Report # 113

BUSINESS AND POLITICS IN THE MUSLIM WORLD

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

Period: Mar 28 – Apr 03, 2010

Submitted By: Muhammad Ibrahim

Presentation: April 07, 2010

Report Outline

Islamic finance to flourish in Kingdom

Monday, March 29, 2010
JEDDAH: As Islamic finance is growing very rapidly in the United States, the US-based Florentez Investment Management Inc. (ShariahShares ETF) is set to launch a family of Shariah-compliant exchange traded funds (ETFs) on the NYSE (New York Stock Exchange).

"The company has already received an exemption relief order from the Securities and Exchange Commission (SEC), the US regulator, to launch the funds on the US exchanges," Saeid Hamedanchi, CFA, president & CEO of Florentez (ShariahShares ETF), said in an exclusive interview with Arab News here recently.

Hamedanchi, who was traveling to the GCC (Gulf Cooperation Council) countries to test the waters for demand for ETFs, said Islamic finance is growing by leaps and bounds in the US in recent times. He said, for example, Amanah funds have had spectacular asset growth in the US. "More and more investors want to invest according to Shariah in the US. There are seven to 10 million Muslims in the US. A majority of them are affluent immigrants from Southeast Asia, the Indian Subcontinent and the Arab world," he said, adding that even non-Muslims are buying these Shariah-compliant funds due to strong performance.

He also emphasized the fact that CFA Institute that grants highly coveted Chartered Financial Analyst (CFA) designation from Charlottesville, Virginia, US, is planning to offer curriculum in Islamic finance and socially responsible investing/ethical investing (SRI). This clearly shows that Islamic finance has made it to mainstream in the financial services industry globally.

He added that non-Muslims are also investing in Shariah-compliant ETFs due to financial ratio and Shariah indexes being more financially conservative than their conventional counterparts. Highly indebted companies get into financial distress when their debt level reaches a certain level. In that circumstance, they are no longer held by Shariah indexes. For Example: Enron, Worldcom and others as evidenced in the 2001-2003 recession, he said. This causes the Shariah indexes to outperform the conventional indexes during market downturns. Another factor has been lack of exposure to conventional bank and financial institutions. He added that Shariah-compliant indexes have outperformed conventional indexes in the developed markets for the past five years.

Hamedanchi said after the NYSE listing, we will move to the London Stock Exchange (LSE). The LSE will be gateway to the Gulf region."

Hamedanchi, who had worked at the Jeddah-based Islamic Development Bank (IDB) for nearly four years from 2003 to 2006, said Florentez, which was founded in 2006 by Hamedanchi and Jim Altenbach, CFA, is planning to list ETFs in the GCC exchanges in the future.

"We are planning to offer products in the GCC region, especially in Saudi Arabia. We believe that Saudi Arabia has a big future in Islamic finance because of its solid economic fundamentals and the desire of investing public to invest according to their faith" he added.

Hamedanchi said very few ETFs are there in the Gulf region now. It is a new market in the GCC and very exciting to be in this market.

ETFs are investment funds traded on the exchange during trading time, similar to stocks. ETFs enjoy several advantages over mutual funds and stocks.

Like other investment funds, ETFs are composed of a basket of assets (listed companies shares), however unlike mutual funds, ETFs are traded on the exchange. ETFs are more transparent since they track the movement of the underlying assets index and investing in the index by the same proportions. It is easier for investor to measure the performance of the ETF by tracking the movement of the underlying assets index. ETF units are traded by Bids and Asks during trading time.

Hamedanchi said "We are in the middle of a road show and talking to potential investors in Saudi Arabia and other GCC countries about our exciting venture. For the best interest of investors, we are offering low investment management fees and great value for our fund management services."

He said Florentez is planning to have big presence in the region by opening offices in GCC countries. "We are looking for distribution partners in GCC countries, probably first in Saudi Arabia because of its big market size."

Hamedanchi said Saudi Arabia launched its first ETF on Sunday. The first ETF by Falcom Financial Services, which will be accessible to foreign investors, was listed and started trading on Tadawul on Sunday. Falcom won approval from the Capital Market Authority (CMA) earlier this month to list a Saudi Equity ETF on the bourse.

Hamedanchi said the Falcom ETF would be a huge success as Saudi Arabia is trying to attract more foreign money to its bourse. This will increase the number of offered tradable products consequently help investors to diversify their investments.

Global banks and fund managers have opened up their offices in Riyadh and are exploring ways to tap opportunities on the best performing bourse last year and so far in 2010. Despite gains of more than 10 percent since January and 27 percent in 2009, investors still see potential for stocks.

Hamedanchi said many other ETFs would be launched in the GCC countries during this year and next year as well. The Kuwait-based Global Investment House (Global) said Dow Jones, leading global index provider, has given National Bank of Abu Dhabi a license to launch Dow Jones UAE 25 Index, which measures the performance of the 25 largest and most liquid equity securities trading in UAE.

ETFs entered global markets for the first time in the year 1989 through the Canadian market followed by the US in 1993. Since then ETFs have experienced very rapid growth, the ETF assets have increased from $72 billion in 2001 to $700 billion by the end of 2009 in the US market alone. The ETF industry has witnessed 40 percent annual growth rate for the past ten years, according to the industry sources. Furthermore, the industry expects growth of 20-25 percent in the next five years, according to Euromoney. Furthermore, assets under management reached $1 trillion by at the end of 2009, according to Black Rock's Debbie Fuhr.

http://arabnews.com/economy/islamicfinance/article36204.ece

QIB opens doors to Islamic banking products in France

Tuesday, March 30, 2010
A Qatar Islamic Bank-led joint venture will become the trendsetter for selling Shariah-based retail banking products in France, the bank's chief executive officer Salah Mohamed al-Jaidah has said.

For the first time, about 4mn Muslims living in France will be able to choose 'alternative banking products of their choice' from numerous outlets of QIB-BPCE joint venture, scheduled to be opened across the European country later this year.

QIB has signed a memorandum of understanding with BPCE, France's second largest banking group, to establish a joint venture financial institution that will develop and market Shariah-based retail banking products in the European country.

In an interview with Gulf Times in Paris, al-Jaidah said the joint venture (JV) would look at developing and marketing mortgage, vehicle, consumer goods finance, deposits and structured and investment products.

"Currently, there are no such retail products available in the French market. Shariah-products that are available here target just the corporations," al-Jaidah said.

"We will have the joint venture up and running before the year-end. France has committed itself to development of Islamic financing. The French commerce minister said this morning that Islamic banking will be one of the key components of the growing bilateral relationship between Qatar and France. We are delighted to be involved in that", al-Jaidah added.

He said if the JV 'emerged successful' such a model would be replicated elsewhere in Europe. "We have big plans for France and the rest of Europe. Already we have incorporated a bank in London – European Finance House, which has been set up under the FSA regulations." It is progressively developing products to be distributed to financial institutions. EFH will service corporations, financial institutions and clients on the wholesale side. France is part of our European strategy," al-Jaidah said. Islamic finance has experienced a "strong and sustained growth" in the last decade, he added.

BPCE and QIB say they believed they could take advantage of working together in this field by pooling their respective experiences and expertise. BPCE became fully operational in August 2009 after a merger between Banque Fédérale des Banques Populaires (BFBP) and the Caisse Nationale des Caisses D'Epagne (CNCE). It has approximately 37mn customers, an extensive network of 8,200 branches throughout France and a corporate and investment banking affiliate, Natixis.

BPCE is a key player in the French banking and finance industry and accounts for 22% of total deposits held by French banks, and serves a diverse range of customers including individuals, small and medium-sized enterprises, and large corporations.

Al-Jaidah said France could easily become the 'Islamic banking hub' in Europe, if the country seized opportunities by enacting the required regulations in time. "Britain has gone a long way in developing an Islamic banking market. France can also do that," al-Jaidah added.

http://www.gulftimes.com/site/topics/article.asp?cu_no=2&item_no=351865&version=1&template_id=48&parent_id=28

Sherry to promote financial centre on Middle East trip

Tuesday, March 30, 2010
Federal Assistant Treasurer Nick Sherry will visit the Middle East in April to promote Australia as a financial centre while gaining a greater understanding of the Islamic finance system.

Senator Sherry's trip will take in Qatar, Bahrain and the United Arab Emirates.

"This is an important area where Australia's trying to do some greater work to encourage our financial centre status," he told CNBC on Tuesday, adding the Middle East was a major source of savings and sovereign wealth funds.

Islamic finance was an important and growing area of world finance, Senator Sherry said.

"Australia needs to be able to firstly understand and provide those products within a correct regulatory framework."

The government is considering the tax treatment of investments of sovereign wealth funds.

"It's important to get that right under standards for investment flows in Australia."

Trading Room
http://www.tradingroom.com.au/apps/view_breaking_news_article.ac?page=/data/news_research/published/2010/3/89/catf_100330_152100_8728.html

---

Eight key sectors with potential identified

Wednesday, March 31, 2010

Malaysia: There are eight key sectors that have been identified for inclusion in the National Key Economic Activities (NKEA) as they have the potential to thrive as the country moves into the high-income bracket.

Prime Minister Datuk Seri Najib Tun Razak said the National Economic Advisory Council (NEAC), with input from the private sector, had identified key sectors that could lead in generating high growth rates.

“I am committed to undertake a thorough consultation process with all the stakeholders, and ensure the NKEA will be selected based on Malaysia’s best interests.

“The NEAC will work with Pemandu (Performance Management & Delivery Unit) to develop the NKEAs.

“They will consult the Rakyat and all other stakeholders and when the 10th Malaysia Plan is unveiled together with the NKEAs, a special Economic Delivery Unit will be also established to spearhead the reform process and finalize and implement the NKEAs,” he said in his keynote address at Invest Malaysia 2010 yesterday.

The eight sectors are electrical and electronics (E&E), palm oil, oil and gas (O&G), tourism, high-value agriculture, green technology, financial services and information technology.

Najib said in the E&E sector, Malaysia could leverage its early mover advantage.

“Building on a strong foundation, Malaysia’s future in this sector must be focused not only in manufacturing but in research and development and design, where Malaysian companies are driving innovation rather than simply importing it.

“Among the measures we must consider are incentives for high-value research and support for small and medium enterprises supplying larger firms,” he said.

Najib said resource based industries in the palm oil and O&G sectors must continue to be emphasized.

“In the palm oil sector, strengthening research initiatives should lead to indigenous technology that better meets market demand, such as healthy fats and oils, bio-fuel from biomass, cosmetics and bio-degradable plastics.

“And in O&G, we have one of our nation’s most visible and valued champions in Petronas.

"It has built a strong brand internationally, and I believe now we must also help drive the growth here in Malaysia with even greater support for local suppliers as it (Petronas) grows.

"Beyond the core O&G sector, however, Malaysia's international energy expertise can help companies in this industry and beyond expand internationally by sharing its know-how, partnering on international bids and offering support on a truly global scale," he said.

Najib said Malaysia also had the potential to take the leadership role in green technology and develop a niche in high value green industries and services.

On the financial services industry, he said as a world leader in Islamic finance, capital market and Takaful, Malaysia had the potential to become a hub for integrated Islamic financial services.

http://thestar.com.my/news/story.asp?file=/2010/3/31/neweconomicmodel/5966602&sec=neweconomicmodel

---

UK banks, Government bodies launch Shariah finance lobby

Aims to push for the UK's first sovereign Sukuk

Wednesday, March 31, 2010

LONDON: A group of British Islamic banks and government bodies launched on Wednesday a lobby group to further the industry's development and push for the issuance of the first UK sovereign Islamic bond.

The UK Islamic Finance Secretariat will incorporate Islamic finance experts currently operating within committees of government organizations such as the UKTI, the government's international business development organization, the Treasury and the Financial Services Authority (FSA), to strengthen the UK's position as an Islamic finance hub.

By the end of last year 25 Sukuk, or Islamic bonds, which had raised a combined 9.1 billion pounds ($13.71 billion), were listed on the London Stock Exchange, the largest after Dubai Nasdaq.

Sukuk are certificates of ownership to an asset pledged by the issuer to raise capital. In its simplest form the issuer pays rent on the pledged assets generating returns for investors, giving Sukuk a mixture of fixed-income and equity-like characteristics.

Sukuk are tradable but the market remains shallow as investors tend to keep them until maturity

London, which is the most sophisticated Islamic market in Europe hosting a number of Islamic stand-alone banks, is aiming to attract further Sukuk listings as Gulf countries are expected to issue more of the bonds to help raise up to $1 trillion over the next 10 years for infrastructure investments.

In spite of its early interest in the industry, the UK also faces competition from other European centers as well as the Far and Middle East.

The new body will include experts from banks, law firms, accountants representing the industry to UK authorities in legislative, fiscal, regulatory and political matters, said James Bagshawe, chief operating officer at UK stand-alone Islamic bank Gatehouse.

"We will act as a lobby if we agree on some issue but the primary aim is to get us all together to develop the Islamic financial services sector, a one stop shop for the industry," Bagshawe said.

"Part of our developing business agenda is encouraging the UK government to issue a Sukuk," he said.

"We want more players so London can become more important and London can lead others in standardizing products and also developing the industry globally," Bagshawe said.

The Secretariat will become operational on April 1 and will be financed by its members. ($1 = 0.6635 Pound)

http://www.reuters.com/article/idUSLDE62U1I720100331

DFM set to create Islamic benchmark
More flexibility expected in market

Thursday, April 01, 2010

Dubai: The Dubai Financial Market (DFM) is planning to launch an Islamic index in the near future, Dr. Mabid Ali Al Jarhi, Secretary General of Fatwa and Shariah supervision board at the DFM, told Gulf News yesterday.

Speaking on the sidelines of a Sukuk workshop organized by the Dubai Economic Council, Al Jarhi said: "In the coming three months, DFM will unveil a new index for share trading that complies with Islamic legislations."

He said that DFM has done a lot of research on most of the international benchmarks to come up with a new market index that lists stocks adhering to Shariah.

"DFM is working to set up the technical body which would launch this new index in the market."

Al Jarhi added that setting up an Islamic index on the DFM will create a dynamic mechanism for raising capital.

The new index will create more flexibility in the financial market by giving investors options to choose between Islamic or conventional shares. The index will be set up based the Shariah compliance of companies.

Al Jarhi said the Fatwa and Shariah Supervisory Board of the DFM is proposing a new index for Sukuk trading and the market activities will be governed by the Islamic legislation.

Sukuk

"All Sukuk issuance in the market would be included in this index," he added. "It is a step towards setting up the concept of the Islamic finance market in the DFM."

However, he said the slowdown in Sukuk trading is because there is not enough Sukuk to be issued. Demand exceeds availability and Sukuk buyers prefer to hold on to their investments.

Al Jarhi said the DFM initiative will go a long way to create a vibrant secondary market for Sukuk. With the creation of an active secondary market, he expects that the UAE could beat London, Bahrain and Malaysia and be the centre of international Islamic finance.

Dr Abdul Azeem Abu Zayed, Adviser at Emirates Islamic Bank, called for the need of Hawkama of Sukuk issuance and the importance of uniform legislation that complies with Islamic principles to protect Sukuk issuance.

"There should be a committee to control the fatwa and Shariah supervisory bodies and authorise the mechanism of the Islamic products."

"We aim to improve this Islamic financial industry and to penetrate the west with a strong solid base," he said.

Hani Al Hameli, Secretary General of the Dubai Economic Council, said: "Sukuk is one of the most important tools of Islamic finance not only in the Islamic country but world wide.

"Since it was launched, the size of Sukuk trading grew from less than $1 billion in 2002 to $94 billion [Dh345.7 billion] in 2007. The UAE ranked number one in Sukuk trading with $33 billion in 2007," he said.

http://gulfnews.com/business/markets/dfm-set-to-create-islamic-benchmark-1.606221

Time ripe for Islamic banking law

Modification of civil process and a decree needed to promote better Shariah-compliant practices

Thursday, April 01, 2010

Dubai: The secretary-general of the Fatwa and Shariah Supervision Board, Mabid Ali Al Jarhi has called for modifications to some civil laws and the introduction of an Islamic banking law.

Al Jarhi told Gulf News that such measures would promote better Islamic banking practices.

Islamic banks are presently guided by their own Shariah boards and have policies that often differ from those of other Islamic finance houses.

"To achieve a unified Shariah standard for Islamic finance, the civil law should be revised and the law of Islamic banking should be activated," Al Jarhi said.

He added that the law governing Islamic banks was issued in 1985 but it had not backed up by a decree and therefore the law was non-existent now.

Freedom of opinion

"We are not looking for a unified Islamic authority. We can't advocate for an authoritarian body. We believe in the freedom of opinion and collective efforts," he said.

Al Jarhi said that it was impossible to have unified legislation that would be mandatory for all Islamic financial institutions, owing to differences between Shariah schools.

"Although there is a kind of consensus, such consensus is not compulsory to many Islamic institutions," he said.

"So... what we are in need [are measures] to modify the civil law in a way to make all Islamic institutions responsible [and] complying with [legislation issued by the Assembly]," he said.

Islamic banking is a new phenomenon, barely 35 years old. However, it gained prominence following the crippling world economic crisis.

The concept of Islamic banking has spread worldwide with 450 Islamic financial institutions in 90 countries. At least 40 per cent of those banks are located in the Arab world.

The total assets of Islamic banks in the GCC region represent 91.2 per cent of those in the Arab world.

In the UAE there are eight Islamic banks, four of which are in Dubai.

Al Jarhi pointed out that Islamic banking practices in the UAE were better than in any other country in the region.

He said that UAE exposure to bad Islamic products was minimal in comparison to Saudi Arabia.

He added that UAE ranked first with a Sukuk issuance of $33 billion (Dh121.2 billion) in 2007.

The assets of Islamic institutions are expected to reach $1.5 trillion by 2012 and will represent 50 per cent of the consolidated balance sheets of the Arab banks, Adnan Yousuf, chairman of the Union of Arab Banks and president and chief executive of Al Baraka Bank told Gulf News in an earlier interview.

"Islamic banks will witness growth rates of between 15 to 20 per cent as their assets are expected to increase from $850 billion to $1.5 trillion by 2012," Yousuf said.

"Within two years, Islamic banks will represent 50 per cent of the total assets of the Arab banks."

He said there is expected to be a great demand in the future for Sukuk used to structure investment for huge projects which will be covered by Islamic banks.

Pointing out how Islamic banking was a better option to deal with the crisis than conventional banking practice, Yousuf said: "Islamic banks have their own principles as they look not only to the profit but to other elements based on Shariah law [while] looking for solidarity."

Core principles

The principles of Islamic banking ban interest and trading in debt. They don't deal with derivatives which are similar to gambling.

Yousuf clarified that what hurt other banks was that they were too greedy and went beyond their principles and capacity, as well as the fact that they were not adherent to the classic banking business but, unfortunately, had strayed from that.

"A good number of banks want [a] piece of cake. There are big banks who believe in the product of Islamic banking such as HSBC, Deutsche Bank and Citibank, which established a subsidiary for running Islamic banking business," he said.

He added that there was a trend toward Islamic banking in the UAE and it was successful, he said.

"Despite the disputes of Shariah schools there is 93 per cent consensus on the principles of Islamic financial system worldwide," he said.

"The 7 per cent difference is marginal and all [banks] are working very closely and will [overcome this] very soon as the Islamic banking is getting more mature."

http://gulfnews.com/business/banking/time-ripe-for-islamic-banking-law-1.606748

Islamic finance short on wealth management -report

- Islamic succession planning in need of an overhaul

- Too many real estate-based products limit diversification By Martin de Sa'Pinto

Thursday, April 01, 2010

ZURICH: Islamic banks are failing to cater for clients' wealth management and estate planning needs, pushing them to rely largely on traditional asset managers, said a report published by Bank Sarasin (BSAN.S) this week. Until very recently there were no dedicated Islamic wealth management services, the report said, and the few that have emerged offer restricted services and products that fail to completely satisfy Islamic investors' needs.

"You have Islamic products that try to mimic the behaviour of conventional instruments, but there is a shortage of products that are Islamic in spirit," Sarasin head of Islamic finance Fares Mourad told Reuters in an interview.

The Islamic Wealth Management report said there was a shortage in Islamic private banking services. Islamic succession planning is in need of an overhaul, it said, currently lacking mechanisms to ensure wealth preservation over generations.

"In the Muslim world hardly any financial planners address this issue, yet successful estate planning would ensure the wealth people have built is consolidated, as well as encouraging family unity," Mourad said.

"We would like to see a genuine partnership between Islamic bankers and their clients that aims for wealth accumulation and preservation over generations."

BROADER PRODUCT RANGE NEEDED

He also said some products currently offered create a conflict of banker-client interests, with the banker's remuneration more dependent on transaction fees than on the long-term viability of the client's investments.

Examples include the asset management units at Bahrain-based Gulf Finance House GFHB.BH and Arcapita, which amassed large transaction fees even though clients are now sitting on huge paper losses.

"We don't want relationships based on product pushing so the banker can collect fees, but rather the long term provision of services in the spirit of a partnership," said Mourad. "Ultimately the success of the client will determine the success of the banker."

Mourad said the preponderance of real estate-based financial products exposes clients excessively to the vagaries of property markets, limiting diversification.

Even so, he said, many opportunities to diversify exist, for example financing commodities trading, ship building or timber. This gives clients involvement in long-term economic activity, rather than speculation, which is against Islamic, law he said.

"Only when you have a long-term aim can you determine short-term steps to ensure you reach that aim," said Mourad.

"In Islamic Finance, the long-term perspective of investment is still missing." (Editing by Rupert Winchester)

http://www.reuters.com/article/idUSLDE62T1F220100401

Qatar Islamic falls as Doha extends drop

Thursday, April 01, 2010

Dubai Islamic Bank led Dubai's index DFM higher after the lender approved an annual dividend and other blue chip stocks reversed early losses to end higher, but Abu Dhabi's index ADI made its largest fall for 14 weeks.

DIB climbed 4 percent. On Wednesday, it approved a dividend, which will be in the form of 15 percent cash and 5 percent bonus shares, the bank said in a statement on the Dubai bourse website.

Emaar Properties rose 2 percent and Dubai Financial Market added 1.1 percent.

The index climbed 0.9 percent to 1,860 points, although it was down 1.1 percent since hitting a 14-week closing high on Sunday.

"Any pullback in the market is a good buying opportunity and there is still upside potential - technically, Dubai's resistance is at 1,880 and for Abu Dhabi it is 2,900," said Chamel Fahmy, Beltone Financial regional senior sales trader.

Abu Dhabi's index made its largest decline since Dec 23 as Emirates Telecommunications Corp (Etisalat) went ex-dividend. The telecoms operator, the largest listed company in the UAE, fell 4.1 percent.

Aabar Investments rose 4.7 percent after it said it is mulling convertible bonds worth up to AED7.346bn ($2bn) to fund its expansion.

The index fell 1.7 percent to 2,860 points.

National Investments Co (NIC) fell as Kuwait's index KWSE made its largest one-day decline for six weeks.

NIC dropped 3.5 percent and was down 12.7 percent since hitting a five-month peak on March 24. The stock had surged ahead of Zain's $9bn asset sale, with the Kharafi group the major shareholder in both NIG and Zain.

The telecoms operator, which this week signed the deal to sell some of its African assets to India's Bharti Airtel, climbed 1.5 percent after proposing a cash dividend, but this gain may prove fleeting. The firm reported a fourth-quarter loss on Wednesday.

"There's no serious reason for the stock to make more gains - it's time for profit taking and I see it falling next week," said Naser Al Nafisi, general manager for Al Joman Center for Economic Consultancy in Kuwait.

Global Investment house climbed 3.9 pct after resuming trading following two arbitration rulings in its favour.

The index fell 0.8 percent to 7,475 points, its biggest decline since Feb 17.

Qatar's benchmark QSI edged higher, rising 0.1 percent to 7,472 points. Industries Qatar was the main support, climbing 0.7 percent.

"Oil is a feel-good factor right now," says Sayed Quadry, vice-president of business development at Amwal Investment in Muscat. Crude was up 0.9 percent at $84.49 a barrel, hitting a 24-week high intraday.

Bahrain's measure BAX slipped 0.3 percent to 1,542 points.

Oman's index MSI ended higher for a first day in four as volumes hit a six-week high, with investors buying back in at the start of a new quarter as commodity-related stocks surged.

Oman Cables Industry rose 2.6 percent, while National Aluminium Products Co and Jazeera Steel each added 5.8 percent. "Global commodity prices are on the rise and so commodity-related stocks like Oman Cables, Jazeera Steel and National Aluminium are in demand," said Sayed Quadry, vice-president of business development at Amwal Investment in Muscat. "People are looking for first-quarter results."

National Bank of Oman climbed 3.1 percent.

The index climbed 0.4 percent to 6,723 points. More than 14 million shares changed hands, the highest total since Feb. 18 and up 37 percent from the day before.

Reuters
http://www.arabianbusiness.com/585048-qatar-islamic-falls-as-doha-extends-drop

Islamic Finance Players Urged To Explore Equity-based Financing

Friday, April 02, 2010

KUALA LUMPUR: Islamic finance players should explore opportunities in equity-based financing in making the industry more attractive.

Making this call, Bank Negara Malaysia's Deputy Governor Datuk Muhammad Ibrahim said through equity-based financing, industry players could move away from mimicking conventional products and operate truly on Syariah compliance.

He said in terms of risk assessment, such transactions will necessary inject greater market discipline among industry players.

"This business model is premised on a few fundamental assumptions. The bank and its staff will have to be good at risk assessment, due diligence, assets valuation, good at project financing and management, a good landlord, skillful in project monitoring and have the necessary expertise on specific areas such as construction, agriculture and manufacturing," he said.

He was speaking at the opening ceremony of a conference here today on contemporary issues in Islamic home, personal and auto financing.

Muhammad said the shift from asset based financing to equity-based financing however did not mean Islamic banks would operate without any risks.

Islamic banking should be the conduit for the financing model if the business climate is good.

If the environment in certain sectors decline significantly, it could adversely impact Islamic finance, he said.

Muhammad also said a shift from debt based financing to equity-based financial system would not necessarily lead to a better equitable outcome to society. If it is not properly implemented it could cause uneven benefits to various stakeholders, he explained.

Equity-based financing in Islamic model is based on the sharing of business risks, as well as rewards by the bank and its client. Both parties would have to contribute for the basic ingredients of a business venture such as capital, management, know-how, labor, and other related professional attributes.

Profits are distributed based on an agreed profit distribution ratio while losses are prorated to each party's capital participation. Equity financing is cemented by entering in either one of two contracts, namely a partnership contract and a trust financing contract.

BERNAMA

http://www.bernama.com/bernama/v5/newsbusiness.php?id=487497

Johor Corp: RM23m for Islamic business school

Saturday, April 03, 2010

Malaysia: Johor Corp (JCorp), a government-linked corporation, has put aside some RM23 million for the development of an Islamic business school in Kota Tinggi, Johor. Its president and chief executive officer Tan Sri Muhammad Ali Hashim said the allocation will be spent over two years, with the first phase involving the construction of a campus, equipped with lecture halls.

"Under the first phase, we will be spending some RM8 million, particularly for the development of a campus which is expected to be completed by 2012," he told reporters after the signing of a memorandum of agreement (MOA) between JCorp and SAID Business School of Oxford University in Petaling Jaya, Selangor, yesterday.

Unlike institutions of higher learning and universities, Muhammad Ali said the academy, known as Akademi JCorp will not offer degree or diploma courses but will conduct short-term courses, based on Islamic concepts and practices in business and entrepreneurship.

"With the availability of such courses on a more structured platform, it will boost business participation of executives, especially from the Muslim community," he said.

Akademi JCorp will offer courses on concepts and practices in line with Islamic principles and practices.

He said Muslims seem to lag in terms of business participation either because they are not well versed and inclined towards the sector or deceived with the misconception that business is materialistic and brings bad influence to Muslims. "The problem we face in most Muslim countries today is that few jobs are being created as a result of less entrepreneurs in the province," he said.

On the MOA, Muhammad Ali said this will lead to a "business jihad" research project, a visionary concept developed by JCorp, which has three decades of experience in Islamic concept, including Corporate Waqaf.

"The research will assess the relevancy of the concept to be used by all businesses in Malaysia," he said.

Muhammad Ali said JCorp's corporate waqaf and Entrepreneur-led corporate practices are institutional innovations, introduced to drive business transformation and translate business jihad into reality. In addition, he said business jihad is aimed at bridging economic divides and integrating Muslims into the global economic mainstream.

He said the research marks the start of a long-term collaboration between JCorp and SAID Business School, which will include several executive education projects over an estimated span of at least a three-year period.

Following the launch of the research, the interim findings will be presented by Muhammad Ali at the inaugural Oxford global Islamic branding and marketing forum, which will be held at the SAID Business School from July 25-27.

Business Times
http://www.btimes.com.my/Current_News/BTIMES/articles/jakoba/Article/

ISLAMIC BANKING & INSTITUTIONS

QIB sees France as key market

Sunday, March 28, 2010
France is a crucial market for Qatar Islamic Bank in its push to develop Islamic finance products in Europe, chief executive Salah Mohamed Jaidah has said in Paris. QIB has signed a memorandum of understanding with Banque Populaire, a unit of French mutual bank BPCE, in order to gain access to the French retail banking and small and medium-size business markets, he said.

http://www.gulftimes.com/site/topics/article.asp?cu_no=2&item_no=351469&version=1&template_id=48&parent_id=28

Sharjah Islamic Bank donates Dhs5m to Zakat Fund

Sunday, March 28, 2010
United Arab Emirates: Sharjah Islamic Bank (SIB) has donated Dhs5m to the Abu Dhabi Zakat Fund, an independent establishment aiming to spread awareness of Zakat (giving a small percentage of one's possessions to charity) and its impact on society, and to collect Zakat and spend it locally in accordance with Islamic teachings.

H.E. Mohammed Abdullah, SIB Chief Executive Officer, says of the Bank initiative: "SIB contribution to the Zakat Fund is aimed at supporting efforts seeking an integral and united society. The initiative is also in line with SIB goal of spreading communal partnership and the core ideals of social development that we are proud to uphold"

"Private establishments in the country have a vital role to play in the support of charitable initiatives if they seek to contribute to their country, and we are proud to announce a strategic communal partnership with the Zakat Fund," he added.

Zakat Fund Secretary General Mr. Abdullah bin Aqeeda Al Muhairi says of this event "Our partnership with SIB is in line with the Zakat Fund's strategic plan to cooperate with local and international establishments and institutions concerned with Zakat and charity work".

Al Muhairi was excited at receiving the charity money through the partnership with SIB, which strives to realize the concept of communal partnership that contributes to the development of society and human relations. We hope that everyone follows in the footsteps of Sharjah Islamic Bank to strengthen the relations between people and organizations looking to make a contribution, and people who need Zakat.

Sharjah Islamic Bank is the first bank to successfully convert from traditional banking to Islamic banking in 2002, offering a wide range of Shariah-compliant services and international banking to individuals, establishments, institutions and investors. Through well-place risk management strategies SIB has managed to achieve an unprecedented growth rate, launching 23 branches throughout the UAE, in addition to over 100 strategically-located ATM machines at residential areas, shopping centers and entertainment centers.

http://www.ameinfo.com/227933.html

Dubai Islamic Bank Dar Al Shariah Named Best Advisory Firm

Monday, March 29, 2010
DUBAI: Dar Al Shariah Legal and Financial Consultancy, a subsidiary of Dubai Islamic Bank, has been named the "Best Shariah Advisory Firm" at the recent Islamic Finance News Awards.

Dar Al Shariah has evolved from Dubai Islamic Bank own Shariah Coordination Department, the first ever experiment carried out by an Islamic bank.

"Although Dar Al Shariah just completed its first full operational year in 2009, the recognition it has received to date highlights the depth of expertise we offer in providing world-class and authentic Shariah guidance to our clients," said Dar Al Shariah Chief Executive Officer Sohail Zubairi.

In the same ceremony, the bank received four awards in total, including the coveted "Best Islamic Bank in the UAE" award, "Syndicated Deal of the Year" and "Wakalah Deal of the Year." It is one of the most prestigious awards forums and highly recognized by the global Islamic capital markets.

"On behalf of Dar Al Shariah, I would like to dedicate this award to Dr. Hussain Hamed Hassan, the chairman of the bank's Shariah Board and a prominent Shariah scholar, in recognition of his lifelong services to the cause of Islamic finance and for providing valuable guidance to the Dar Al Shariah team," Zubairi said.

http://www.khaleejtimes.com/DisplayArticle.asp?xfile=data/business/2010/March/business_March652.xml&section=business&col=

Al Rajhi Bank sees strong future growth

It's banking on retail business and new products to boost bottom line

Monday, March 29, 2010

PETALING JAYA: Al Rajhi Bank Malaysia expects exponential business growth in the next three years supported by its retail business as well as new business initiatives, said chief executive officer Ahmed Rehman.

"Our growing retail business and the new product lines we are developing will put us in a good position in the coming years.

"We should see good profit growth – easily in the teens at least – especially since we are coming from a low base," he told *StarBiz*.

This year, Ahmed expects the bank to register double digit growth in profits supported mainly by the retail business.

"The corporate side will be the icing on the cake as we are very selective on the type of corporate businesses we do," he said, adding that the bank had broken even after three years of operations and was profitable in 2009.

Ahmed declined to provide any numbers as the results have yet to be released.

For the nine months ended Sept 30, 2009 the bank recorded a net profit of RM3.1mil versus a net loss of RM52.7mil in the same period of 2008.

Currently, more than 50% of the Bank gross profit comes from the corporate business.

However, Ahmed expects the percentage to change in favour of the retail business with 60% of profit from retail and 40% from the corporate business in the next three years.

The retail business is supported by three main pillars - personal finance, mortgage sales and the small and medium enterprises business.

"We are anticipating a loans growth of 20% to 25% this year," Ahmed said.

The bank has also lined up a few new initiatives to boost its retail and corporate divisions.

"We are opening the funnel. While the scale is building on our normal business, we are also adding areas to build upon which will contribute to growth in the coming years," he said.

Al Rajhi Bank will be kicking off its affluent banking business for high net worth customers by next month.

"This is an area which will provide huge opportunities for us. How successful the business is depends on the product innovation we are able to bring to the table as we are dealing with savvy investors," Ahmed said, adding that the bank planned to set up an affluent banking centre in the Klang Valley this year.

The bank started its remittance business for foreign workers in March.

At present, the remittance business is very much focused on Indonesia but will soon cover Bangladesh, the Philippines and other countries which have workers in Malaysia.

The bank, which opened its first remittance centre in Malacca in February, plans to open another two centers this year.

"It is a sizeable business here. We will gain from remittance fees and foreign exchange. The remittance business will add flavour to our retail business," Ahmed said.

A corporate card is also in the works for the bank's corporate customers to be launched in the second half of the year.

The retail business will also be boosted by the opening of at least four bank branches outside the Klang Valley this year in efforts to increase customer reach.

The bank currently has 19 branches.

For the corporate division, Al Rajhi Bank is exploring the financial institutions business, that is, to provide products and services to other banks and non-bank financial institutions such as insurance and leasing companies and pension funds.

Ahmed said the bank also aimed to be a participating bank in Bursa Malaysia's commodity Murabahah exchange, a global trading platform that enables banks to buy and sell commodities to facilitate Islamic finance.

Crude palm oil now trades on the exchange.

On the treasury side, plans are afoot to enable the bank to issue Sukuk.

"We have been working for over a year to get the structures Syariah-compliant. We are now talking to certain clients to see if we can issue Sukuk for them in the first half of the year," Ahmed said.

http://biz.thestar.com.my/news/story.asp?file=/2010/3/29/business/5919757&sec=business

Al-Hilal Bank close to Kazakhstan launch

Monday, March 29, 2010

The United Arab Emirates state-owned Al Hilal Bank is close to obtaining a banking license to operate on the Kazakh market, its directors have confirmed. The first Islamic bank to set up in the Central Asian country, Al Hilal plans to invest $1bn over the next four years. According to Prasad Abraham, chairman of the board of Al Hilal in Kazakhstan, the bank is "within the final few meters of the finish line" in receiving its license, and this could happen by the end of March. It is just over nine months since an agreement on the bank's establishment was signed between the governments of Kazakhstan and Abu Dhabi. This is quick by Kazakh standards; typically it takes between 18 months and two years for a banking license to be issued.

Al Hilal balance sheet is expected to reach $200m-250m by the end of 2010, Abraham said. "The government of Abu Dhabi is committed to making sure that eventually at least $1bn is invested in the Republic of Kazakhstan. The first year will be slow, but after one year our rate of growth will increase," he told a press conference at the bank's trendy orange and black Astana offices on March 17. Five of the staff is based in Astana, with a further 22 in Almaty. All but one is local, since Al Hilal has benefited from cutbacks at Kazakh banks to recruit its team.

Close ties

Mohamed Jamil Berro, CEO of Al Hilal, said one of the reasons for setting up its first foreign subsidiary in Kazakhstan is because the country is the only one in the Commonwealth of Independent States as yet to adopt legislation on Islamic finance; the law came into effect in February 2009. In addition, "there are strong ties at all levels between Abu Dhabi and Kazakhstan, vast investment opportunities in Kazakhstan, and an opportunity for us to contribute to the growth and prosperity of this country," he said.

The friendship between Kazakh President Nursultan Nazarbayev and the Sultan of Abu Dhabi is also a factor. While the majority of Kazakhstan's citizens are Muslim, the country is largely secular, and Nazarbayev's policy has been to build good relations with all religions. However, he has been very much the driving force behind efforts to establish Islamic finance in Kazakhstan.

This has been a major factor in the country's success in adopting the legislation and attracting Al Hilal to the country, delegates at the Kazakhstan Islamic Finance Conference believe. "The most important ingredient is political will," said Adalet Jabiev, CEO of UAE-based Al Shamsi Capital, on March 17. "There was a vision at the highest level in the UK to become a hub for Islamic financial services, and it has succeeded. The same applies to Kazakhstan. Nazarbayev and the Kazakh elite are all for it, and there is political will at the highest level to push for Islamic finance."

"Even though less than 4% of the UK population is Muslim, the government decided to turn London into an international gateway for Islamic finance," said Farrukh Raza, managing director of the Islamic Finance Advisory and Assurance Services (IFAAS) consultancy. "London is now the fastest emerging international hub for Islamic finance, and other European countries are now trying to copy it. The first Sukuk [Islamic bond] was listed on the [London Stock Exchange] in 2006, and just three years later the Sukuk market is now worth $20bn. The UK government is planning a sovereign Sukuk."

Kazakhstan is also planning a sovereign Sukuk, Finance Minister Bolat Jamishev told the conference on March 17. While Jamishev did not give further details, there is speculation that Kazakhstan could issue a Sukuk in the $300m-500m range by the end of this year. Al Hilal would certainly be interested if this is carried out, Abraham said. "We would participate very actively," he told journalists.

Aside from that, the bank is mainly looking at the oil and gas, and metals and mining sectors. It is also interested in infrastructure projects such as road building, and may participate in public-private partnerships. "Our main focus will be on government financing and top tiering corporate, as well as trade between the UAE and Kazakhstan," said Abraham. "Initially, we will be financing government projects and offering deposit facilities for corporate clients. Later, we plan to launch personal banking projects in the financing and investment sectors."

While many companies in Kazakhstan are in need of liquidity, Al Hilal is in a position to provide this. Set up in 2008, the bank is 100% owned by the government of Abu Dhabi and has capital of $1.2bn. This has already sparked considerable interest from local players. While declining to name any names, Abraham says that, "from day one we had enquiries from government, quasi government and corporate actors."

Business New Europe
http://businessneweurope.eu/story2026

DIB Arranges $215 Million for Kharafi Project in Abu Dhabi
Monday, March 29, 2010

Dubai Islamic Bank PJSC, the United Arab Emirates’ biggest Islamic lender, said it arranged a financing deal of 790 million Dirhams ($215 million) for Kharafi National.

Dubai Islamic will cover the financing requirements for Kharafi National’s sub-contract with a JGC–Tecnimont joint venture to develop the Habshan 5 gas project for Gasco in Abu Dhabi, according to the statement. Kharafi National is a Kuwait- based construction group.

Bloomberg
http://www.businessweek.com/news/2010-03-29/dib-arranges-215-million-for-kharafi-project-in-abu-dhabi.html

---

Amanah Islamic Bank ties up with Petron

Tuesday, March 30, 2010

MANILA, Philippines: The Al Amanah Islamic Investment Bank of the Philippines (Amanah Islamic Bank) and Petron Corp. is jointly offering a dealership program to small and medium entrepreneurs.

Amanah Islamic Bank is a first and only Islamic bank in the Philippines. It is a subsidiary of the Development Bank of the Philippines (DBP) with a capital base of P1 billion.

The PetronBulilit Station dealership program is aimed at promoting investment opportunities in Mindanao.

Amanah Islamic Bank chairman and chief executive officer Armando O. Samia said that under the program, the commercial bank would provide financing to qualified dealers of Petron for project site acquisition and capital expenditure requirements for the operation of Petron Bulilit gas stations or micro-filling station outlets.

The assistance includes a lease financing program wherein the bank will lease the project site to a Petron-endorsed dealer, with an option to acquire the property at the end of the term lease.

Al Amanah Bank is the first and only Islamic bank in the country and is mandated to serve the banking needs of the Muslim community. In 2008, the Development Bank of the Philippines (DBP) acquired full control of Amanah Islamic Bank to help support the development of DBP initiatives for micro, small and medium entrepreneurs in Mindanao, as well as to serve as the main remittance outlet for Muslims and Mindanao-based overseas Filipinos.

It presently operates nine branches of which eight are located in Mindanao.

Due to the unique character of Shariah banking, lending is prohibited and deposits cannot earn interest.

But an Islamic bank can enter into joint venture or profit sharing arrangements with individuals or businesses. And it may receive deposits and reward the same with safe keeping fees. Instead of mortgage loans, the Amanah Islamic Bank can enter into a profit sharing arrangement with its bank client, with the bank acquiring the prospective property.

But the rest of the bank operations will be basically similar to commercial or conventional banking operations.

The Philippine Star
http://www.philstar.com/Article.aspx?articleId=562434&publicationSubCategoryId=74

Mashreq Al Islami appoints Yusra Abdul Gaffar as Manager for Mashreq Gold

Tuesday, March 30, 2010

Mashreq Al Islami, the Islamic banking arm of Mashreq, has appointed UAE National, Yusra Abdul Gaffar as Manager for Mashreq Gold.

Launched in March 2010, Mashreq Al Islami was established with the aim of offering a full suite of Shariah compliant products and services to both retail and corporate customers. Mashreq Al Islami will also provide Islamic Advisory Services, Structuring Finance Solutions, Sukuk Advisory, Islamic Investment Products, and Islamic Treasury Products etc.

In her capacity as Manager for Mashreq Gold in Mashreq Al Islami, Yusra will be responsible for the development and expansion Mashreq Al Islami's affluent business offering across the UAE. This includes overseeing the development of customer experience in Mashreq Al Islam for the affluent segment, in addition leading a team of relationship managers to cater to high-net worth customer requirements.

Islamic banking is an extremely important component of the banking sector and the Middle East is home to a host of high net worth individuals, who require complete Islamic banking solutions. The appointment of Yusra comes at a pivotal point in Mashreq's Islamic banking expansion and reinforces its focus on providing convenient banking solutions for this segment in the society.

Yusra brings with her a wealth of experience having previously worked with several top tier local banks. Mashreq is confident that her credentials make her the perfect candidate to lead Mashreq Gold, the Priority Banking Services in Mashreq Al Islami. Yusra's appointment exemplifies the achievements of many up and coming Emirati women and the management looks forward to welcoming her on the Mashreq Al Islami team.

With over seven years of rich experience in the banking and finance industry, Yusra arrives with a solid understanding of how to cater to the needs and requirements of affluent clientele. Prior to joining Mashreq Al Islami, Yusra was in the capacity of Mashreq's Branch Manager – Jumeirah between 2007 & 2009. Previous to that she worked with the Commercial Bank of Dubai between 2004 & 2006 as Head of the Ladies Banking division, where she was responsible for sustaining and developing high profile customers and as Trading Manager.

http://www.albawaba.com/en/countries/UAE/313594

Dubai Islamic Bank expects to achieve 45% Emiratiation by end of 2010
Tuesday, March 30, 2010

In a move to support its 2010 expansion strategy to further strengthen its presence, Dubai Islamic Bank (DIB) announced today that it is aiming to achieve 45% Emiratisation by December 2010. The announcement was made at the 10th Annual Dubai Career Fair, held between March 28-30, 2010 at the Dubai International Convention and Exhibition Centre in Dubai.

DIB also participated at the recent Sharjah National Career Exhibition, where it received a staggering 1270 applications from UAE nationals eager to embark on a career at the Bank. As a response, the bank organized a two-day recruitment drive, having narrowed down the applicants to 70 talented individuals.

With its recent participation at the University of Dubai's first career fair, together with the exhibition in Sharjah and the recently concluded Annual Dubai Career Fair, DIB expects to receive 500 CVs daily, which will further assist with its ambitious Emiratisation target. The bank has already achieved 100% Emiratisation at branch managers level and 98% Emiratisation at its Jawhara (ladies only banking) branches, with an impressive 41% Emiratisation across its operations.

"At DIB, Emiratisation is an integral part of our expansion strategy, and has always been a serious commitment since its inception," said Obaid Al Shamsi, Head of Human Resources at Dubai Islamic Bank.

"DIB believes in proactively contributing towards the social and economic development of UAE society and Nationals in particular. As such, we are actively participating in career drives that will encourage talented candidates to pursue a fruitful, long-term career at the bank. We have already achieved 41% Emiratisation and we aim to reach higher by achieving 45% by the end of the year."

He added: "We seek to recruit the most qualified, skilled, competent and competitive UAE nationals that meet the job description and bank requirements, which will be able to lead the industry and be part of Dubai Islamic Bank's vision," he added. "At DIB, we firmly believe in investing in our staff, and we offer them an enriching experience tailored to their individual needs that further encourages them to pursue a long-term career at the bank."

In accordance to its 2010 Emiratisation strategy, DIB has strongly contributed towards the economy buoyancy of the UAE by investing in and financing key projects and businesses that have created greater opportunities for UAE Nationals.

The bank has also established mentoring systems to guide the national employees in their career, offering them various opportunities for learning and self-development. Training programs such as Qiyadee, that equips participants with the skills to adopt middle management positions as well as student sponsorship programs that identify talented youths and groom them for key positions in the organization, and more.

Gulf Base

http://www.gulfbase.com/site/interface/NewsArchiveDetails.aspx?n=131148

Kuwait Finance Malaysia to trim bad loans

Thursday, April 01, 2010
SEPANG, Malaysia: The Malaysian unit of Kuwait Finance House, the Gulf state's top Islamic lender, will cut its bad loans to the industry average within 5 years as it finances stronger names, its chief said on Thursday.

The Malaysian bank, which is running an audit on some of its previous contracts, had a non-performing financing level of 6.73 percent in September, said newly appointed CEO Jamelah Jamaluddin.

This is more than three times the industry average of 2.1 percent, according to central bank data.

"We have a 5-year plan ... to bring us in line with the industry," Jamelah told reporters.

"We're making all efforts to improve our asset quality and bring down the NPF. We are vigorously going to concentrate on recovery. That is one of the main thrusts for 2010."

Net non-performing loans in the Malaysian banking system, based on a 3-month classification, stood at 1.9 percent in February.

Kuwait Finance Malaysia was the first foreign Islamic bank to win a license under the Southeast Asian country's Islamic Banking Act. It is the Kuwait bank's Asia-Pacific hub and aims to promote business between the region and the Middle East.

The subsidiary of Kuwait Finance House (KFIN.KW) has said it is auditing some past transactions, with some staff on leave as part of that exercise. It did not give details of the contracts.

The audit was intended "to reinforce financial discipline and accountability" and provide "an accurate picture of certain transactions and contractual arrangements that have been undertaken over the years", Jamelah has said.

The exercise could be extended beyond its original 6-week deadline, she said on Thursday, adding the unlisted bank was not obliged to announce the results.

Malaysian rating agency RAM Ratings had put Kuwait Finance House Malaysia's AA2/P1 financial institution rating on negative rating watch following the audit.

Jamelah said the bank would grow its financing by up to a tenth this year compared with about 8 percent last year.

Kuwait Finance Malaysia Chairman Shaheen AlGhanem said the bank would spend 6 billion Ringgit ($1.84 billion) over 15 years to develop the Iskandar project in southern Johor state, a government-led effort to transform Malaysia into banking, tourism and education hub.

The bank's parent posted a 24 percent drop in net profit in 2009 to 118.74 million Dinars.

Islamic banks largely dodged the effects of the recent global credit crisis due to the religion's ban on excessive speculation and requirement that transactions must be based on real assets.

But limited Islamic investing options led many Shariah banks, especially in the Middle East, to rely heavily on real estate and they were hard hit when the market slumped. ($1=3.259 Malaysian Ringgit)

http://www.reuters.com/article/idUSSGE63001G20100401

SUKUK (ISLAMIC BONDS)

Nakheel repayment to avoid complexities

Sunday, March 28, 2010
Dubai offered to repay in full, two Islamic bonds issued by property unit Nakheel, to avoid "potential complexities," Dubai's finance chief was quoted as saying on Friday. Abdulrahman al Saleh, director general of the Dubai finance department, said the debt plan did not give preference to holders of the Islamic bond, or Sukuk, over the rest of state-owned conglomerate Dubai World's creditors.

"If we suppose that all (creditors) are going to get their rights, we cannot talk about preferring any of the parties," Arabic daily Al Khaleej quoted Saleh.

"But the nature of Sukuk, as securities, has potential complexities, for which we saw that it is better to pay them when due."

In a surprise move, Dubai said on Thursday it will pay off the Nakheel 2010 and 2011 bonds, or Sukuk, when they come due, if creditors agree its broader proposal to restructure USD 26 billion in debt linked to Dubai World.

The Conglomerate bank creditors were offered new debt covering the USD 14.2 billion they are owed but repaid in five to eight years.

"For the Nakheel Sukukholders, it sounds great," said a banker at a Gulf-based creditor bank. "For everyone else, we'll have to see who gets paid what and when."
The announcement sent the bonds - a Dirham-denominated issue due May 2010 and a dollar-denominated Sukuk bond due Jan 2011 - soaring.

In December, Dubai paid off another Nakheel Sukuk on the day it was due after Abu Dhabi stepped in with a last-minute lifeline to prevent a bondholder revolt.

News Centre, www.moneycontrol.com (India’s No. 1 Financial Portal)
http://www.moneycontrol.com/news/world-news/nakheel-repayment-to-avoid-complexities_448840.html

---

Nakheel seen offering Sukuk to trade creditors

Sunday, March 28, 2010
Nakheel trade creditors will be offered a large-scale Islamic bond, or Sukuk, as part of a debt restructuring plan, a source close to parent firm Dubai World said on Sunday, potentially boosting the Region Sukuk market.

The Dubai government pleasantly surprised the market on Thursday when it offered to pay off Nakheel's NAKHD.UL upcoming Islamic bonds as part of a wider deal with Dubai World creditors, and offer trade creditors repayment through cash and a publicly tradable security.

That saved the real estate heavyweight from becoming the third high-profile Sukuk borrower to formally default in the region, providing relief that could translate into more liquidity down the road.

"A large Sukuk issuance will be a positive for the industry, but with Nakheel it's more an issue of putting this behind us," said a Gulf-based banker, declining to be identified.

"It's important to see a big Sukuk, but for the Islamic finance industry from a psychological point of view avoiding another default is even more important."

Nakheel didn't elaborate on the form of security that would be offered, but is expected to make a separate statement regarding the deal soon.

The source close to Dubai World told Reuters that a Sukuk was planned as it could reach a universe of investors from both conventional and Islamic financial institutions.

The size of the bond will depend on the total amount owed to creditors but it is too early to estimate given the difficulty the company and creditors are having in valuing Nakheel assets, he said.

Discussions between Nakheel and its creditors will likely continue into April and possibly May, making it unlikely to see an issuance before June, the source said.

Trade creditors comprise Nakheel suppliers of goods and services who were not paid immediately, but agreed to the company paying its bills according to various grace periods.

A spokesman for Dubai World DBWLD.UL declined to comment.

"The Sukuk is proposed at this time, but other security structures are being considered as we want to ensure that the instrument is as liquid as possible for trade creditors," a spokeswoman for the Dubai government said on Friday.

The Nakheel restructuring plan fell under Dubai World's larger proposal to creditors to pay off about $26 billion in debt. Dubai World rocked global markets last November when it said it was unable to meet is obligations.

A $10 billion bailout in December from oil-rich neighbor Abu Dhabi prevented Nakheel from defaulting on a $4.1 billion Sukuk.

While it was widely expected that Abu Dhabi would step in once again, the government of Dubai was Nakheel savior last week, ahead of its May 13 Sukuk payment of $980 million. Under the terms of the restructuring proposal, Nakheel will now be wholly owned by the Dubai government.

A Nakheel default would have served as another black eye for the Islamic finance industry, which experts said was already unfairly blamed for Dubai World's credit woes.

http://www.reuters.com/article/idUSTRE62R0SA20100328

RAM forecasts RM60b Sukuk issuances

Monday, March 29, 2010

Malaysia: Some RM60 billion of new issuances are expected for Malaysia's bond and Sukuk markets this year, which is about a quarter more than last year.

Government-related infrastructure projects and bank's capital-raising exercises are projected to form the bulk of the domestic debt capital market's activity this year, according to RAM Rating Services Bhd.

RAM Islamic ratings head Zakariya Othman said that conducive fund-raising environment and a positive economic outlook will also encourage corporations to seek additional funding to fuel their growth.

"About 60 per cent of debt papers in Malaysia is Sukuk, so we can anticipate between RM33 billion and RM36 billion of Sukuk issuance this year," he said in an interview in Kuala Lumpur recently.

He said more Sukuks than bonds are issued because of the government incentives and legal certainties provided by the Central Banking Act 2009.

Malaysia will continue to lead the global Sukuk issuance this year.

Among factors that will drive local Sukuk issuance include public spending, rising popularity of Islamic financial products, greater government support for Islamic finance and issuers' need to raise fund.

"We foresee a steady growth in the broader market in Southeast Asia over the next couple of years," he said.

Globally, Zakariya said the outlook for the Sukuk market remains positive.

According to Zawya Sukuk Monitor (December 2009), some US$31 billion (US$1 = RM3.31) Sukuk issuances have been announced, with another US$31 billion in the pipeline.

He said the global Sukuk market has been growing significantly over the years, except for a plunge in 2008 to US$15.8 billion from US$46.65 billion in the previous year.

Sukuk issuance rose by half between 2004 and 2005, and then jumped 153 per cent in 2006 and 79 per cent in the following year.

Last year saw a revival of Sukuk issuance globally, mainly originating from sovereign and quasi-sovereign entities.

Malaysian Sukuk volume last year reached RM116.2 billion, about 6 per cent rise from 2008.

Zakariya said this was driven by new issuances from sovereigns and corporations, fully or largely owned by governments. They accounted over two thirds of last year's total issuance.

Besides sovereign papers, other issuances of Sukuk were mainly in three sectors, namely infrastructure and utilities (RM23 billion or 55.4 per cent); diversified holdings (RM10 billion, 24.1 per cent); and trading and services (RM4.99 billion, 12 per cent).

Other sectors include consumer products, telecommunications and plantation.

Zakariya said last year, Bursa Malaysia topped the world's exchanges in terms of value of Sukuk programme listings, recording a total of US$17.6 billion.

"Since its inaugural Sukuk listing in August 2009, it had listed 12 Sukuk by December 2009," he said.

The first Sukuk listing on Bursa Malaysia was the inaugural US dollar listing by Petroliam Nasional Bhd (Petronas) Sukuk Ijarah and the Ringgit listing by Cagamas MBS Bhd.

In November, GE Capital Sukuk Ltd issued its first foreign Sukuk of US$500 million on Bursa Malaysia, while the following month saw the listing of CIMB Islamic Bank's RM2 billion subordinated Sukuk programme, while Khazanah Malaysia listed its US$14 billion Sukuk programme.

AMONG THE BIGGEST RINGGIT-DENOMINATED SUKUK ISSUED IN 2009				
Issue date 2009	Issuer	Facility amount (RM billion)	Tenure (years)	Rating
Mar 16	Penerbangan Malaysia Bhd	2.2	15	Unrated
Apr 22	Putrajaya Holdings Sdn Bhd	1.5	24	'AAA'
Apr 24	Danga Capital Bhd	10.0	25	'AAA'
May 27	Seafield Capital Bhd	1.5	20	'AA'
May 29	1Malaysia Development Bhd	5.0	30	Unrated
Sept 25	CIMB Islamic Bank Bhd	2.0	20	'AA'
Sept 28	Syarikat Prasarana Negara Bhd	4.0	20	Unrated
Nov 5	Pengurusan Air SPV Bhd	20.0	14	'AAA'
Nov 16	Sime Darby Bhd	4.5	20	'AAA' & MARC-1
Dec 1	Pengurusan Air SPV Bhd	20.0	7	P1

Source: RAM Ratings Services Bhd

http://www.btimes.com.my/Current_News/BTIMES/articles/26SUKUK/Article/

Tabreed announced EGM for multi-billion dirham bonds vote

Tuesday, March 30, 2010
ABU DHABI: The National Central Cooling Company, or Tabreed, will hold an extraordinary general meeting next month to vote on plans to restructure two Islamic bonds and possibly issue new debt, as it reels from a difficult year.

Tabreed announced a surprise Dh1.12 billion (US$304.9m) loss for 2009, after the slowing property sector hit its cooling plant business.

Mubadala Development, the strategic investment arm of the Abu Dhabi Government and the Company largest shareholder, lent it Dh1.3bn earlier this year as Tabreed undergoes a revamp.

At a meeting on April 21, Tabreed shareholders will vote on whether to give the board of directors the authority to raise as much as Dh4.2bn in bonds or Sukuk, according to a disclosure to the markets yesterday. They will vote on allowing the board to restructure a $200m Sukuk due in 2011 and a Dh1.7bn Sukuk also due in 2011.

"No decisions have been made regarding any debt restructuring or pending Sukuk payments," Tabreed said in a statement. "However, we do acknowledge that the short-term maturity pressure is likely to be an impediment to raising new equity."

The shareholders will also vote on whether to continue the company, as per the UAE Commercial Companies Law, which requires an extraordinary general meeting to consider liquidation if a company's losses amount to half or more of the capital. Dissolution of Tabreed would be unlikely, with the Government holding the majority of the company through direct and indirect investments.

“Mubadala has every confidence in the Tabreed Board and management team following their strategic review of the business, which identified the need for a recapitalisation programme in order to secure its long-term future,” Mubadala said in a statement yesterday. “Mubadala is a minority shareholder in Tabreed and, in common with other investors; we are committed to realize the long-term benefits of our investment. We look forward to seeing how that may be achieved.”

http://www.thenational.ae/apps/pbcs.dll/article?AID=/20100330/BUSINESS/703309976/1005

Indonesia sells 620 bln Rph Sukuk, below target

Tuesday, March 30, 2010
JAKARTA: Indonesia finance ministry raised 620 billion Rupiah ($68.24 million) in a Sukuk auction on Tuesday, well below target, as investors demanded high yields to compensate for a lack of trading liquidity in the paper.

An Islamic debt analyst said the fact the auction raised less than the target amount did not reflect changes in interest rate expectations but was due to the government's unwillingness to pay higher yields, particularly given its strong cash position.

"The finance ministry does not seem to be too aggressive in the auction as it has already raised a significant amount so far in the first quarter," said Imam MS, an analyst on Islamic debt market at brokerage Trimegah.

"I don't see it as indicating changes in interest rate outlook," he said.

The finance ministry has raised almost its entire target for the first quarter of about 38 trillion Rupiah in debt sales.

The ministry had expected to raise 1 trillion Rupiah from the auction of Sukuk or Islamic debt, proceeds of which would be used to finance the state budget deficit.

Trading in the domestic Islamic debt market is less liquid than in the conventional debt market, as outstanding Islamic debt in the world's most populous Muslim country was small.

Indonesian local bond yields slipped on Tuesday to match last week's lows hit on hopes that inflation data later this week will show price pressures are well contained, lessening the chances of a rate hike this year.

The statistics bureau is due to release March inflation data on Thursday. The central bank, Bank Indonesia, is expected to keep its key rate <BIPG> at a record low of 6.5 percent in April.

http://news.alibaba.com/article/detail/markets/100270111-1-update-1-indonesia-sells-620-bln.html

---

Circular debt: Pakistan Government to float Rs100bn Sukuk bonds in May

Wednesday, 31 Mar, 2010
ISLAMABAD: The finance ministry has finalized plans to issue Rs100 billion Sukuk bonds before the end of current fiscal year to retire the circular debt that has been a major concern for the power generation companies, oil suppliers, refineries and exploration companies.

Circular debt has again reached to Rs150bn mainly due to limited collections by the eight electricity distribution companies and the Govt. wants to raise money from Islamic banks to settle the circular debt of power sector once for all.

"The Rs100 billion denominated Sukuk bounds will be floated in May this year and the target investors are religious-minded people with cash in hand," said a senior official of the finance ministry.

Initially the finance ministry proposed to float Islamic papers with one year maturity period, but the State bank objected saying the central bank had already floated one year Treasury Bills.

"The ministry is now considering other options for the non-interest based bond to be launched on the pattern of Pakistan Investment Bonds (PIBs), the official said. The cut-off yield on the proposed Sukuk bonds would be around 12.7 per cent as is on the PIBs.

"The Government of Pakistan will be the sovereign guarantor of the Sukuk bond issue," the official said and added that the government needed additional liquidity to check further increase in the circular debt. The circular debt has again reached to Rs150 billion mainly due to limited collections by the eight electricity distribution companies.

The official said that the Sukuk bond was expected to be heavily oversubscribed due to availability of liquidity in the Islamic banking system.

"As the Islamic banks have limited options to invest in Shariah-compliant modes, these bonds would offer an attraction to them," he added.

It is estimated that around Rs50 billion are available with the Islamic banks, but their lending ratio is low compared to the deposit ratio.

PIBs and Sukuk bond are permanent debt and this time the government wants to raise money from Islamic banks to settle the circular debt of power sector once for all. Under the IMF conditionality which requires zero borrowing from the State Bank, the government is now heavily borrowing from commercial banks.

The government had shifted Rs85 billion circular debts to the Power Holding Company through issuance of Term Finance Certificates (TFCs) last year, which were bought by the commercial banks.

http://www.dawn.com/wps/wcm/connect/dawn-content-library/dawn/the newspaper/business/13+circular-debt-govt-to-float-rs100bn-Sukuk-bonds-in-may-130-za-04

Sukuk bond plan to clear circular debt boosts KSE 105 points

Friday, April 02, 2010

KARACHI: The Karachi stock market witnessed a bullish trading session on Wednesday as the Ministry of Finance's plan of Rs. 100 billion Sukuk bonds to clear the circular debt issue once and for all boosted investors' confidence.

Analysts said continued foreign interest in oil and gas and fertilizer sectors followed by local institutions interest was also another motive for the positive trend.

The Karachi Stock Exchange (KSE) 100-share index gained 104.66 points or 1.04 percent to close at 10,178.43 points as compared to the previous session's 10,073.77 points. The KSE 30-share index closed at 10,425.35 points with a gain of 118.70 points. The KMI 30 closed at 15,429.59 points with a rise of 103.36 points.

Analysts said that the market opened in the negative zone but expectations of early resolution of circular debt issue provided the needed support to the market during later part of the session. The market turnover went up by 35.49 percent and traded 199.30 million shares as compared to the previous session's 147.09 million shares. The overall market capitalization was up by 1.01 percent and traded Rs. 2.890 trillion as against Rs. 2.861 trillion of previous session. Out of total 429 companies, 198 closed in the positive zone, 206 in negative and 25 remained unchanged.

"Some profit-taking was witnessed later in the session; mainly due to uncertainty on the political front," said TopLine Sec analyst Farhan Seth.

"Furthermore blue chips like OGDC, ENGRO, NBP etc remained active." "Last trading session of the quarter added substantial value to the benchmark, although the blue chips contributed substantial numbers, due to high interest shown by offshore participants, the quarter-end found garnishing of triple digit gains," said Aziz Fida Husein and Co analyst Husnein Asghar Ali. "Various blue chips due to their adjusted values invited renewed buying interest."

Since the technical indicators were already identifying stocks as 'Short', renewed buying triggered Short Covering having a tremendous impact on the index values and sentiments. The KSE 100-share index opened in the red zone with a loss of 1.78 points and at the end of the day closed at 10,178.43 points with a gain of 104.66 points.

PTCL was the volume leader with 24.45 million shares as it closed at Rs 21.01 after opening at Rs 20.72, gaining 29 Paisas. Jah Siddi and Co traded 16.63 million shares as it closed at Rs 21.67 from its opening at Rs 21.47, rising 20 Paisas. Azgard Nine traded 12.74 million shares as it closed at Rs 13.94 as compared to its opening at Rs 13.72, surging 12 Paisas. OGDC traded 11.61 million shares as it closed at Rs 129.86 as against its opening at Rs 127.35, increasing Rs 2.51.

http://www.dailytimes.com.pk/default.asp?page=2010\04\01\story_1-4-2010_pg5_20

TAKAFUL (ISLAMIC INSURANCE)

T'azur Islamic Insurance Company partners with NAS Administration Services

Monday, March 29 – 2010
Bahrain: T'azur Company b.s.c. (c) (T'azur), a Takaful (Islamic Insurance) company, founded by Unicorn Investment Bank, and NAS Administration Services LLC have announced that they will work together to provide best quality Medical Insurance service to T'azur's clients.

This collaboration was made public at a recent luncheon held for Bahrain Healthcare Providers. Under the agreement, NAS will provide medical claims administration services to the benefit of T'azur Group Medical clients. At the event, NAS showcased its highly sophisticated web-based administration tools, which enable Healthcare providers to track claims and reimbursements in real time.

Nick Frei, CEO of T'azur, welcomed the many representatives from leading Bahraini Healthcare institutions, and emphasized that the association with NAS is aimed at ensuring that T'azur Group Medical offering is both high quality and very attractive.

"NAS are a specialist company focusing solely on medical administration. With over 700,000 clients in the Middle East, NAS is hugely experienced and enjoy economies of scale, which is the key to efficient and effective administration. We are pleased to offer this capability to T'azur's Bahraini insurance clients and Healthcare providers."

Joe Boulos, CEO of NAS Administration Services added "We are very excited to partner with a leading insurance company such as T'azur. Our approach and philosophy is very similar, and jointly we will be able meet and exceed our clients' expectations".

http://www.ameinfo.com/228147.html

Takaful Malaysia wants Indonesian partner

Islamic insurer aims for 10% growth in assets under management

Tuesday, March 30, 2010

SUBANG JAYA: Syarikat Takaful Malaysia Bhd (Takaful Malaysia) is looking to tie up with a bank in Indonesia to distribute its insurance products and grow its business there.

Takaful Malaysia group managing director Datuk Mohamed Hassan Kamil said the company has been in Indonesia for more than 10 years but the lack of a proper distribution mechanism for its products has been a handicap.

“Bancasurance was probably the most efficient and cost effective way of distributing our products to the bank branches. I can’t disclose the name of the bank yet but we hope it will come through later this year,” he told a press conference after the announcement of a tie-up between Takaful Malaysia and DiGi Telecommunications Sdn Bhd yesterday.

On the domestic front, he said the insurer was aiming to grow its total assets under management by about 10% this year from the RM4.37bil last year.

The company holds about 40% of the Takaful asset base worth RM12bil in Malaysia currently and it aims to achieve 50% market share in two to three years by introducing new products and new agency initiatives.

On its partnership with DiGi, Hassan said Takaful Malaysia has joined forces with DiGi in order to provide its agents with mobile solutions for greater efficiency.

Bundled mobile voice and broadband solutions are provided to staff, distributors and business partners in an effort to create better cost and business efficiency.

He added that the company could save up to 45% of its telecommunications costs annually with the services provided by DiGi.

The insurer also aims to recruit at least 2,000 new agents now that Takaful Malaysia has provided the DiGi solutions for its staff.

“Customers today are very demanding and they want everything to be fast. In order to compete, we need to have the mobility for data transformation to make us as a preferred choice in the industry,” Hassan said.

DiGi chief executive officer Johan Dennelind said the company plans to conduct more partnerships with corporations in order to grow its corporate business segment, especially larger corporations as it was already the leader in the small and medium enterprises segment.

http://thestar.com.my/news/story.asp?file=/2010/3/18/business/5883375&sec=business

Friends Provident may offer Shariah compliant products

Tuesday, March 30, 2010
Friends Provident International, the global arm of one of the UK biggest life insurers, is looking to offer Islamic insurance services in the Gulf to expand its regional presence.

The company already offers conventional insurance products and services throughout the UAE from its headquarters in Dubai, but wants to open more offices in the GCC.

"We have taken the decision that we don't just want to cosmetically put a Takaful brand over what we do," said Matthew Waterfield, the general manager for the Middle East and Africa of the company. He said Friends Provident would study the insurance needs of the Islamic community next year.

Takaful is an Islamic insurance concept. The investment bank Alpen Capital expects the Takaful industry to grow by 16.1 per cent a year over the next two years.

Friends Provident also hopes to take advantage of business opportunities as companies in the region look to develop gratuity schemes for employees and demand grows for life insurance.

"The big issue here is to get through to companies, particularly local companies, the importance of putting money away for the end of service liability," said Trevor Matthews, the chief executive of the company.

As a form of pension scheme, companies in the UAE and elsewhere in the GCC are legally required to pay out a lump sum when an employee leaves their company, based on their number of years of service. In the UAE, this equates to about 21 days salary for the first five years, rising to 30 days' salary after that. But no legislation exists to control how companies should set aside the money for payouts.

"A lot of companies are paying the gratuity from cash flows and others might have it on the balance sheet, which is exactly the wrong place for it to be as if something goes wrong with the company, you've lost your end of service gratuity," said Mr Matthews.

Friends Provident is experiencing increasing demand, led by international companies with operations in the Emirates, for savings and investment vehicles to protect gratuity money. At the same time, employees are becoming increasingly aware of their rights to the service in the absence of a more substantial corporate pension scheme, Mr Matthews said.

Friends Provident registered £40 million (Dh220m) of new business in the UAE last year, matching the previous year. It also sees opportunities to sell more life insurance products to companies and individuals.

Life insurance forms just 1 per cent of GDP in the UAE, compared with 9 per cent or higher in developed markets such as the UK and US.

Life insurance involves an insurer paying out a designated sum of money to a beneficiary in the event of a serious illness or death of the insured individual.

"During the boom years everyone in the UAE thought they were invincible; that they were going to earn forever, live forever," said Mr Waterfield. "In the last 18 months we have become more vulnerable, everyone has been looking at job security and there's been more focus on their own life insurance."

Since November, however, the company saw demand shift back towards its savings products as interest returned to building wealth again, he said.

A slowdown in the domestic insurance market in the UK and global growth meant the company's overseas business last year accounted for more than 50 per cent of total business for the first time.

In November, it was taken over by Resolution, the UK buyout company. Resolution is seeking to consolidate three or four UK life insurers before selling them by 2012. "The UK market is going to go through a period of consolidation," said Mr Matthews. "There are a few too many players in the UK market and the terms for shareholders are not good enough."

http://www.zawya.com/Story.cfm/sidZAWYA20100330043140/Friends%20Provident%20may%20offer%20Shariah%20compliant%20products

---

Adnif to launch credit card, Takaful this year

Tuesday, March 30, 2010
Million was the profit recorded by Abu Dhabi National Islamic Finance in 2009 compared to Dh27m in the previous year. (EB FILE)

Abu Dhabi National Islamic Finance (Adnif), a subsidiary of the National Bank of Abu Dhabi, plans to open four new branches and launch its Takaful and credit card during the year.

Adnif has achieved impressive growth in 2009 against the previous year. Speaking to Emirates Business, Aref Al Khouri, General Manager, Adnif said 2009 was a growth year despite the global economic meltdown during which most other financial institutions struggled.

When asked about last year's performance, Al Khouri said Adnif had good growth in 2008 and 2009 with net profits, assets and revenues rising. "In 2008, we had net profit of Dh27 million and in 2009, it was around Dh60m. Our assets in 2009 amounted to around Dh4.5 billion."

Al Khouri's forecast for 2010 was also optimistic. Referring to the projected growth percentage by the end of this year, Al Khouri said he hoped to see the good run of 2009 continue this year. "We are into our third year and the journey has been encouraging so far," said Al Khouri.

"Hopefully, we will do as well this year as we did last year." Adnif, being the Islamic banking arm of Abu Dhabi's largest bank, has good [growth] potential within the UAE, he said.

"People in general are not conservative in the market, but they have to watch what is happening due to new trends. In the banking sector, in general, we have a plan for growth this year," he said.

"We will be launching our new product, our credit card, by the end of this month. It is a unique credit card called Ujra. We will shortly also introduce our own Takaful, the Islamic insurance policy and product. We have the potential and there is demand for Islamic banking within the UAE market," Al Khouri added.

Commenting on expansion plans, he said the bank will be opening more branches. By the end of this year, four branches will be operational throughout the country. "We will open a new branch in Al Ain in April. We have already submitted a request to the UAE Central Bank for permission to open another branch in Dubai and a fourth branch in Sharjah."

About increasing lending this year, he said: "In banking, you cannot stop things that are core to the business. We look for good opportunities and good businesses to enter [into]."

http://www.business24-7.ae/banking-finance/finance/adnif-to-launch-credit-card-Takaful-this-year-2010-03-25-1.72805

Tabung Haji Has No Plans to Change Investment Process

Monday, March 29 – 2010
KUALA LUMPUR: Lembaga Tabung Haji has no plans to change its investment process since it has helped the fund maintain its performance. Group Managing Director and Chief Executive Officer Datuk Ismee Ismail said this in response to claims that Tabung Haji's recent investments were quite risky.

Speaking to reporters after the signing of an agreement between Tabung Haji and AmanahRaya Bhd on property investment cooperation here today, he said that to decide on a particular investment, the proposal had to go through a complex but transparent process. "I think it is a good structure. It involves independent committees -- an investment panel and a board of directors' panel. At present, there is no need to change the process," he said.

He said an investment would only be approved in the board meeting after it had gone through the panels.

"Most importantly, the process to make the investment has to be correct. If there is anything happen after that, it is beyond our control.

"Market conditions, the atmosphere in particular sectors of the economy, differ from the time we made the investment. So most importantly is how we will monitor the investment," Ismee said.

If there were problems, he said, the Tabung Haji management would study how it could recover the investment or improve the situation.

"For Tabung Haji, it must first be able to retain the value of depositors' money. It means, if a depositor keeps RM1 he should be able to get RM1 back," he said.

He also said Tabung Haji had performed quite well for an Islamic business institution. "We have recorded net profits after tithe over RM1 billion three years in a row," he said.

Ismee said that for this year, the fund would try to maintain its performance as the country's economy was improving.

"So far, the investment that gives the most returns is equity so we will continue with the same strategy but will focus more on shares that give dividends like blue chips and fundamental shares," he said.

BERNAMA
http://www.bernama.com/bernama/v5/newsbusiness.php?id=486328

Lembaga Tabung Haji to Invest More in Real Estate in Mecca, Madinah

Monday, March 29 – 2010

KUALA LUMPUR: Lembaga Tabung Haji expects to invest more in real estate in Mecca and Madinah in the next one to two years in its move to keep the cost of Hajj performance at affordable rates.

Its Group Managing Director and Chief Executive Officer, Datuk Ismee Ismail, said the group has been seriously looking at investment opportunities there since 2008.

"We are actively looking for investment opportunities especially in Mecca. There have been many proposals but we need to check the pricing, distance from the mosque to the hotel and other needs," he told reporters.

Ismee was responding to a question on why the cost of performing Hajj was still increasing despite the various investment strategies by the group.

In terms of Hajj, the flight ticket and accommodation are the two major costs involved, he said.

"If we look at accommodation in Mecca right now, many buildings have been torn down to make way for new buildings. So currently, there is a shortage of accommodation during the Hajj period," Ismee said.

Besides this, Lembaga Tabung Haji is also negotiating with house owners in the city not to increase drastically the cost of accommodation.

The group has so far invested RM600 million on two buildings in Mecca and Madinah for the accommodation of pilgrims.

"We have leased one building which is Hajar Tower in Mecca where we have taken five floors with 220 rooms. They are expected to be ready either next month or by latest this Ramadan (September)," he said.

The cost of performing Hajj for a person last year was RM9, 980 compared with RM8, 973 in 2008, the same that it had cost from 2002.

Ismee said from a fund size of RM24 billion, the group has allocated 20 per cent for real estate investment, 40 per cent in listed equities and the rest in fixed income and others.

The real estate investment which now returns a contribution of 12 per cent to group revenue, is expected to increase its contribution to 20 per cent through investments made within and out of the country in the next five years, he said.

Earlier, Tabung Haji signed an investment deal which will see the group and AmanahRaya investing RM40 million each initially for a new joint venture, Abraj Sdn Bhd.

Tabung Haji and AmanahRaya each will hold 50 per cent equity in the company.

Ismee said their first project will involve investment in real estate comprising three office buildings valued at RM270 million in Cyberjaya with a total area of 450,000 sq ft.

"Abraj's first project has the potential of seeing fixed recurring returns through the collection of rent from government agencies currently renting in the buildings," he said.

The joint venture is expected to record a return on investment of seven to 7.5 per cent annually.

BERNAMA

http://www.bernama.com/bernama/v5/newsbusiness.php?id=486311

KFH Group Positive about Investment Outlook in Malaysia

Monday, March 29 – 2010

KUALA LUMPUR: Kuwait Finance House (KFH) Group, which remains positive about investment outlook in Malaysia, recently met with Prime Minister Datuk Seri Najib Tun Razak to discuss plans to further boost its investments in Malaysia.

The discussion, held on March 25, revolved around KFH's exploratory plans to spearhead the establishment of a world-renowned university in Medini Iskandar in the Iskandar Development Region (IDR), it said in a statement here Monday.

KFH said this was part of the group's vision to have a world-class educational institution in Medini Iskandar, adopting the "University of the Future" concept.

The high-powered delegation, led by its chief executive officer, Mohammed Sulaiman Al Omar, had a day earlier met with Deputy Prime Minister Tan Sri Muhyiddin Yassin to discuss plans to boost investments in educational and world-class research and development initiatives in the IDR.

In 2008, Kuwait Finance House (M) Bhd (KFHMB) led a consortium to invest about US$329 million (US$1=RM3.29) in Medini Iskandar via Medini Central Sdn Bhd and remained positive in its outlook on the investment in the IDR.

The investment, which will span over 15-20 years, has a gross development value (GDV) estimated at US$6 billion.

"The KFH Group is committed towards playing a vital role in the development of real estate projects in Asia-Pacific, and the introduction of innovative Islamic financial products," Mohammed Sulaiman said.

Meanwhile, KFH is also excited and keen on the New Economic Model to be unveiled by the prime minister as the group has always been at the forefront of providing innovative Syariah-based financial solutions for businesses as well as investments.

In 2005, it established KFHMB, the first foreign Islamic bank licensed in Malaysia.

As the second largest Islamic bank in the world, with the Kuwait government holding a significant stake, he reiterated the solid support of KFH Group in KFHMB and its operations in Malaysia.

"KFH reaffirms its commitment to the business strategy of fully taking advantage of the enormous opportunities in Malaysia, and becoming a full partner in Malaysia's economic growth story," he said.

Chairman of KFHMB, Shaheen Al Ghanem, reiterated KFHMB bullishness in its outlook for Malaysia, and highlighted the bank's intention to capitalize on the enormous potential and available business opportunities here.

KFHMB has a capitalization of about US$650 million, which makes it the largest Islamic bank in Malaysia in terms of capital.

BERNAMA

http://www.bernama.com/bernama/v5/newsbusiness.php?id=486156

Franklin Templeton gets Syariah fund license

Tuesday, March 30, 2010

Malaysia: Franklin Templeton has received an Islamic fund management license from Malaysia’s capital market regulator, the central bank’s Islamic finance promotional arm said.

Sandeep Singh is the executive director of Franklin Templeton (Global Shariah Compliant) Asset Management, Malaysia International Islamic Financial Centre said in its newsletter.

As of March 1, Malaysia has awarded 12 Islamic fund management licenses, it said.

Business Times

http://www.btimes.com.my/Current_News/BTIMES/articles/20100330103206/Article/index_html

---

MAAKL Mutual Declares Gross Distributions for Two Funds

Wednesday, March 31, 2010

KUALA LUMPUR: MAAKL Mutual Bhd declared today, gross distributions of 2.0 Sen per unit for the MAAKL Eagle Fund and 1.50 Sen for MAAKL-CM Flexi Fund, for the financial year ending March 31, 2010.

The distributions declared for both funds translate into a distribution yield of 8.68 per cent and 7.39 per cent respectively, MAAKL Mutual said in a statement.

Its Chief Executive Officer and Executive Director Wong Boon Choy said the two Funds were part of its innovative MAAKL Flexi Series of Funds which include two other funds, the MAAKL-CM Shariah Flexi Fund and MAAKL-HDBS Flexi Fund.

"A reason why the MAAKL Flexi Series of Funds is well received by investors is because, it offers them the choice of diversifying their investments into a series of funds, managed by different fund managers," he added.

The MAAKL Eagle Fund is managed by Meridian Asset Management, MAAKL-CM Flexi Fund and MAAKL-CM Shariah Flexi Fund by CIMB-Principal Asset Management while the MAAKL-HDBS Flexi Fund is under HwangDBS Investment Management.

In September 2008, MAAKL became a third party distributor of a total of 13 funds from HwangDBS Investment Management Bhd and OSK-UOB Unit Trust Management Bhd.

MAAKL offers a comprehensive choice of 37 funds for unit holders to diversify their investments.

BERNAMA

http://www.bernama.com/bernama/v5/newsbusiness.php?id=486828

MARC: No immediate rating implications for KFH

Saturday, April 03, 2010

THE Malaysian Rating Corp Bhd said it does not see any immediate rating implications for Kuwait Finance House (Malaysia) Bhd financial institution ratings of AA+/ MARC-1, even though the Islamic lender is undergoing a due diligence status audit.

The rating agency met KFH Malaysia's top officials recently, and received a clearer picture on the status and scope of its ongoing audit.

"We were informed that its parent Kuwait Finance House K.S.C, injected US$150 million into KFH Malaysia as additional capital in December last year. The foregoing provides assurance that there has been no weakening in the level of parent support to KFH Malaysia.

"We believe that this equity injection will place KFH Malaysia on a stronger footing to absorb any additional credit write downs or provisions that may be required," MARC said in a statement.

http://www.btimes.com.my/Current_News/BTIMES/articles/marc2/Article/

ISLAMIC FINANCE EVENTS; SEMINARS, WORKSHOPS & CONFERENCES

Muslims Probe Growing Islamic Financial Sector

Tuesday, March 30, 2010
TORONTO (RNS) Global leaders in Islamic finance are meeting in Toronto Tuesday and Wednesday (March 30-31) to probe the growing but still under-explored world of financial products and services that comply with Shariah, or Islamic law.

The Usury-Free Association of North America (UFANA) conference brings together more than 150 experts from a dozen countries to explore a wide range of services that abide by Islam's prohibition on interest.

Conference organizers say the potential of the global Islamic financial market is an estimated $500 billion.

Islamic scholars, lawyers and financial experts from the U.S., Canada, Britain and several Middle East countries are looking at Shariah-compliant stocks and investment products, banking, equity funds, mortgages, and credit. Canada's first Shariah-compliant credit card, the iFreedom Plus MasterCard, will be launched at the conference.

Though there have been great strides in Islamic banking and financial services, particularly in Britain, "supply is definitely not keeping up with demand" outside the Muslim world, says conference spokesman John Qubti. "A lot of Muslims keep their money under their mattress. They're just not investing."

Under Shariah, charging or paying interest ("Riba") is usury and considered "Haram," or forbidden. That means conventional savings accounts; credit cards and interest-bearing investments are off-limits for observant Muslims.

So are investments in any sector associated with gambling, alcohol, pork, tobacco, weapons or pornography, or one that assumes an unduly high level of risk. Financial speculation is also enjoined.

The Islamic financial model is based on risk sharing. For example, Islamic mortgages work by having the lender either buy the home or become an equity partner in its purchase. The homeowner then pays monthly "rent" along with principal payments based on fair but competitive rates. The arrangement is based on trade and profit, both permissible.

"Making money is not a sin in Islam," Qubti said.

Worldwide, both the Dow Jones Islamic Fund, launched in 2000, and the Dow Jones Islamic Market Index, begun in 1999, offers Shariah-compliant investments.

A recent report for Canada national housing agency said Islamic mortgages and other Shariah-compliant financial products would pose no problems with civil law.

Belief Net
http://blog.beliefnet.com/news/2010/03/muslims-probe-growing-islamic.php

---

'Islamic economics promises equality', Dr. Umer Chapra

Wednesday, March 31, 2010

ISLAMABAD: In connection with its Silver Jubilee Celebrations, The International Islamic University Islamabad (IIUI) on Monday held a lecture of Dr Umer Chapra, research advisor, Islamic Research and Training Institute (IRTI), Islamic Development Bank (IDB), Jeddah, on 'State of Islamic Economics 2010'.

Senator Prof Khursheed Ahmad, chairman, Institute of Policy Studies (IPS), was the chief guest while Dr Anwar Hussain Siddiqui, president, IIUI, also made a speech.

Dr Chapra said Islamic economics was different from conventional economics because it was driven by teachings of Holy Quran. "Islamic economic system is based on the principle of equal, wise and justified distribution of wealth in society. It stresses upon fulfillment of material needs of all citizens without any discrimination because Islam speaks of 'Rehmat-ul-Lil-Alameen'," he said, adding the world was run by conventional economic system based on market economy which in fact grabs all resources. He said Islamic economics was difficult but not impossible.

Prof Khursheed said Islamic economics was response to the need of people to live in peace of mind.

He said Islamic banking was progressing rapidly in the world and predicted that soon the Islamic Economic System would replace present system of subjugation and suppression.

http://www.dailytimes.com.pk/default.asp?page=2010\03\30\story_30-3-2010_pg11_5

Baku to host first time 'Global Islamic Finance System' Master Class on 27-29 April

Wednesday, March 31, 2010

Baku: GRBS jointly with Dar Al Istithmar, a UK-based Shariah advisory firm and the global leader on Islamic Finance System, is to conduct "Global Islamic Finance System" Master Class in Azerbaijan for the first time.

The organizers inform that the Master Class is a series of high intensity interactive case study oriented sessions that focus on both the traditional Islamic commercial parameters and the contemporary application of Islamic Finance. To ensure technical robustness, the Master Class is taught by Shariah scholars and Islamic Finance professionals with an even handed balance between practical experience and conceptual understanding. Upon successful completion of the assessment, participants will be awarded the Dar Al Istithmar-Oxford Islamic Finance Master Class Certificate.

Master Class is to be conducted in English language. Participants will be provided with simultaneous English-Azerbaijani translation with high quality interpreters and equipment for pure understanding of Master Class material. Master Class will be conducted in "Karabakh" Training room of GRBSTuition Center.

Its challenges are:

- Foundations of Islamic Finance in Islamic Law
- Principles underlying the Islamic Economic System
- Role of the prohibitions of Riba and Gharar in shaping Islamic Finance
- Principles and rationales for Islamic contractual rules
- Nominate contracts and their role in Islamic Finance
- Contemporary applications of nominate contracts by Islamic financial institutions
- The risks associated with Islamic nominate contracts
- Islamic Asset Management Parameters
- Structure of Islamic Banks in contrast to conventional banks

- Accounting structure of Islamic Financial Institutions
- Sukuk Structures and the dynamics of Islamic debt capital markets
- Islamic Capital Raising Opportunities and Funded Asset Classes

Total fee per participant: AZN 1 600 (early bird registration: before 11 April 2010) and AZN 2 000 (after 11 April 2010).

The Master Class will be conducted at 9 am – 5 pm on 27-29 April 2010

Registration deadline: 25 April 2010.

http://abc.az/eng/news/main/43684.html

Bank Negara Malaysia Hosts Global Islamic Finance Forum 2010

Thursday, April 01, 2010

Bank Negara Malaysia is pleased to host the second Global Islamic Finance Forum (GIFF). Themed "Islamic Finance: Opportunities for Tomorrow", GIFF 2010 will be held in Kuala Lumpur from 25th to 28th October 2010. GIFF 2010 is a key international event in the calendar of Islamic finance following the success of the inaugural GIFF in March 2007.

GIFF 2010 is a high-level multi-track event that brings together regulators, scholars and financial industry players who are key drivers in shaping Islamic finance globally. This event is organized in collaboration with the Association of Islamic Banking Institutions Malaysia (AIBIM), Malaysian Takaful Association (MTA), the International Shariah Research Academy for Islamic Finance (ISRA) and the REDmoney Group.

GIFF 2010 is organized in support of the Malaysia International Islamic Financial Centre (MIFC) initiative to develop Malaysia as a hub for international Islamic finance. GIFF 2010 is a platform for regulators, Shariah Scholars, renowned industry leaders and financial market participants from across the globe to discuss and exchange views and insights on the growth potential and opportunities in the internationalization of Islamic finance as the prospects for global economic recovery improves. Islamic finance is an increasingly important component in the international financial system given the potential for Islamic finance to contribute toward global economic growth and financial stability.

The multi-track events of GIFF 2010 includes a Global Business Leaders Dialogue, Public Lecture, Regulators Forum, Media Engagement Programme, the IFN *Issuers and Investors* Asia Forum 2010 by REDmoney, International Shariah Scholars Forum by ISRA, Global Islamic Liquidity Management Workshop by AIBIM and The Takaful Rendezvous by MTA. A series of side events and high-level meetings will also be held throughout GIFF 2010 including the Global Takaful Group meeting, workshop for

Shariah scholars and engagement sessions with Islamic Banking and Finance Institute Malaysia (IBFIM) and the International Centre for Education in Islamic Finance (INCEIF).

Attendance at GIFF 2010 is by invitation only. In view of the growing global interest in Islamic finance, it is expected to draw interest from international and local participants. Senior officials from regulatory agencies, statutory bodies, government agencies, Islamic and conventional financial institutions, financial markets players and professional services in Malaysia and abroad may register their interest to participate in the event on the GIFF 2010 website. Registrants accepted for the programme will be notified by email by the organizers. For further information on GIFF 2010 or to register, please visit *www.GIFF2010.com.*

Bank Negara Malaysia (Central Bank of Malaysia)
http://www.bnm.gov.my/index.php?ch=8&pg=14&ac=2022

Bahrain Islamic finance summit draws top speakers

Thursday, April 01, 2010

Manama: A major Islamic finance conference scheduled to be held in Bahrain in May is attracting wide spread interest from regulators and market participants from various parts of the world.

The 7th Islamic Financial Services Board (IFSB) Summit will be held on May 4 and 5 at the Ritz-Carlton Hotel in Manama, Bahrain under the patronage of the Central Bank of Bahrain.

This year’s summit theme will be “Global Financial Architecture: Challenges for Islamic Finance”.

The Summit, which will be addressed by Dr Sabir Mohamed Hassan, Governor of the Central Bank of Sudan and Chairman of the IFSB Council, has already attracted the confirmed participation of some of the most influential regulators in global Islamic finance, and the participation of regulators from new markets in the European Union (EU) and Africa.

Several international organizations including BIS, IOSCO, the World Bank, and market players from various industry segments, including financial institutions, advisory firms, international credit rating agencies and law firms have also confirmed their participation.

The main issues of this year's summit are also reflected in the five session topics which cover:
* The Changing Landscape of Financial Regulation: Implications for Islamic Finance

*Macro-Prudential Surveillance Issues for Islamic Finance

*New Architecture for Liquidity Management for Islamic Financial Instruments

* Balanced growth of Islamic finance - the Sectoral Composition of the Islamic Financial Services Industry as a Contributor to Growth with Stability

* New Islamic Financial Architecture: Challenges Ahead.

So far, 21 chairpersons and speakers have been confirmed, to take part in the summit. They include: Rasheed Mohammed Al Maraj, Governor, Central Bank of Bahrain; Sheikh Salem Abdul-Aziz Al-Sabah, Governor, Central Bank of Kuwait; Yves Mersch, Governor, Central Bank of Luxembourg; Dr Zeti Akhtar Aziz, Governor, Central Bank of Malaysia; Rundheersing Bheenick, Governor, Bank of Mauritius; Sanusi Lamido Aminu Sanusi, Governor, Central Bank of Nigeria; Dr Jihad K Alwazir, Governor, Palestine Monetary Authority; Heng Swee Keat, Governor, Monetary Authority of Singapore; Dr Sabir Mohamed Hassan, Governor, Central Bank of Sudan, and Chairman of the IFSB; Stefan Ingves, Governor, Central Bank of Sweden; Professor Rifaat Ahmed Abdel Karim, Secretary-General, IFSB; Jane Diplock, chairman of the Executive Committee, International Organisation of Securities Commissions; Read H. Charafeddine, First Vice Governor, Banque du Liban; Dr Lee Jang Yung, Senior Deputy Governor, Financial Supervisory Service, Korea; Nigel Jenkinson, Adviser, Financial Stability Board, Bank for International Settlements; Jaseem Ahmed, Director, Financial Sector, Public Management & Trade Division, Asian Development Bank; Dr. Tunc Tahsin Uyanik, Sector Manager, The World Bank; Cesare Calari, Managing Director, Wolfensohn & Company, USA; Richard Thomas, Chief Executive Officer, Gatehouse Bank Plc., UK; Professor Simon Archer, Visiting Professor, University of Reading, UK; and Dr V. Sundararajan, Director, Centennial Group, USA.

Trade Arabia News Service

http://www.tradearabia.com/news/newsdetails.asp?Sn=BANK&artid=177419

Muslims in North America probe growing Islamic financial sector

Thursday, April 01, 2010

Global leaders in Islamic finance have met in Toronto to probe the growing but still under-explored world of financial products and services that comply with Shariah, or Islamic law. The Usury-Free Association of North America conference on March 30 and 31 brings together more than 150 experts from a dozen countries to explore a wide range of services that abide by Islam's prohibition on interest. Conference organizers say the potential of the global Islamic financial market is an estimated US$500 billion, Religion News Service Reports.

Islamic scholars, lawyers and financial experts from the United States, Canada, Britain and several Middle East countries are looking at Shariah-compliant stocks and investment products, banking, equity funds, mortgages, and credit.

Canada first Shariah-compliant credit card, the iFreedom Plus MasterCard, will be launched at the conference.

Though there have been great strides in Islamic banking and financial services, particularly in Britain, "supply is definitely not keeping up with demand" outside the Muslim world, says conference spokesman John Qubti. "A lot of Muslims keep their money under their mattress. They're just not investing."

Under Shariah, charging or paying interest ("riba") is usury and considered "haram," or forbidden. That means conventional savings accounts, credit cards and interest-bearing investments are off-limits for observant Muslims.

So are investments in any sector associated with gambling, alcohol, pork, tobacco, weapons or pornography, or one that assumes an unduly high level of risk. Financial speculation is also enjoined.

The Islamic financial model is based on risk sharing. For example, Islamic mortgages work by having the lender either buy the home or become an equity partner in its purchase. The homeowner then pays monthly "rent" along with principal payments based on fair but competitive rates. The arrangement is based on trade and profit, both permissible.

"Making money is not a sin in Islam," Qubti said.

Worldwide, both the Dow Jones Islamic Fund, launched in 2000, and the Dow Jones Islamic Market Index, begun in 1999, offer Shariah-compliant investments.

A recent report for Canada's national housing agency said Islamic mortgages and other Shariah-compliant financial products would pose no problems with civil law.

The Anglican Church of Canada
http://www.anglicanjournal.com/100/article/muslims-in-north-america-probe-growing-islamic-financial-sector/?cHash=ac83ddc65a

Yemeni Islamic banks 'wheels for development'

Thursday, April 01, 2010

Yemeni Islamic banks have yet to achieve their full potential in supporting the Country development, said participants at a conference on Yemeni Islamic Banks last week.

The two-day conference, which addressed the future of Yemeni Islamic banks, was organized by the Yemeni Businessmen Club (YBC). It was the first of its kind in Yemen since Islamic banks emerged 15 years ago.

Ahmed Ba Zara'a, the director of the YBC and Shamil Bank of Yemen and Bahrain, called on all active Islamic Banks in Yemen to cooperate with each other. He suggested they be open to other financial sectors in order to benefit from the experience.

Dr. Yahya Al-Mutawakel, Minister of Industry and Trade, attended the opening ceremony of the conference. He said that the conference coincided with the unexpected blow to Yemen's economy as a consequence of the world financial crisis. He stated that in order to alleviate the negative impacts of the crisis, both the government and the private sector should take full responsibility.

"The government and the private sector should work together not only to alleviate the negative impacts of the world financial crisis, but also to push social and economic development forward and optimize its benchmarks," said the minister.

The minister believes that working to achieve high economic growth rates in non-oil sectors such as the Islamic banking sector, would contribute to the reduction of unemployment and poverty in the country. During the minister's speech in the opening ceremony, he described the banking sector as "the wheels that push development and growth forward." He believes that banking reforms are an important component of all economic, administrative, and financial reforms and have been since 1995.

'People orientated'

According to Al-Mutawakel, the difference between Islamic banks and conventional banks is that Islamic banks consider people essential partners in business. Islamic banks provide loans to small Yemeni businessmen without interest. In return, the bank becomes a shareholder in the business and receives a share of the profits if the business succeeds. As a shareholder, the bank is also considered partially responsible if the business fails.

"Money doesn't generate money, but the people increase it," said Al-Mutawakel. He believes that because of this feature, Islamic banks in the country operate positively. This has enabled them to avoid the negative effect of the world financial crisis.

Yemeni Islamic banks are making progress in comparison to conventional banks. In 2009, 45 percent of all loans in Yemen were supplied by Islamic banks. According to

Ahmed Al-Samawi, Governor of the Central Bank of Yemen, the rate of loans supplied by Yemeni Islamic banks increased from 39.9 percent of total loans in 2008 to 44.5 percent of total loans in 2009.

Tadhamon International Islamic Bank is the first bank in Yemen while Saba Islamic bank is the fourth, said Ali Al-Wafi who is a Yemeni economist. Yemeni Islamic banks are also ranked first in the level of foreign cash reserve available, according to the minister of industry and trade.

Areas for improvement

During the conference, participants and officials came together and discussed a number of the errors that administrations of Yemeni Islamic banks have committed during the previous period. "Even all of those positive developments by the Islamic banks in Yemen, but the developmental, social and investing roles of this sector are still limited or at least below the desired level," said the minister.

The minister explained that this becomes obvious when we compare the difference between the total deposits of Islamic banks in 2008 and 2009. Total deposits increased from YR 1.2 trillion in December 2008 to more than YR 1.3 trillion in December 2009. On the other hand, loan and credit levels for economic projects decreased from YR 418 billion to YR 411 billion during the same period.

According to the minister, by the end of December 2009, it became apparent that the percentage of loans allocated to trade exceeded the percentage allocated to other sectors by over 60 percent. Only 18 percent of loans were allocated to the industry sector, five percent for construction and 17 percent for agriculture and fishing.

Some Yemeni businessmen accused Islamic banks in Yemen of being family businesses that favor big businessmen and family members over smaller businessmen. Ahmed Juma'an, a Yemeni businessman who participated in the session, said that the fact that the four existing Islamic Banks are family businesses, affects loan approval. The chairman of the board of Saba Islamic Bank, Hameed Al-Ahmar, denied this accusation by stating that his family's share of profits in the bank does not exceed 15 percent. He also said that his bank has over 6,400 shareholders including businessmen, individuals and corporations.

"The Islamic banks are open to all and there is no monopoly of a specific segment," he said.

Ba Zara'a, from the Shamil Bank of Yemen and Bahrain, said that the claim that Islamic banks in Yemen are family businesses is not an obstacle. Dr. Abdulbari Mesh'al, head of consultative corporation in Britain, chaired the session. He agreed with Ba Zara'a that family businesses are not an essential problem.

Another issue raised in the session is the difficult access to small business loans from Islamic banks. When someone goes to an Islamic bank and requests a loan for his or her small business, they are faced with tough and inaccessible regulations. Al-Ahmar responded to this by saying that Islamic banks in Yemen are working under the law of Islamic banks and other regulations set by the Central Bank of Yemen. He said that the regulations that some people complain from need to be applied because the Central Bank of Yemen would not accept if they did not follow all crediting and loan regulations.

Recommendations
During the conference, the minister provided Islamic bankers with some suggestions that he believed would boost the role of the Islamic banking sector in the development of the economic, social and investment fields.

The minister suggested that, instead of only giving loans to trading projects, Islamic banks should give approval for loans provided to industrial and agricultural projects. This will result in the reduction of unemployment and poverty in the country. By applying this method, explained the minister, Islamic banks would be able to transform short-term investments into medium and long-term investments. He also suggested studying the possibility of having local and international Islamic banks cooperate in Yemen.

The minister recommended that Islamic Sukuk, a new concept in Islamic banking implemented in the Emirates and Britain, be thoroughly studied in order to finance projects that promote investment and productivity. He also promoted teaching Islamic banking at Yemeni universities and institutes to qualify more Yemenis in this sector and to encourage research.

http://www.zawya.com/Story.cfm/sidZAWYA20100401120130/Yemeni%20Islamic%20banks%20'wheels%20for%20development'

COMMENTARIES/ARTICLES

How Can Green Markets Access Islamic Finance?
By: Khaled Hassouna and Gabriel Thoumi

Sunday, March 28, 2010

The Islamic public finance sector could use payments for ecosystem services including Zakat to fund sustainable economic development within current market models such as the globally developing forestry carbon markets.

Just imagine a scenario where a Islamic Indonesian investment vehicle investing in a forest carbon project in Java on land managed by the local community through the Indonesian public forestry agency, Perhutani, could invest in afforestation, reforestation, and re-vegetation (ARR) activities. This could promote ecosystem restoration *for profit* *with local contro*l on Java where according to the latest estimates only 10,000 hectares of rainforest remain.

The local Javanese community could generate equity in their own forest carbon work, realizing with their own eyes that their hard work earns them money in a culturally appropriate manner while improving the local ecosystem services that a native forest restoration project offers. What if a small percentage of the $822 billion worldwide Islamic-compliant global financial assets tracked by the Economist began investing in local ARR forest carbon projects with local equity? The impact could be tremendous, and this could easily be started working with the multitude of effective on the ground counterparties in Java for example with funding from the broader sustainability community.

Zakat: Sharing Forest Carbon Offsets

By applying the Islamic finance concept of Zakat, which refers to "sharing of wealth" and "purification and growth", it is possible to integrate sustainable economic development with culturally appropriate finance and governance structures within the growing nascent forestry carbon offset asset markets. In this way, local communities could invest in and receive equity in locally developed forest carbon offset assets within a culturally sensitive Islamic framework.

Considering the importance of Zakat in Islamic economic and social interactions, the question of proper methods to purify income is near Muslim economists' and investors' consciousness alike. Many Islamic thinkers from different scientific disciplines are exploring ways of utilizing Zakat money to better serve local communities and their livelihoods.

In enterprises utilizing natural resources in Islamic communities, Zakat is usually carried out by individuals that earn revenue from their businesses utilizing natural resources.

In this case, Islamic traditions require the investor who has a timber concession (colloquially "in his garden") to give out Zakat on the day of cultivating the "fruits of the garden" (Zakat zerooa). Two scenarios apply here.

1. Assuming the forest needs labor intensive maintenance, 5% of the profit from the commodity produced by this forest is due for Zakat.
2. Assuming the forest does not need labor intensive maintenance to keep producing such a commodity, 10% of the profit from this commodity produced is due for Zakat.

In other words, the income generated by Zakat either from both / either sustainable timber harvesting and the sale of forest carbon offsets from the same property could go into a Local Community Fund (LCF). This Local Community Fund managed by local stakeholders, in turn finances sustainable local activities. These activities could be in the small and medium green enterprises and green job training sectors, so as to support local sustainability initiatives (download xx, right, for a schematic).

So the forest carbon value chain could provide funds at the local level to fund, under a Islamic finance program, native forest restoration work and carbon sequestration small business enterprises who sell forest carbon credits.

This Local Community Fund could pay for education, public health, green enterprises, and job training all resulting in local jobs including co-management of the forest and its forest carbon offset assets. It could be a virtuous circle that could be Islamic compliant allowing Indonesian and Malaysian pension funds, corporations, banks, and local communities to invest in, receive equity in, and be employed engaging in developing local carbon offsets and climate change mitigation and adaptation activities - all locally based in Java. As the forest carbon offset market grows, local Muslim communities could gain access to the global Islamic capital markets and engage in offset project development, restoring their degraded lands with native forest species allowing for agro-forestry and other income generating potential.

Sukuk: Conservation Finance Bonds

This case study comes from technical advisory work conducted in 2006 on a forest protection project in Malaysia, and explored in detail in Mahmoud El-Gamal's book Islamic Finance: Law, Economics, and Practice. In 2007, the overall project resulted in formally gazetting and protecting over 117,000 hectares of rainforest within the Belum-Temengor Forest Complex (BTFC) as the Royal Belum State Park.

The following financial model was not used in the final forest project efforts. Rather the model developed in Malaysia with Malaysian guidance was presented to the Malaysian government by Malaysians in 2006 and was well received and used as a discussion framework from which local institutions could discuss sustainable finance within a culturally appropriate financial framework. At the time the financing model was developed, the BTFC was outside of the national protected area system within Malaysia.

The model below explains how it could be possible to develop a Sukuk conservation finance bond that would be available for Malaysian institutional investors to invest so as to support local sustainable financial activities with Islamic law.

Belum Temengor Forest Complex

The BTFC is a unique site of biodiversity because it provides wildlife corridors between high priority conservation areas within peninsular Malaysia. The forest also contains an Environmentally Sensitive Area (ESA) Rank 1 under Malaysia's National Plan (NPP). This forest is over 130 million years old, older than the rainforests in the Congo and the Amazon, and subsequently is much more complex in its diversity of flora and fauna.

The forest contains an ecosystem which supports over 100 species of mammals, 274 species of birds and 3,000 species of flowering plants. 13 globally threatened and 14 near-threatened mammals live in the boundaries of the proposed park include the Sumatran Rhinoceros, Asian Elephant, Malayan Tiger and Malayan Tapir. The forest is also recognized as an Important Bird Area (IBA) and is home of the threatened plainpouched Hornbill. The area is also home of the Rafflesia, the largest flower in the world, and Cyads, the one of the oldest plants on Earth. Many indigenous people including those from the Jahai and Temiar tribes, who are an important part of Malaysia's natural heritage, live in the forest.

The forest also is a major source of electricity and water for northern peninsular Malaysia. The forest contains Temengor Lake, which is a major catchment area for major rivers in the States of Perak, Kelantan and Pahang. The Temengor Lake dam is a major generator of electricity and the Temengor Lake is a critical source of water for downstream consumers. Finally, by protecting the BTFC including the Royal Belum State Park within its boundaries, Malaysia had a unique opportunity to create a Trans-Boundary Park including the Hala-Bala Wildlife Sanctuary and the Bang Lang National Park in Thailand.

BTFC Land Tenure

Originally, the BTFC contained the existing Royal Belum State Park which was formed in 2003, production forest reserves which includes land currently under short-term contracts and long-term contracts to logging companies, previously logged land, protection forest above 1,000 meters in elevation, and the East-West Highway Corridor Land proposed for an Acacia plantation.

Land Description	Hectares
Royal Belum State Park	117,500
Temengor Forest Reserve	68,588
Production Forest (short-term license)	10,192
Production Forest (long-term license)	14,593
Production Forests Not Under Contract	43,482
Not Specified	10,850
East-West Highway Corridor	17,000 (estimate)
BTFC Total	282,205

It was realized that what the public sector needed was a method to find the transition from logged forest to protected forest. It was thought that public financing might work in this situation since the goal was to assist the Government of Malaysia with protecting their forests while replacing income streams from lost revenue and taxes. Many public financing options that could have been used to protect the BTFC were reviewed. The following public finance options were reviewed:

- Debt for nature swaps.
- Trust funds.
- State owned corporation bond.

It was realized that the goal of using public sector finance in Malaysia at the state level to fund the creation of the BTFC was to create a win-win scenario by addressing the objectives and issues of the various stakeholders involved such as Malaysia's citizens, federal government, the Perak State Government, the State of Perak logging industry and environmental NGOs.

An initial stakeholder survey was conducted to identify the specific objectives of individual citizens, the federal government, the Perak state government, the Perak logging industry, and domestic NGOs.

Funding protection for the BTFC through a public finance mechanism meant stakeholder issues had to be addressed in the following manner within a Islamic compliant framework:

- *Local Population***.** The park could maintain biodiversity for future generations, ensure clean downstream water resources for people in affected states, and open up additional recreational opportunities. Jobs in ecotourism could also be created in areas surrounding the park.
- *Federal Government*. The park could conserve biodiversity including many endangered species by creating the second largest national park in Malaysia creating a major tourist attraction.
- *State of Perak*. BTFC could provide the State of Perak with a new fund raising tool to finance its annual budget because jobs could be created in international ecotourism and its citizens could have a source of clean drinking water as well as a recreation area for future generations.
- *Logging Industry*. The logging industry will lose the revenues, jobs and source of timber directly affected by licenses and concessions in the Temengor Forest Reserve. However these figures represent a small part, less than 4%, of the State of Perak's logging industry.
- *Environmental NGOs*. The BTFC could be saved for future generations of Malaysians. Infrastructure and resources to manage the park including sufficient staff to educate visitors and protect the wildlife could need to be funded. All legal logging could cease and illegal logging could be curtailed through increased enforcement from full gazette.

State-Owned Corporation Bond Issue

The Perak State Parks Corporation, a state owned enterprise which currently manages the Royal Belum State Park ("PSPC" or "Issuer") could access the Malaysian domestic bond market to raise funds to fund the protection of the BTFC. PSPC formation documents could include a reference to allow this type of funding. PSPC is controlled by the Perak State Development Corporation. Malaysia's government could act as Guarantor of the issue which will provide a form of sovereign credit enhancement. PSPC could mandate a local Malaysian financial institution such as AmMerchant Bank Berhad to act as underwriter of a public sector. In order to maximize investor interest and liquidity, an Islamic finance instrument could be structured and sold to Malaysian institutional investors such as pension funds, unit trusts, insurance companies, asset managers, and commercial banks (Download xx, right for a schematic of the bond corporation framework).

Funds raised by bond revenue could be used to pay off:

- Short-term licensing fees and long-term logging premiums and timber royalties.
- Logging company compensation for license and concession buyouts.
- Job loss reimbursement.
- BTFC capital improvements.
- Terminating natural forest conversation to acacia plantation forests along the East-West Highway.

Primary source of bond repayment could be PES generated by:

- Park entry fees and other spending in area.
- Ecotourism operator and hotel fees.
- Hydroelectric and watershed conservation fees.
- Forestry carbon markets.

In real Islamic finance, we have two paths - one is to invest and share in the profits and losses or two make a loan and get what you put into the loan. To further analyze these themes we invite other authors who with more experience to further this concept along so as to explore the possibilities of a Sukuk conservation bond.

Summary

The Islamic public finance sector could use payments for ecosystem services including Zakat to fund sustainable economic development within current market models such as the globally developing forestry carbon markets. As this is a concept note, we invite other authors to comment on the feasibility of these two concepts.

Khaled Hassouna, Ph.D., is a research associate at Virginia Technical University, and Gabriel Thoumi is a carbon specialist with Forest Carbon Offsets, LLC, as well as a Lecturer at Ross School of Business, University of Michigan.

Special acknowledgments to Dr. Yassir Samra, Assistant Professor of Management, Manhattan College

http://www.iviews.com/articles/articles.asp?ref=EM1003-4126