banks and investors."

Investment Dar said the stability law will have no affect on its legal status, and will allow the firm to continue to operate as a viable investment company.

"Investment Dar would not seek financial support in making its repayments, but a legal framework to implement its well supported plan," the statement said.

The company launched its restructuring plan last year. It is seeking to renegotiate terms with lenders while selling off "non-core assets" to generate cash.

It has said its stake in Aston Martin, the British auto company whose sports cars were immortalized in James Bond films, is not among the assets on the table.

Other than Aston Martin, Investment Dar holds a range of banking and property investments.

(This version corrects default to \$100 million instead of \$100 billion.)

<http://www.businessweek.com/ap/financialnews/D9EA0B6O0.htm>

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### **Jordan signs \$100 mln Murabaha financing deal**

Monday, 08 March 2010

AMMAN: Jordan's Islamic Bank, on Monday extended \$100 million in Murabaha financing to the kingdom to help it fund its wheat and barley imports bill, officials said. The two-year facility with a six-month grace period will be used to finance the purchase of the country's imports of wheat and barley, officials told Reuters, without giving more details. Jordan buys wheat and barley under a state subsidy plan that costs its treasury tens of millions of dollars annually.

Under a Murabaha deal, an Islamic bank buys an asset from a third party and sells it to its customer at cost plus profit. This allows the bank to extend financing without charging interest, which is forbidden by Shariah law.

Jordan Islamic Bank, a subsidiary of Bahrain-based Albaraka Banking Corp, has capitalized on rising interest in Shariah-compliant banking in Jordan, according to bankers.

Finance Minister Mohammad Abu Hamour told reporters at the signing ceremony the deal proved the value of resorting to Islamic finance instruments in government borrowing. The kingdom was also considering issuing Islamic debt, or Sukuk, to help it cover part of its spiraling budget deficit that has worsened due to the global downturn, Abu Hammour added.

The monetary authorities have also since last year issued more Treasury bills and bonds as the country resorts to domestic borrowing to finance growing public debt.

(\$1 = 0.709 Dinar)

*Reuters*

<http://www.iii.co.uk/news/?type=afxnews&articleid=7781393&action=article>

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## **Islamic Microfinance Challenge 2010 Seeks New Business Ideas**

March 08, 2010

DUBAI: The Islamic microfinance industry has been challenged to develop new ideas for business models in the "Islamic Microfinance Challenge 2010: Innovating Sustainable, Scalable, and Market-Driven Models".

The competition was initiated by CGAP, Deutsche Bank, Grameen-Jameel and Islamic Development Bank.

"The competition will identify innovative product and business ideas that fulfill both Islamic and good business criteria, and thus have the potential to become self-sufficient and profitable," said Alexander Schuetz, Deutsche Bank's managing director and chief operating officer for the Middle East and North Africa.

The winner will get US\$100,000 in grant funds to launch a pilot programme of their proposed business which the organizers will showcase to garner further support for the programme growth and development.

In a statement, the organizers said Islamic microfinance had gained some traction over the past few years, with a swift rise in the number of institutions offering microfinance products in compliance with Islamic principles.

But, according to them, the fundamental challenge for the Islamic microfinance industry remained meeting client demand with affordable, authentic, profitable, and market-driven products.

"While Islamic banking has been a successful model in the banking sector, it has not proven to be scalable in the microfinance sector," according to Julia Assaad, general manager of Grameen-Jameel Pan Arab Microfinance, the first social business supporting the microfinance sector in the Arab world.

"It's therefore essential to develop Syariah-compliant products which better suit Islamic microfinance clients' needs," she said.

The Islamic finance industry has grown rapidly over the past 40 years, with a current estimated market size of US\$1.5 trillion.

A 2008 CGAP study estimated that 125 financial institutions had reached only 380,000 clients with Islamic microfinance.

The statement said studies suggested that a much larger number of the world's poor Muslims could benefit directly from access to Islamic microfinance.

The Islamic Microfinance Challenge 2010 is open to the general public, with a deadline for submitting the initial application by May 3, 2010.

Housed at the World Bank, CGAP is an independent policy and research centre dedicated to advancing financial access for the world's poor.

Established in 2003 and incorporated in 2007 as a joint venture between Grameen Foundation USA and Grow Well Limited, Grameen-Jameel is a social business that aims to alleviate poverty in the Arab world through strategic partnerships with microfinance institutions.

*BERNAMA*

<http://www.bernama.com/bernama/v5/newsbusiness.php?id=480693>

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### **Amanah Mutual Launches AMB Dana Aqeel**

March 09, 2010

KUALA LUMPUR: Amanah Mutual Bhd (AMB), a wholly-owned subsidiary of Amanah Saham Nasional Bhd (ASNB), on Tuesday launched a 300-million unit Syariah-compliant fund, AMB Dana Aqeel Capital Protected.

The Shariah compliant close-ended fund will have a maturity period of three years and has a nominal value of 50 sen a unit.

Speaking at the launch of the fund here Permodalan Nasional Bhd and AMB Chairman Tun Ahmad Sarji Abdul Hamid said the fund would invest a minimum of 85 per cent of its net asset value (NAV) in locally issued Islamic bond or Sukuk to provide capital protection at maturity.

The remaining 15 per cent of the fund's NAV would be invested in a diversified portfolio of Shariah compliant equities for potential returns including cash equivalent instruments for liquidity of the fund, he said.

"The fund is benchmark against the 12-month close-ended general investment account rates of commercial banks which currently at 2.74 per cent," Ahmad Sarji explained.

The AMB Dana Aqeel is open to individuals, corporate as well as local and foreign institutions.

It is open for subscription for 45 days starting today with a minimum investment of RM1,000 for individual investors and RM5,000 for corporate and institutions.

AMB Dana Aqeel is the second product launched by AMB after its acquisition from the Maybank Group by AMB's parent company ASNB on Dec 3, 2006. Currently, AMB has 15 funds under its management with NAV of RM3.20 billion.

*BERNAMA*

<http://www.bernama.com/bernama/v5/newsbusiness.php?id=481061>

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### **Abu Dhabi Islamic Bank provides US\$81.7 million finance facility to Al Dhafra Cooperative Society**

March 10, 2010

UAE: Abu Dhabi Islamic Bank (ADIB), one of the region's leading Islamic banks, will provide AED300 million (US\$81.7 million) Islamic finance facility to Al Dhafra Cooperative Society to fund working capital and capital expenditures.

The agreement was signed at ADIB Head office by Tirad Mahmoud, CEO of ADIB and Mohammed Khalifa Al Hamli, member of the Board of Directors of Al Dhafra Cooperative Society; a Cooperative Society owned by a group of more than 1,500 UAE nationals who are mainly residents of the western region.

Tirad Mahmoud, CEO of ADIB, said: "Supporting the interests of UAE nationals is one of our key mandates in the Western Region.

We are aggressively pursuing such opportunities that are completely aligned with the vision of the Abu Dhabi Government which reiterated its commitment to the Western Region by announcing major investments and projects worth over AED40 billion (US\$10.8 billion)."

"We have grown our UAE-based financing portfolio over the last couple of years and intend to accelerate its growth in 2010.

ADIB is highly liquid, with the customer financing to deposits ratio strengthening to 83.9%, augmenting our capacity to finance diverse projects and aid the UAE's economic growth," added Tirad Mahmoud.

Mohammed Khalifa Al Hamli, member of the Board of Directors of Al Dhafra Cooperative Society, praised the efforts of ADIB and its cooperation in implementing the strategy carried out by the Western Region Development Council.

This strategy is in line with the directions of HH Sheikh Hamdan Bin Zayed Al Nahyan, the Ruler's Representative in the Western Region, urging the private sector to participate in the overall development process of the region under the guidance of HH Sheikh

Khalifa Bin Zayed Al Nahyan, President of the UAE, and the support of HH General Sheikh Mohammed Bin Zayed Al Nahyan, Crown Prince of Abu Dhabi and Deputy Supreme Commander of the UAE Armed Forces.

Mohammed Khalifa Al Hamli stressed that Al Dhafra Society is committed to support the development of the Western Region, in addition to providing programs and plans that benefit the residents of the region and elevate the level of services provided to them.

He clarified that the financial facilities given to the society by ADIB would contribute effectively to the implementation of a number of important projects that play an effective role in boosting the development process. Al Hamli said that the society's board of directors had ambitious plans to implement various projects in the region that are the under the guidance and the aspirations of the UAE leadership and in consistency with the Western Region 2030 Strategy.

<http://www.bi-me.com/main.php?id=44971&t=1&c=35&cg=4&mset=1011>

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### **More Shariah hedge funds on the way**

Friday, March 12, 2010

KUALA LUMPUR: More Shariah hedge funds are likely to be launched, specializing in healthcare, telecoms and technology stocks, a US financial firm says, as the industry debates how far Islam sanctions such investments.

US-based Shariah Capital, which has a long-short Islamic commodities hedge fund, yesterday said a growing number of fund managers would offer Shariah-compliant funds as Islam does not constrain profitability.

"In the future, Shariah investors will have the opportunity to enlist high-quality managers, operating within Shariah guidelines, to generate returns competitive with conventional investors," said the firm's chief Shariah officer Sheikh Yusuf Talal DeLorenzo.

Transportation and manufacturing are other possible industries that can accommodate Islamic hedge funds, he said.

Just over \$250 million is invested in Shariah Capital's fund, and institutional investors from the Gulf and Malaysia are in talks to take part, he said.

<http://www.gulf-daily-news.com/NewsDetails.aspx?storyid=272673>

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## **Ambond and Ambon Islam Funds Declare Income Distributions**

March 12, 2010

KUALA LUMPUR: AmMutual's AmBond and AmIslamic Funds Management's AmBon Islam have declared income distributions for their respective unitholders.

AmBond declared on March 9, 2010, a final income distribution of 1.5 sen per unit, giving a total income distribution of 3.5 sen for the financial year ending March 2010, said AmInvestment Bank Group in a statement.

The final income distribution together with the interim income distribution represented a yield of 3.33 per cent investment return based on the net asset value (NAV) per unit of RM1.05 as at March 31, 2009, it said.

AmBond is a medium to long-term bond fund that aims to provide a stream of income.

AmBon Islam declared on March 8, 2010, an interim income distribution of 1.5 sen per unit for the financial year ending September 2010, it said.

The income distribution represented a yield of 1.35 per cent investment return for the fund's financial year based on the NAV per unit of RM1.11 as at Sept 30, 2009, it said.

AmBon Islam is a medium to long-term Islamic bond fund that aims to provide a stream of halal income.

Both AmBond and AmBon Islamic are managed by AmInvestment Bank Group's Funds Management Division (FMD), which recently won The Edge-Lipper Malaysia's Best Bond Group Award.

As at Jan 31, 2010, both funds delivered one-year returns better than Malaysia's fixed deposit rate and outperformed their respective benchmarks, AmInvestment Bank Group said.

AmBond gave a one-year return of 5.73 per cent while AmBon Islam delivered a one-year return of 4.77 per cent.

Both funds are in the first quartile for the five-year return and return since launch in Lipper's Malaysian bond classification.

They are also recognised as Lipper Leaders in five-year consistent return and five-year total return categories.

"I am also pleased to announce that we have once again won the Edge-Lipper Malaysia's Best Bond Group Award. We have been awarded with the prestigious recognition for the third consecutive year since 2008," said FMD's chief executive officer Datin Maznah Mahbob.

"The award underscores the investment expertise of our fixed income team which has performed well, particularly with the current challenging market conditions. It also demonstrates our sound investment philosophy and process which includes a macro top-down approach, relative valuation and volatility management," she said.

Late last year, FMD was also recognised as "Malaysia's Best Investment House in Malaysian Ringgit Bonds" by The Asset Benchmark Survey 2009.

FMD's head of fixed income, Goh Wee Peng, was voted by peers as "Malaysia's Most Astute Investor in Malaysian Ringgit Bond" for three consecutive years since 2007.

There are 47 unit trust funds marketed under the brand name of AmMutual (for conventional funds) and AmIslamic Funds Management (for Syariah funds).

The total assets under the management of AmMutual and AmIslamic Funds Management, together with two exchange-traded funds and discretionary mandates, were RM20 billion as at Feb 28, 2010.

*BERNAMA*

<http://www.bernama.com/bernama/v5/newsbusiness.php?id=481973>

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

#### **Manasoft launches 'Yusur' system in the first Islamic and Investment Finance Forum for the Middle East**

Mar 07, 2010

As part of its pioneering role in providing software solutions to its clients in Jordan and neighboring countries, Manasoft has taken the role of participating in the First Islamic Finance and Investment Forum for the Middle East held at King Hussein Convention Center in the Dead Sea on 2nd and 3rd of March 2010.

Manasoft's role in the forum is considered an added value to its experience as one of the parties interested in the Islamic finance industry. "Yusur", a system that was launched in 2010 to comply with different financial projects and services in the Islamic finance industry.

The forum, titled Shaping the Future of Islamic finance, discussed financial investment matters and investment specifically related to the Middle East. The first day witnessed various sessions related to the role, functions, and responsibilities of central banks in Islamic banking and Islamic, as well as Islamic financial institutions themselves.

Manafsoft Chairman Mr. Sameh Al Aloul said that the "Al Y usur" system is specialized in Islamic finance. He added that " the Islamic finance is one mean that would contribute to solving the problem of global credit."

The second day of the forum included several ministerial discussions examined the role of the Accounting and Auditing Organization for Islamic Finance Institutions and the control of Islamic banks in resolving the "problems and challenges" faced in the global crisis and beyond.

<http://www.ameinfo.com/225892.html>

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### **Noor Islamic Bank hosts graduate students from Haub Business School of the United States**

Mar 09, 2010

United Arab Emirates: Noor Islamic Bank today hosted a delegation of 44 Executive MBA students from Haub Business School - Saint Joseph University from Pittsburgh, as part of the bank's efforts to boost global awareness on Islamic banking and finance.

The graduates were given a comprehensive presentation on the world of Shariah compliant banking and finance by the bank's Shariah team.

Launched in January 2008, Noor Islamic Bank has earned a solid reputation for performance, premium service and customer care and augmented its self-service banking network to cover more than 84 ATMs, across the UAE.

In addition, the bank also provides round-the-clock accessibility and convenience to its clients through its branch located at the Dubai International Airport Terminal 3, its self-service facilities of Internet Banking, Phone Banking, SMS as well as automated cash and cheque deposit services.

<http://www.ameinfo.com/225989.html>

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## **Unissa to hold yearly Islamic finance conference**

Mar 13, 2010

THE International Conference on Islamic Finance is set to become an annual event due to its success, said Dr Mohamed Sharif Bashir, dean of Faculty Business and Management Science at the Sultan Sharif Ali Islamic University (Unissa) and chairman of the conference's organizing committee. Dr Mohamed said the conference has led to a number of recommendations for future courses of action among the Islamic banking and financial institutions. "The important ones include the decision to form a professional (body) to offer more education and training opportunities in the hopes of reducing the gap between workforce demand and supply while enhancing Syariah understanding to resolve contemporary problems, in addition to calling on policymakers and regulatory bodies to support by providing the infrastructure needed for development of the Islamic financial institutions," he said. The dean said that by organizing the conference annually, it is hoped that those involved in the industry will be able to tackle and provide solutions to the problems and constraints faced by Islamic banks and other Islamic financial institutions.

Future conferences will hope to cover issues relating to Syariah supervision, risk management in Islamic banks and Takaful companies, wealth management, regulations and supervision standards in Islamic Banking and other Islamic financial institutions. "I think we will also explore cross-border Islamic banking issues and ways to improve the current system at home and overseas," said Dr Mohamed.

The conference, the first of its kind, was organized by Unissa on March 1 and 2 at the Rizqun International Hotel. "It was a great way to get motivated to work hard on the development of Islamic finance and how we can respond positively to contemporary challenges at both national and international levels," he said. "I was really excited about the conference presentation, findings and discussion. It really works well in terms of meeting its objectives and ended on a high note on the theme of 'Contemporary Challenges of Islamic Finance: Towards realising the Goals of Syariah'," he added.

Dr Mohamed said the conference will lead to further cooperation and coordination among Islamic financial players. "Both academicians and practitioners can work as a team to make progress and positive change in Islamic finance industry," he said, adding that Unissa will take the initiative to offer fundamental knowledge, practical training, and research findings to improve the Islamic finance sector. "Through activities such as workshop, training modules, short courses, diploma programme, master programme in full or part time basis and research project funded by industry, we hope to build the Islamic financial institutions in Brunei, encourage crucial research, and help establish a new generation of professionals who are strong in Syariah understanding and possesses high practical skills in the field of Islamic banking and finance."

*The Brunei Times*

<http://www.bt.com.bn/en/business-national/2010/03/05/unissa-hold-yearly-islamic-finance-conference>

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## *ARTICLES*

### **Kazakhstan: A Promising Market for Islamic Banking**

By: Lahem al-Nasser

Mar 11, 2010

Riyadh, Asharq Al-Awsat - Islam was introduced to Kazakhstan after Qutayba Ibn Muslim al Bahili became governor of the Khorasan province in 704. Al Bahili extended the Islamic conquests to territories beyond Mesopotamia. Kazakhstan is one of the Islamic republics of Eurasia, which the former Soviet Union annexed to its Communist camp in 1917. However, with the gradual break up of the Soviet Union, Kazakhstan declared its independence in 1991. Muslims represent the majority of the population in this republic, constituting more than 48 percent of the overall population, which stands at approximately 5 million people, most of whom are of Turkish origin.

Kazakhstan owns substantial reserves of oil and natural gas and is home to around 3.3 percent of the world's oil reserves. Its economy relies on oil as it makes up 56 percent of its exports. Oil revenues represent 55 percent of the state budget meaning oil is crucial to this country. Kazakhstan is scientifically and technologically advanced, especially in the fields of astronautics and nuclear sciences. It served as one of the key strategic bases during the era of the Soviet Union and was home to the Baikonur Cosmodrome and the Semipalatinsk Polygon. Russia still launches its spaceships and shuttles from Kazakhstan. Until the independence of Kazakhstan, the capital of the republic was the border city of Almaty (meaning apple) but in 1998, President Nursultan Nazarbayev built the city of Astana in the heart of Kazakhstan to be the new capital of the republic. Nevertheless, Almaty remained the major commercial center of Kazakhstan. Stock exchange in the republic was closed to foreign investment for quite a long time, as supervisory bodies were very strict with regards to granting permits to foreign banks.

One story comes to mind in this respect; there was a giant investment financial institution in the Gulf region that was forced to take possession of a local Gulf bank that had a branch in Kazakhstan. However, as the international financial crisis further intensified and led to deficiency in liquidity and credit loss in the international markets and since the banking sector in Kazakhstan was dependent on world markets to finance growth inside the republic, it found itself facing a dilemma, which prompted supervisory authorities to search for new funding and investment channels to diversify sources of finance. Since Islamic banking and its related institutions were in possession of this liquidity, monetary authorities in Kazakhstan sought to attract those institutions so they enacted laws and regulations to allow Islamic banking institutions to run [in Kazakhstan]. Supervisory bodies in the republic issued a guide stating the procedures and prerequisites needed for

Islamic banking institutions to work in Kazakhstan. They also facilitated the process of issuing the necessary permits for those institutions to begin their operations.

As a result, several Islamic financial institutions expressed the desire to establish themselves in Kazakhstan such as the Islamic Bank of Qatar, Ithmaar Bank of Bahrain and Al Hilal Bank of the UAE. Without doubt this is one of the blessings that the international financial crisis has brought. In the past I have said that sometimes disasters actually end up being blessings in disguise. This is clearly manifested in the Quran: ‘It may be that you dislike a thing, and Allah brings about through it a great deal of good,’ (Surat Nisa: 19).

Therefore I call on Islamic financial institutions and Muslim business representatives who are in this field to seize this rare opportunity and enter this republic that enjoys political and social stability, great financial power, as well as a highly qualified academic and professional labour force. Undoubtedly, these factors make up a successful environment for any kind of investment. If we add to that the desire of the majority of Kazakh citizens to receive financial services that are compatible with Islamic Shariah law then there is no doubt that Kazakhstan can be considered one of the most promising and strategic markets for Islamic banking; a market that will enable this industry to grow and expand in the future.

*Asharq alawsat*

<http://aawsat.com/english/news.asp?section=6&id=20188>

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