BPM Report # 117

BUSINESS AND POLITICS IN THE MUSLIM WORLD

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

Period: April 25 – 30, 2010

Submitted By: Muhammad Ibrahim

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Report Outline

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- Treasury to sell Citigroup shares
- IMF fears debt crisis 'contagion'
- Greece debt fears rattle markets
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- Greece gears up for more cutbacks
- Goldman 'faces US criminal inquiry'
- Shanghai kicks off World Expo

Bank Islam Brunei Darussalam (BIBD) Aims To Be Regional Hub

Sunday, April 25, 2010

Bandar Seri Begawan: Bank Islam Brunei Darussalam (BIBD) is aiming to be the main financial provider in the country especially in Islamic banking and in future, even become the main financial centre in the region. The aspiration is one of many revealed by Pehin Orang Kaya Seri Utama Dato Seri Setia Awang Hj Yahya bin Begawan Mudim Dato Paduka Hj Bakar, the Minister of Industry and Primary Resources, in his capacity as chairman of BIBD yesterday during the BIBD Annual dinner at the Bridex Conference Hall. The chairman also said that it is BIBD aspiration to be the provider in the development and education of its staff based on management, leadership and Islamic finance.

Recalling the achievement of BIBD last year, Pehin Orang Kaya Seri Utama Dato Seri Setia Awang Hj Yahya revealed, "In an historic accomplishment, Bank Islam Brunei Darussalam or BIBD has been appointed as Joint Lead manager for international Sukuk by Islamic Development bank, Jeddah in 2009. The achievement is not only very encouraging but should also be a target for the banks' initiatives in going international".Another achievement for BIBD in 2009, he said is the "setting up of a direct sales unit to increase the bank's products. And the bank has strengthened the sales culture to be instilled into the BIBD culture."

As for its social corporate responsibility, last year BIBD implemented a number of activities such as tree planting for the Heart of Borneo project through the Badas Project, Project Cabaran and a $500,000 donation to flood victims.

Meanwhile, Acting Managing Director of BIBD, Mr. Javed Ahmad in his welcoming address said that BIBD has come a long way since its foundation over 25 years ago. Last year's BIBD balance sheet is recorded at about $4.5 billion. The bank now has a capital of over $920 million. The group has also employed some 700 staff countrywide.

The theme of the dinner was '1001 Arabian Night'. During the dinner, a total of 65 BIBD staff received service awards as a token of appreciation for their loyalty and commitment.Pehin Orang Kaya Hamzah Pahlawan Dato Seri Setia Awang Hj Abdullah bin Begawan Mudim Dato Paduka Hj Bakar, the former chairman also received a souvenir from Pehin Orang Kaya Seri Utama Dato Seri SetiaAwang Hj Yahya.

Courtesy of Borneo Bulletin

BruDirect.com
http://www.brudirect.com/index.php/2010042420111/Second-Stories/bibd-aims-to-be-regional-hub.html

Gulf Islamic banks eye conversion of conventional peers

Sunday, April 25, 2010
MANAMA/DUBAI: More banks in the Gulf Arab region may convert to Islamic finance in a bid to tap rising demand for Shariah-compliant products and to avoid the heavy investment required to launch new banks.

Deals

A source told Reuters this month that Qatari investors are planning to buy a 25 percent stake in Ahli United Bank AUBB.BH (AUBK.KW) from Kuwaiti investors and have plans to convert Bahrain's largest retail bank, which itself plans to take its Kuwaiti unit, Islamic.

"Converting to Islamic is compelling in the region. In Kuwait Islamic banks have rapidly won market share from conventional ones," said Sayd Farook, senior consultant at Dar Al Istithmar.

Converting conventional banks would help the industry expand its retail footprint, for instance in countries where no new licenses are given out but conversions are allowed, which experts say the industry needs to develop a more sustainable business model.

The Islamic banking industry in the Gulf Arab region has mostly relied on channeling the region's oil wealth into real estate and private equity, and was badly hit by a regional property correction late in 2008.

"I would say between 70 to 80 pct of the Muslim market (in the region) would bank with an Islamic bank....if you are an Islamic bank you get to capture that market," said Sameer Abdi, head of Islamic finance at Ernst & Young.

Scholars have said they do not oppose converting conventional banks as long as their investments and debt levels are brought in line with Shariah, which bans investments in certain sectors such as alcohol, over a grace period.

"There is usually a two-year conversion gap from the moment you convert....during which you need to give away to charity any income from conventional instruments," said Farook.

Experts say that converting a bank comes cheaper than launching a green-field retail bank, but costs associated with revamping the bank's work-flow, accounting and core banking IT systems are still high.

"Depending on the scale of the bank and the market in which it operates, it could take two or three years before the investment pays off," said Hatim El Tahir, a Bahrain-based director at Deloitte & Touche.

Abdi said he estimated that up to 15 percent of existing customers could leave a converted bank, not necessarily because they disapprove of the switch to Shariah, but because the bank might struggle to maintain its service level during a difficult transition period.

RARE M&A

Bahrain's Al Salam Bank SALAM.BH is converting Bahraini Saudi Bank BSBB.BH, which it bought last year, as is Egypt's National Bank for Development (DEVE.CA) after Abu Dhabi Islamic Bank ADIB.AD partially bought the lender in 2007.

But the Gulf Arab region is rarely seeing mergers and acquisitions due to cultural sensitivities and opaque ownership structures, which could be the biggest obstacle to the conversion of conventional assets.

Bahrain's Ithmaar Bank ITHMR.BH this month concluded the transformation from an investment house to an Islamic retail bank to improve its funding base, but could do so because it fully owned Islamic retail bank Shamil.

But Kuwaiti banks and merchant families have been badly hit by the financial crisis and are trying to sell down their international assets, which could be a way in.

Their ownership in many banks in the off-shore banking center Bahrain, both Islamic and conventional, could migrate to Qatari investors and banks that are awash with cash, bankers and analysts say.

"Qatar is a small economy...the bigger banks are looking at other markets," said Janany Vamadeva, banking analyst at HC Brokerage, adding that Qatari companies would also be best positioned to raise money in current capital markets.

Reuters
http://www.reuters.com/article/idUSTRE63O0T920100425

Islamic Bank enters Germany

Sunday, April 25, 2010

The European Union's largest and strongest economy, Germany, is finally edging toward facilitating Islamic finance in its jurisdiction. Germany has a Muslim population of 4.3 million, the second largest Muslim population in the EU after France with 5.5 million. Reports from Germany stress that the country's banking regulator, the Federal Financial Services Authority (BaFin), has issued a limited banking license to Kuveyt Turk Participation Bank, one of Turkey's four so-called participation (Islamic) banks. Kuveyt Turk is majority-owned (62 percent) by Kuwait Finance House, one of the largest Islamic banks in the world in terms of capital and assets. The Islamic Development Bank (IDB) also has a 9 percent stake in Kuveyt Turk Participation Bank.

At the same time, Cologne-based Meridio AG has recently launched the Meridio Global Islamic Multi Asset Fund, a Luxembourg-domiciled mutual fund, which the promoters claim is the "first approved, actively managed, international, ethically compliant, balanced mutual fund under European investment laws" and is aimed at retail and institutional investors in Germany and the Euro zone countries initially, and later in the Middle East, Malaysia, Russia, India, Pakistan and East Asia. The investment pool comprises Shariah-compliant equities and Sukuk.

These developments come after the first-ever Islamic finance conference held by BaFin in October 2009 in Frankfurt-an-Main, which was addressed inter alia by Jochen Sanio, president of BaFin, Muhammad Al-Jasser, governor of the Saudi Arabian Monetary Agency (SAMA) and Nik Ramlah Mahmood, managing director of the Securities Commission of Malaysia.

Kuveyt Turk is arguably the most proactive of Turkey's four Islamic banks, which also include Turkiye Bankasi, in which Saudi Arabia's National Commercial Bank (NCB) has a majority stake; Albaraka Turk Participation Bank, which is a subsidiary of the Albaraka Banking Group, which in turn is majority owned by Saudi Arabia's Dallah Albaraka Group, headed by Saleh Kamel; and Asya Bank.

Kuveyt Turk hitherto had a representative office in Frankfurt-am-Main in Germany, and the new authorization, albeit limited, of Kuveyt Turk Beteiligungsbank is effectively an upgrade of the representative office. Kuveyt Turk Participation Bank has hitherto marketed its profit-and-loss (PLS) sharing products to expatriate Turks working and living in Germany and the Benelux countries through representative offices. Kuveyt Turk also subsequently got permission to set up branches in Germany.

Kuveyt Turk Participation Bank also has a banking subsidiary in Bahrain and the Dubai International Financial Centre (DIFC) and plans to open further offices in selected countries, especially those with which Turkey has promising trade relations. International; rating agency, Fitch at the end of 2009 placed Kuveyt Turk Participation Bank's long-term foreign currency rating on positive watch (RWP). Fitch also affirmed Kuveyt Turk's long-term local currency rating at BBB-, short-term foreign currency rating at B and short-term local currency rating at F3. The ratings reflected the bank's sound fundamentals and the strong support of its majority shareholder, Kuwait Finance House.

Kuveyt Turk net profit totaled 107 million TL in the first nine months of 2009 - up 26.7 percent from the same period in 2008. Total assets similarly increased from 4.954 million TL to 6.439 million TL in the same period for 2008 to 2009; total cash loans too increased from 4,136 million TL to 4,957 million TL, while customer deposits increased by 40.7 percent to reach 4,989 million TL for the same period.

Kuveyt Türk Beteiligungsbank (KTB) got the initial go-ahead toward the end of 2009, effectively making it the first stand alone bank to operate under Islamic banking principles in Germany, and second only in the European Union after the UK's Financial Service s Authority (FSA) authorized five banks that operate under Islamic banking principles over the last two years. Qatar Islamic Bank is also reportedly in the process of setting up a joint venture Islamic bank in France after getting approval from the French central bank.

Germany, whose history of credit unions and mutual societies, should be the ideal fit with Islamic finance. But, apart from Deutsche Bank, Hypo Real Estate Bank, Commerzbank and insurance giant Allianz and FWU AG, another insurance company, structuring and distributing a number of ad hoc Islamic financial products such as real estate transactions, private equity deals, equity certificates, Sukuk, Takaful and ReTakaful in the Middle East and Asia, the German financial services sector has been conspicuous in its absence of promoting such offerings in its home market. Commerzbank, for instance, was the fund manager for Albaraka's asset management company, Al Tawfeek's Al-Sukoor European Equity Fund, which has since matured and closed.

KTB is set to start operations in Mannheim in early 2011 with branches in several other German cities to follow. KTB's license allows it to collect deposits and investment funds in Germany that will be transferred to PLS Accounts in depositors and investors' names in Turkey.

As far as the Meridio Global Islamic Multi Asset Fund is concerned, it is a dual currency (US dollar and Euro) open-ended multi-asset mutual fund with an issue price of $100 or 100 euros, is targeting high end Shariah-compliant stocks in the real estate, energy, raw materials, infrastructure, pharmaceuticals, alternative energy, transportation, food or water sectors in the countries of the Euro zone, United States, Canada, Brazil, India, Southeast Asia, Australia, the GCC countries, Turkey, North Africa and Russia. The subscription period closes at the end of April 2010 and the fund will start investing in early May 2010. The fund's investment manager, Meridio Vermögensverwaltung AG, is an independent asset manager for private and institutional investors, and has experience of launching investments with partners in the Middle East, where it launched its latest Meridio Arab World Fund in 2007.

According to Meridio Vermögensverwaltung AG, it can draw on a universe of more than 12,000 global securities/bonds, all of which meet the strict requirements and specifications of the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) rule-book for Shariah-compliant equities and Sukuk. These take into account the fundamental data, technical analysis and market psychology, upon which the fund management then decides when and with what amount it invests in the relevant securities. The Ethical Review Board (the Shariah Advisory Board) then reviews the fund at regular intervals, in order to guarantee that the equities and Sukuk fund portfolio comply with Islamic investment guidelines.

ARAB NEWS

http://arabnews.com/economy/islamicfinance/article47229.ece

Malaysian delegation to strengthen Islamic finance ties with UAE

Sunday, April 25, 2010

United Arab Emirates: A high-level Malaysian delegation headed by H R H Raja Dr. Nazrin Shah Ibni Sultan Azlan Muhibbuddin Shah, Crown Prince of Perak Darul Ridzuan, is visiting the UAE from April 26 to 28 to promote business and investment opportunities in Islamic Finance in Malaysia, acknowledged globally for its highly-developed and diversified Islamic banking and financial market.

The 58-member delegation includes Tan Sri Zarinah Anwar, Chairman of Securities Commission, Malaysia, Dato Mohammed Razif Abd Kadir, Deputy Governor of Bank Negara Malaysia (Central Bank of Malaysia), Tan Sri Dato Azman bin Mokhtar, Managing Director of Khazanah National Bhd, and Dato Yusli bin Mohamed Yusoff, CEO, Bursa Malaysia Berhad.

A luncheon event will take place at InterContinental Hotel in Abu Dhabi on April 27 in the presence of representatives from banking, financial and investment institutions in addition to envoys and other government officials where H R H Raja Dr. Nazrin Shah will deliver his keynote address.

During the visit, H R H Raja Dr. Nazrin Shah, who is also the Financial Ambassador of Malaysia International Islamic Financial Centre (MIFC), will call on His Highness General Sheikh Mohammed bin Zayed bin Sultan Al Nahyan, Crown Prince of Abu Dhabi, to discuss bilateral issues and investment opportunities in both countries.

The Malaysia International Islamic Financial Centre (MIFC) Road Show, being organized by the Central Bank of Malaysia, will take place in Abu Dhabi from April 26 to 28, during which the delegation will hold discussions with key organizations in Abu Dhabi such as Mubadala Development Corporation and Abu Dhabi Investment Authority (ADIA), which manages the world's biggest sovereign wealth fund, and also InvestAD. On the sideline programme, The Central Bank of Malaysia is also meeting with the Central Bank of UAEand the Abu Dhabi Islamic Bank.

According to Dato Yahaya Abdul Jabar, Ambassador of Malaysia to the UAE, said the UAEvisit is part of the Gulf tour by the Malaysian delegation which includes top management representatives of Islamic banking institutions, Islamic fund managers, Takaful operators and professional services firms, among others. MIFC is an initiative to position Malaysia as a hub for Islamic finance.
According to Malaysian officials, Islamic finance has been becoming main stream and offers viable solution to the global financial system. There has been emerging interest from key financial centers - London, Hong Kong and France.

http://www.ameinfo.com/230648.html

Islamic Finance Faces Hurdle, Lacks Expertise, U.K. Body Says

Monday, April 26, 2010

A shortage of skilled Islamic scholars and banking officials versed in Shariah-compliant finance is hampering the industry's ability to develop global standards, said an official at the Islamic Finance Council U.K. "People from conventional banks need to understand Islamic finance, but Shariah scholars also need to learn more about conventional finance," Omar Shaikh, a board member of the Glasgow-based Islamic Finance Council, said in a telephone interview in Dubai. "The industry is growing fast globally and this creates challenges associated with standardization."

Regulators around the world, including Bahrain and Malaysia, are looking for ways to better evaluate risks of the Islamic banking industry and make products suitable for investors globally. Malaysia's central bank in March said it plans to standardize so-called Shariah-compliant contracts such as those used in real-estate and project financing.

Islamic products are reviewed and approved by a board of scholars. Without globally accepted standards, financial institutions and bond issuers rely on rulings by these scholars to be able to offer services to devout Muslims. "We have seen different approaches," to standardize the structure of Islamic products, Rifaat Ahmed Abdel Karim, secretary general of the Islamic Financial Services Board, said last month in Kuala Lumpur. "It may explain part of the dilemma we face. In the long-run, I believe we should have a mechanism that should harmonize this."

Facilitating Growth

Demand for Shariah-compliant products is increasing as the wealth of Muslims rises, spurred by export-led Asian economic growth and crude oil income in the Persian Gulf. Created in the 1970s, the Islamic finance industry's assets may quadruple to $2.8 trillion by 2015 from about $700 billion in 2005, according to the Kuala Lumpur-based IFSB. The IFSB was established in 2002 and sets guidelines including reserves for Islamic banks and insurance companies. Islamic law, or Shariah, bans the payment of interest and stipulates agreements be based on the transfer of goods or services.

"The limited number of quality people inherently creates challenges, which are particularly sensitive around product structuring, Shariah compliance and customer service," Shaikh said last week. The Islamic Finance Council, which counts the Birmingham-based Islamic Bank of Britain Plc as a member, provides training for scholars, education and research, according to its Website.

Bloomberg

http://www.businessweek.com/news/2010-04-25/islamic-finance-faces-hurdle-lacks-expertise-u-k-body-says.html

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Amanie Islamic Finance Consultancy and Education Joins the DIFC Centre of Excellence

Monday, April 26, 2010

Amanie Islamic Finance Consultancy and Education (AIFCE) today announced the opening of its office at the DIFC Centre of Excellence. The new office will be the company's base for providing Shariah endorsement and training services to clients in Europe and the Middle East and North Africa (MENA) region.

Amanie's Shariah endorsement services are focused on conducting reviews and providing certification for Islamic finance products based on internationally accepted Shariah principles and standards. The service is provided through Amanie's Shariah Supervisory Board, which comprises of four eminent scholars. In addition, the group provides supports throughout the product development process - from the creation of the product through to its final endorsement. Amanie also provides a range of education and training programmes on Shariah-based finance.

"DIFC provides a comprehensive platform that enhances growth in the financial industry across our region. Taking into consideration the constant developments in the financial sector, training and education are seen as imperatives to ensure that financial institutions' staff is always up to date with the latest developments. DIFC Centre of Excellence, established by the Dubai International Financial Centre, facilitates getting the best training and education without the need to travel abroad through cooperation with reputed universities, colleges and educational institutions. Therefore, it pleases us to welcome Amanie to DIFC Centre of Excellence and we are confident that it will provide additional value, particularly in the field of Islamic finance consultancy", said Marwan Ahmad Lutfi, Deputy CEO and Head of Business Development in DIFC Authority.

Faten Hani, CEO of the DIFC Centre of Excellence said: "We are very happy to welcome Amanie, a leading provider of Islamic Finance consultancy and training services to the DIFC Centre of Excellence. Islamic Finance is currently growing faster than almost any other sector in the global financial industry. Over the last year, it has widened its appeal to markets that lie beyond its traditional base. Consultancy and education services such as those offered by Amanie are critical to the sustained growth and development of the Islamic Finance industry. We look forward to providing the support necessary for Amanie to successfully deliver its services from the DIFC Centre of Excellence."

Dr. Mohd Daud Bakar, the group's Managing Director: "We choose the Dubai International Financial Centre (DIFC) as the base to service our European and MENA clients as it provides the best regulatory environment and infrastructure for delivering our services. The DIFC Centre of Excellence is also the ideal location for our training activities and academic outreach. Dubai in general and DIFC in particular has a large number of global financial institutions looking for Shariah-compliant services and products and we are very happy to have the opportunity to partner with these institutions."

Amanie's educational programmes cover a wide range of Islamic Finance areas including commercial law, Shariah principles and standards, banking and finance, Takaful , Re-Takaful , Equity Capital Market, derivatives and structured products, Sukuk, accounting, legal issues and documentation, Shariah audit and compliance review, product structuring and product development, risk management and corporate governance.

Amanie and the DIFC Centre of Excellence recently teamed up to organize The Amanie-Failaka Symposium, an event that analyzed the environment for Islamic capital markets and the prospects for its growth in the light of the current global economic crisis. Held on 12 April, the event featured an exchange of ideas between representatives of both GCC-based and overseas firms as well as Shariah scholars, investors, regulators and intermediaries.

Dubai City Guide (A Cyber Gear e-Channel)
http://www.dubaicityguide.com/site/news/news-details.asp?newsid=29339

Sudan Backs CBN on Non-interest Banking

Monday, April 26, 2010

The monetary authority in Sudan has expressed its readiness to support the Central Bank of Nigeria (CBN) in implementing non- interest banking in the country. A statement by the CBN and signed by its Head of Corporate Communications, Mr. Mohammed Abdulahi, stated that the support, which is from the Central Bank of Sudan (CBOS) would be through experience sharing and capacity building.

http://www.thisdayonline.com/nview.php?id=171860

Malaysia to Include Islamic Banking in FTA Talks with GCC

Monday, April 26, 2010

ABU DHABI: Malaysia, which is currently in the midst of negotiating a free trade agreement (FTA) with the Gulf Cooperation Council (GCC), will look at several sectors including Islamic banking to be included in the FTA.

Malaysian Ambassador to United Arab Emirates (UAE), Datuk Yahaya Abdul Jabar, said the country was looking at all sectors but priority will be in Islamic banking, construction, information communication technology, renewable energy and tourism.

"These are the sectors that we want to focus on but we definitely want to look at all possible potential areas that we can work together," he told Malaysian reporters here on the sidelines of the Malaysia International Islamic Financial Centre (MIFC) road show which kicked off Monday.

The MIFC delegation, comprising regulators, industry players and fund managers, are currently on a mission, among others, to further explore potential investment opportunities in the UAE and Saudi Arabia for Malaysian investors.

The more-than-50-member delegation is being led by the Raja Muda of Perak Raja Dr Nazrin Shah, who is MIFC Financial Ambassador.

Abu Dhabi is the first stop of the road show.

Yahaya said the FTA discussions, which have been going on for about a year, would likely take a little more time to be finalise as Malaysia is talking with all the GCC members.

"It is a collective agreement between Malaysia and GCC that is why it would take more time. Malaysia is discussing with seven countries altogether, so some countries might have some issues," he added.

Apart from the GCC countries, Turkey and the European Union are also eyeing a FTA with Malaysia.

According to recent news reports, the GCC economy is set to hit US$2 trillion in economy in the next decade and will become increasingly important to the global economy.

Recently, the GCC proposed that Malaysia and the GCC work towards establishing a framework agreement as an initial step.

BERNAMA

http://www.bernama.com/bernama/v5/newsbusiness.php?id=493690

Zakat alms contributions double to Dh8.6 million in UAE

Thursday, April 29, 2010

ABU DHABI: Islamic alms contributions paid through the Government have almost doubled in the first few months of the year, the Zakat Fund revealed yesterday.

Revenues from individuals rose by 93 per cent in the first quarter of this year compared with the same period last year, to Dh8.6 million, and the number of contributors rose by almost 40 per cent.

Zakat is the Islamic alms tax mandated for every financially able Muslim and its provision is the third pillar of Islam. The Zakat Fund is a government authority created in 2003 by Sheikh Zayed, the founder of the UAE, to receive and distribute Zakat contributions and to raise awareness of the Islamic tradition. Contributions usually spike in the holy month of Ramadan. The agency’s total revenues in 2009 were Dh67 million.

Abdullah al Muheiry, the fund's secretary general, said the rise in revenues was the result of increased transparency about its budget and activities.

"We adopt a policy of transparency between us and the Zakat provider, who should know where his money is going," he said.

Despite the increase in revenue, Mr. al Muheiry said he believed that wealthy Muslims were still not paying enough. "The increase does not match the amount of money being invested in the country and the continuous rise in the number of millionaires in the UAE, who now number in the tens of thousands," he said.

Abdullah al Araby, the imam of Dubai's Airport Mosque, said work still needed to be done to increase trust and adherence to Zakat. "People need to know that there is a Zakat Fund and that they can trust it," he said.

While the fund had the name of an obligatory Islamic duty, most people viewed it as a charity organization, he said.

"My understanding is that it's a charity organization that I can just give Dh1, 000 or Dh2, 000 to," he said. "The Zakat collector does not come to your house like in the past to find out how much you own, calculate the Zakat and then take it from you."

The basic annual Zakat rate is 2.5 per cent on financial assets, with varying rates for other assets, such as gold or livestock.

Richer people were less amenable to paying Zakat since they had to pay larger sums of money than ordinary people, Mr al Araby said.

"If you have 40 million, then you're going to have to pay one million from that."

In addition, Zakat carried few immediate benefits for giving up money, whereas other Islamic obligations, such as Ramadan fasting, had an enjoyable social element to it and the Haj pilgrimage involved travel and tourism.

This meant, unfortunately, that less attention was being paid to Zakat as a duty, he said.

"If every member of society pays the Zakat you would not find one needy person in this country", Mr. al Araby said.

A recent survey by YouGov Siraj found that almost one third of UAE respondents mistrust charities because they lack accountability.

Ahmed al Muhairi, a middle-aged Emirati, said he preferred to give his Zakat money to direct sources rather than to the Zakat Fund or the Red Crescent Authority.

“Sometimes I give to the fund or Waqf [an Islamic trust fund], but I don’t really trust them,” he said.

He said he gave his money to a trusted man who is very religious and distributed it in Kalba, Fujairah and rural areas in the Emirates.

“Zakat Fund will complain about a lack of budget no matter how much money they get. So does the Marriage Fund, they receive a lot of money from the Government and their budget is huge but they still complain,” said Mr. al Muhairi.

Shadia abu el Farraj, a 52-year-old Syrian housewife and charity worker, said she gave her Zakat money to various sources inside and outside the UAE, but she never thought of giving it to the Zakat Fund.

“Spending the Zakat money should be done officially through the state, as they can see where the poor people are and then build projects that will help decrease poverty, but when states grew and communities scattered around the place, people became afraid that the money would not reach the right people, so people started giving out the Zakat on their own.” She said it became traditional for certain trusted people to collect Zakat money and take on the responsibility of distributing it.

“I personally give my Zakat money inside the UAE to low income families that I know, or widows who have many children and can’t afford to enroll them in school for example.”

http://www.thenational.ae/apps/pbcs.dll/article?AID=/20100429/NATIONAL/704289825/1139

Dubai Islamic Bank launches online investor relations platform

Sunday, April 25, 2010

United Arab Emirates: In line with its commitment to best practice investor relations and as part of its sustained investor outreach programme, Dubai Islamic Bank (DIB) announced today the launch of its dedicated online investor relations platform, which provides a wealth of in-depth and up-to-date information for both retail and institutional investors.

The new IR Micro-site is designed to be a one-stop shop for all investor needs, providing financial reports, credit ratings, dividend information, share price charts, an investment calculator, financial announcements and related information. It will serve as the first point of contact for investors and will keep the capital markets audience informed about company performance, financial results, leading indicators and IR contact details. "We are pleased to launch our new online investor relations platform," said Mohammad Al Sharif, Chief Financial Officer, DIB. "This initiative is a demonstration of our commitment to providing existing and potential shareholders with timely and accurate information about the bank's performance. This tool will enable investors to keep up to date with the latest developments at the bank - across a full spectrum of activities - in order to make informed investment decisions."

As the regional economic and business environment becomes increasingly sophisticated, investor engagement and communications continue to rise higher on the agenda of leading listed firms such as Dubai Islamic Bank, pointed out Kashif Moosa, Head of Corporate Development, DIB. "We firmly believe that the new investor relations platform will enhance ease of access to the bank's current and historical financial information for investors based here in the Middle East and across the world," said Moosa. "The site will increase transparency, facilitate more effective communication with the investment community and promote IR best practice in the region."

"Our extensive research into the needs of investors confirms that IR websites are the preferred first point of contact for them," said Basil Moftah, Managing Director of Thomson Reuters for the Middle East and Africa, which developed DIB new IR platform. "We are pleased to provide Dubai Islamic Bank with the Thomson Reuters IR website solutions for their enhanced investor relations function and are confident that DIB investors will greatly benefit from our tools and technologies," Mr Moftah added.

http://www.ameinfo.com/230520.html

Islamic, conventional banks are different: SBP

Sunday, April 25, 2010

Karachi**:** One of the biggest challenges facing Islamic banking in Pakistan is to create awareness and convince people that it is different from conventional banking, Saleemullah, Director Islamic Banking, State Bank of Pakistan (SBP), said.

The wrong perception of “old wine in a new bottle” should be dealt with by convincing people that what Islamic banks offer is distinct, he said. He was speaking at a seminar on Islamic banking organized at the Federation House on Saturday. The slogan of the Islamic banking industry should be ‘Let’s grow together’ because of its unique characteristic to benefit both the depositor and the bank at the same time, he said, adding that Islamic banks share profit and loss with the customers and hedge its customers against the shock of loss.

Because of low understanding, people generally think that conventional bankers are actually presenting the same products in new packaging. This damages the image of the industry which can be checked by creating awareness of the products being offered by Islamic banks, he added. Saleemullah offered full support to the local Islamic banking industry in overcoming future challenges. Tariq Saeed, a prominent businessman, said that the real concept of Islamic banking is profit and loss sharing.

The number of people who want Riba-free (interest-free) banking is increasing but this will bring results when Islamic banks introduce their products, he said, adding that regular seminars and more interaction can be helpful for the understanding of Islamic banking. Saeed offered that if Islamic banks introduce new products for importers and exporters, he could bring hundreds of importers to these banks. Mohammad Aslam, Head of Islamic Banking, Habib Bank Limited (HBL), said Islamic banking in Pakistan has many challenges before it. Some of the top challenges are untrained staff and the perception that Islamic banking is the same as conventional banking.

“The more Islamic banks cooperate with each other, the earlier the industry will increase its business,” said Aslam, “The perception of Islamic banking will improve as people start understanding this industry.”

TRIBUNE
http://tribune.com.pk/story/8897/islamic-conventional-banks-are-different-sbp/

ADIB Ghina is the Region ‘Best Savings Account'

Sunday, April 25, 2010

Abu Dhabi: Abu Dhabi Islamic Bank today announced that its Ghina Savings Programme had been voted the "Best Saving Account" at the Banker Middle East Product Awards 2010 held on April 20, 2010.

The award was presented in the presence of senior and well known members of the regional banking industry by Robin Aml t, Managing Editor of CPI Financial and received by Sameh Al Awadallah, Head of Branches on behalf of ADIB. A key feature of the Ghina Savings Programme is its rewards scheme that gives incentives to the customers and promotes a savings culture in line with Shariah principles.

Tirad Mahmoud, CEO of ADIB, said: "We are pleased to be recognized as an innovator and the award proves that ADIB is at the forefront of not only Islamic banking but the entire industry in the region. We aim to maintain our high standards and extend our lead in providing customers with relevant and exciting new products and services." The Banker Middle East Product Awards recognize banking products and services within the region that are either exceptionally innovative or have generated excellent financial results and/or transference of market share, particularly during times of economic hardship.

WAM (Emirates News Agency)
http://www.wam.ae/servlet/Satellite?c=WamLocEnews&cid=1267001341344&pagename=WAM/WAM_E_Layout&parent=Query&parentid=1135099399852

Merger of the Pakistan Operations of Al Baraka Islamic Bank and Emirates Global Islamic Bank

Sunday, April 25, 2010

With total Assets in Excess of US$582 Million, Al Baraka Islamic Bank BSC (C) (Bahrain), wholly owned subsidiary of Al Baraka Banking Group (ABG) (Bahrain), and Emirates Global Islamic Bank announced their intention to merge the branches of Al Baraka Islamic Bank in Pakistan and Emirates Global Islamic Bank - Pakistan under the name of Al Baraka Bank Pakistan. The merger will lead to the emergence of a bank that has assets in excess of US$582 million and a network of 89 branches covering cities and towns in Pakistan. Obtaining the necessary approvals from the regulatory authorities and official bodies in Bahrain and Pakistan is under way.

On this occasion, Sheikh Saleh Abdullah Kamel, Chairman of Al Baraka Banking Group, said that the merger between the two banks reflected the group's strategy to expand in the Pakistani market as part of its strategies to strengthen its presence and operations in promising Islamic markets. The merger will create a high value-addition not just for the merged financial institutions, but also for the banking and financial market in Pakistan which is considered to be one of the most important markets in the Muslim world.

For his part, Mr. Khalid Al Zayani, Chairman of Al Baraka Islamic Bank**,** said that the new bank, which will carry the name of Al Baraka Bank Pakistan and be managed by ABG Group, will have substantial capital resources and a wide branch network that would enable it to play a truly leading role in the Pakistani banking market and provide a full range of Islamic banking services, supported by the extensive resources and expertise of the well established parent company ABG and its twelve subsidiary banking units in various parts of the world, as well as the solid and wide presence in the Pakistani market.

Mr. Adnan Ahmed Yousif, President & Chief Executive of Al Baraka Banking Group, said the presence of Al Baraka Islamic Bank in the Pakistani market dates back to more than twenty years ago and it currently has twenty nine branches that offer all types of Islamic banking products and services, which in turn had earned the bank a high standing in Pakistan and the trust of the Pakistani businessmen and investors communities.

He added that the operations of Al Baraka Bank in Pakistan had achieved excellent results during the past years. This requires that we continue the efforts to achieve further expansion in these operations given the huge size of the Pakistani market. For this reason, we see the best choice for us now to achieve our goal in expansion is to merge with Emirates Global Islamic Bank, which in turn had enjoyed a significant and successful presence since it was established in Pakistan. We are confident that this merger will benefit the shareholders of both banks as well as the Pakistani economy.

For his part, HE Sheikh Tariq bin Faisal Al Qassimi, Chairman of Emirates Global Islamic Bank, said that "our merger with the branches of Al Baraka Islamic Bank in Pakistan falls within our ambitious goals for expansion in the Pakistani market by consolidating the expertise and resources of two of the most important financial institutions in Pakistan. Behind the two banks stand fully committed shareholders who has substantial financial, human and technical resources and a far-sighted banking vision that prepares for meeting the challenges of the future by taking a sure and firm step by the establishment of an Islamic bank between them capable of meeting the needs of growth and expansion in this friendly Muslim country, a bank that offers all types of banking products and services to meet the different needs of its individual and corporate customers and investors".

He added that the Pakistani market had great potential and tremendous opportunities for growth and expansion, considering the size of the population of more than 175 million people, wide-ranging economic and financial reforms designed to encourage investors to continue with and expand their investments and consolidate their presence in the highly competitive Pakistani market. The merger will strengthen and increase our market share, and at the same time will help meet regulatory requirements to strengthen the bank's capital and enhance its technical and human resources.

The operations of Al Baraka Islamic Bank in Pakistan dates back to 1991 and since then it made a lot progress and achieved outstanding results. The Bank today has 29 branches in different cities of Pakistan, its assets increased by 20% to Rs. 29.2 billion (US$ 348 million) and it made operating profit of about Rs. 199 million (US$ 2.3 million).

About Emirates Global Islamic Bank

Emirates Global Islamic Bank was established in 2004 and began its operations in Pakistan in 2007. The Bank is owned mainly by the Emirates Investment Group (through Emirates Financial Holding Company) and Al Rajhi Investment Group (through Mal Al Khaleej Investment Company). The Bank offers all types of Islamic banking products and services through 60 branches spread in 31 cities in Pakistan. It has total assets of Rs. 19.7 billion (US$ 234 million) and shareholders equity of Rs. 3.4 billion (US$ 40.5 million) as at the end of December 2009.

About Al Baraka Islamic Bank

Al Baraka Islamic Bank was established and licensed to operate from Bahrain on 21st February 1984 under a license issued by the Central Bank of Bahrain. The Bank has an extensive operation in Pakistan through 29 branches located in main cities and centres. The Bank has an authorized capital of US$600 million, whilst shareholders equity amounted to US$185.7 million and Bank total assets of about US$1.0 billion in 2008.

Al Baraka Islamic Bank is one the subsidiary banking units of Al Baraka Banking Group. Al Baraka Banking Group is a Bahrain Joint Stock Company listed on Bahrain and NASDAQ Dubai stock exchanges. It is a leading international Islamic bank with Standard & Poor's long and short-term credit ratings of BBB- and A-3 respectively. Al Baraka Banking Group offers retail, corporate and investment banking and treasury services, strictly in accordance with the principles of the Islamic Shariah. The authorized capital of Al Baraka Banking Group is US$1.5 billion, while total equity amounts to about US$ 1.7 billion. The Group has a wide geographical presence in the form of subsidiary banking Units and representative offices in twelve countries, which in turn provide their services through more than 300 branches. These banking Units are Jordan Islamic Bank, Jordan; Al Baraka Islamic Bank , Bahrain; Al Baraka Islamic Bank, Pakistan; Banque Al Baraka D'Algerie, Algeria; Al Baraka Bank Sudan, Sudan; Al Baraka Bank Limited, South Africa; Al Baraka Bank Lebanon, Lebanon; Al Baraka Bank Tunisia, Tunisia; Al Baraka Bank Egypt, Egypt; Al Baraka Turk Participation Bank, Turkey; AlBaraka Bank Syria, Syria and a representative office in Indonesia.

http://www.zawya.com/story.cfm/sidZAWYA20100425094000/Merger%20of%20the%20Pakistan%20Operations%20of%20Al%20Baraka%20Islamic%20Bank%20and%20Emirates%20Global%20Islamic%20Bank%20with

Noor Islamic Bank Successfully Closes Dual Currency Structured Murabaha Syndicated Facility for Bank Asya
Facility was more than Three Times Oversubscribed

Monday April 26, 2010
Noor Islamic Bank, as joint Mandated Lead Arranger and Book-runner with ABC Islamic Bank and Standard Chartered Bank, is pleased to announce the successful closing of the US$ 255 Million equivalent (US$ 121.5 Million and EUR 99.15 Million) dual currency Islamic Structured Murabaha Syndicated Facility (the Facility) for the Turkish Bank Asya, one of Turkeys leading banks in foreign trade.
With the participation of 26 international banks from across 16 different countries, Noor Islamic Bank was one of the top three banks appointed to run the transaction. This joint successful syndication by Noor Islamic Bank outside of its local boundaries reflects its strong international Shariah compliant financial expertise.

Despite challenging Turkish market conditions, the Facility was more than three times oversubscribed at US$255 million against the launch amount of $75 million. Bank Asya one year Facility is the first global Islamic Murabaha arranged by any financial institution in 2010 and is also the largest Islamic Murabaha syndication ever executed in Turkey.

Noor Islamic Bank was ranked by Bloomberg in 2008 as number 1 on the list of mandated Lead Arranger in Islamic finance in the UAE and number 3 on the list of leading Islamic finance Book Runners in the UAE. Simultaneously, Noor was ranked number 1 by Thomson Reuters in 2008 on the list of Islamic finance Book Runners and Lead Arrangers.

About Noor Islamic Bank

Established in 2007 in Dubai, a full service bank, Noor Islamic Bank delivers the broadest range of products for its customers, with an emphasis on unique and personalized services. Noor Islamic Banks products and services are governed by a Shariah Board, comprising leading Islamic scholars with extensive experience and expertise in legal, financial and banking-related matters. Noor Islamic Bank has locations across the UAE in the Emirates of Abu Dhabi, Dubai, Sharjah, and an overseas representative office in Tunis.

Eye of Dubai
http://www.eyeofdubai.com/v1/news/newsdetail-43052.htm

KFH-Bahrain awarded "Best Islamic Covered Card" by Banker Middle East

Monday April 26, 2010
The plans that Kuwait Finance House - Bahrain made in 2009 for its Baytik Ijara Card have paid dividends both in terms of what it has achieved for customers and in terms of industry recognition. The card was declared the "Best Islamic Covered Card" by Banker

Middle East at a prestigious Gala Dinner Awards night on 20th April at the Emirates Tower Hotel in Dubai.

Banker Middle East is widely considered the most authoritative voice of the banking industry in the region. It sets the standards for financial journalism and has gained its reputation based on its accurate reporting, in-depth analysis and an unbiased editorial approach.

Mr. Abdulhakeem Alkhayyat, Managing Director and CEO of KFH-Bahrain said, "It is an honor to receive such an esteemed award, especially as The Banker Middle East Awards are known for recognizing excellence across a wide range of banking and financial services. Over the past ten years it has been a matter of particular prestige for any institution to garner an award from them."

Mr. Nigel Rodrigues, Chief Executive Officer of CPI Financial, publishers of Banker Middle East commenting on KFH-Bahrain achievement echoed his sentiments saying, "This is a clear recognition of the Bank's efforts towards taking the Baytik Ijara financing vehicle to the next level and does indeed represent a new concept in Islamic Financing."

Talking about the award, Mr. Khalid Rafea, Executive Manager and Head of Banking Group at KFH-Bahrain explained "Winning this award is a point of pride for KFH-Bahrain as it is a testimony to the pioneering role we have played in creating Baytik Ijara which represents a new concept in Islamic Banking and Financing."

Receiving the award on behalf of the Bank was Mr. Mazen Sater, Deputy Head of Banking Group at KFH-Bahrain**.**

About Kuwait Finance House, Bahrain

Kuwait Finance House-Bahrain is a leading provider of Islamic commercial and investment banking services. Established in 2002 as a wholly owned subsidiary of Kuwait Finance House (Kuwait), an industry leader for more than 30 years, KFH-Bahrain specializes in developing and bringing to market the highest quality Islamic compliant banking and investment products, all of which are delivered by a staff of experienced and dedicated professionals with a deep understanding of the market and the clients we serve.

http://www.zawya.com/story.cfm/sidZAWYA20100425102620/KFH-Bahrain%20awarded%20"Best%20Islamic%20Covered%20Card"%20by%20Banker%20Middle%20East

SUKUK (ISLAMIC BONDS)

Sukuk market recovery expected in 2011-12

Sunday, April 25, 2010

Dubai: The Islamic bond market, which remains static this year, is set to pick up in 2011-12 with Qatari and Saudi spearheading the industry growth, according to industry experts.

Now is a pivotal time for the global Islamic finance industry as Sukuks are expected to grow in importance on the radar of global investors, they noted.

"The market is changing wherein the cost of capital is becoming important. In the medium to long term, markets need a lot more funds, more listings and finally, more players to develop this market," said Nida Raza, senior vice president – Capital Markets, Unicorn Investment Bank.

Nida was joined by eminent Sukuk practitioners - Khalid Howladar, senior credit officer Asset Backed and Sukuk Finance, Moody's, Gregory Man, senior associate, Clifford Chance and many others at a 'breakfast briefing' on the current state of play in Sukuk.

The experts touched upon several pertinent issues concerning the Sukuk industry at the meeting which was held as a prelude to an upcoming Islamic Finance Forum in Dubai.

The International Islamic Finance Forum 2010 – Driving the Islamic Finance Industry Forward – is being organized by IIR Middle East from May 16 to 19 at The Monarch Hotel. It will discuss the enormous potential in Shariah compliant financing while addressing key challenges and the future of Sukuk.

Vanessa Heywood, conference director of IIR Middle East, said the Islamic finance industry had faced a number of challenges in recent times.

'The forum will provide a timely platform for industry leaders to actively debate critical issues and drive the Islamic finance industry forward,' she noted.

The presentations and panel discussions by Sukuk experts will provide insightful learning into the industry and help companies examine topical issues besides offering extensive industry networking opportunities.

The breakfast meeting gave a legal perspective on risk in Sukuk and explored loss given default in secured and unsecured Sukuk. It also examined the recent Dar Al Arkan issuance.

Trade Arabia News Service

http://www.tradearabia.com/news/newsdetails.asp?Sn=BANK&artid=178648

VTB renews Sukuk plans after Dubai knock

Sunday, April 25, 2010
Dubai: VTB, the second-largest Russian financial group, has cut its Sukuk size from an original target of $300 million after postponing from last year, when defaults and Dubai World's woes hit the market, said a source. VTB Bank now plans to launch a $200 million Islamic bond in the second half, the source said.

According to a VTB document seen by Reuters referring to the original planned launch, the three-year VTB-Leasing Sukuk Ltd issue had been scheduled 'for December 6 with a view of execution in mid-December 2009'. VTB declined to comment.

The Sukuk market thrived in the run-up of the credit crisis because these vehicles, underpinned by tangible assets, were seen as relatively safe.

However, the sector was stung by the double whammy of the liquidity freeze in the financial crisis and defaults from high-profile Middle Eastern issuers Saad and Investment Dar.

State-owned Dubai World averted further havoc by promising last month to pay investors in the Sukuk issued by subsidiary Nakheel.

VTB first mooted plans for a Sukuk - to be issued by VTB Leasing (Europe) - in March 2009, and in the summer its investment banking unit VTB Capital set up an office in Dubai.

According the document related to the original planned launch, the Sukuk, to be issued through a special purpose vehicle located in Bermuda, uses aircraft held by VTB Leasing as the assets which will underpin it.

Liquidity House and VTB Capital are named in the document as joined lead managers and book-runners.

Trade Arabia News Service

http://www.tradearabia.com/news/newsdetails.asp?Sn=BANK&artid=178638

IFC Sukuk Receives EMEA Finance’s Most Innovative Islamic Bond Deal Award

Sunday, April 25, 2010
IFC, a member of the World Bank Group, on April 23 announced that it received the EMEA Finance Most Innovative Islamic Bond Deal award for its groundbreaking $100 million Hilal Sukuk (Islamic investment certificates).

On October 21, 2009, IFC became the first non-Islamic financial institution to issue a Sukuk for term funding in the Middle East.

"IFC is very proud to receive this award. It is a recognition of our efforts to strengthen the region's nascent Sukuk market, integrate regional markets into the global economy, and support Islamic investors who want to have a positive social impact," said Lars Thunell, IFC Executive Vice President and CEO.

The EMEA Finance magazine is the only journal focusing on corporate finance news in emerging markets in Europe, the Middle East, and Africa. EMEA Finance Achievement Awards recognize the best corporate transactions in these markets each year.

Nina Shapiro, IFC Vice President for Finance and Treasurer, who will accept the award at the EMEA Finance Annual Awards Charity Dinner on June 9, said, "We are delighted by this award, and we appreciate the collaboration with the Shariah scholars, our partners at the Dubai and Bahrain exchanges, and the banks that worked with us on this complex process."

"Islamic finance adheres to Islamic law, known as Shariah. Its most basic features include a requirement that investor and borrower share in the risk of a venture, and a prohibition on charging interest. Shariah also prohibits investment in activities such as gambling or selling alcohol," IMF reported.

Sukuks are investment certificates with undivided ownership share in underlying Shariah-compliant assets. The IFC Sukuk supports a pipeline of IFC Islamic finance projects in key sectors such as health, education, and infrastructure. A separate special purpose vehicle issued the IFC Sukuk and warehouses the underlying assets. HSBC Amanah, Dubai Islamic Bank, Kuwait Finance House Bahrain, and Liquidity Management House were the lead arrangers.

The Aaa-rated IFC Sukuk is a dollar-denominated $100 million non-amortizing issue with a five-year maturity. It follows the most common structure for Sukuk so that it can set a precedent for similar investments.

In early 2008, IFC formed an Islamic Finance Working Group that aims to develop a more strategic approach to Islamic finance activities. The efforts of the working group and the expansion of IFC's field offices in the Middle East and North Africa region have contributed to a committed portfolio of over $190 million in loans and equity in the region. IFC now has the capacity to support an ongoing program of Islamic finance projects, which will underpin Sukuk every one to two years.

FINCHANNEL.COM – GLOBAL NEWS CHANNEL
http://finchannel.com/Main_News/Business/62678_IFC%E2%80%99s_Sukuk_Receives_EMEA_Finance%E2%80%99s_Most_Innovative_Islamic_Bond_Deal_Award_/

Tabreed Board Approves Deferral of Payment on $463 Million Sukuk

Monday, April 26, 2010
National Central Cooling Co., the United Arab Emirates-based refrigeration company, said its board approved deferral of annual payments on 1.7 billion Dirhams ($463 million) of Islamic bonds maturing in 2011.

The annual payment due May 19 was deferred pending further consideration by the board of "potential amendments to the terms of 2008 Sukuk in connection with the company's recapitalization program," the company, known as Tabreed, said in a statement to the Dubai bourse today.

Bloomberg
http://www.businessweek.com/news/2010-04-26/tabreed-board-approves-deferral-of-payment-on-463-million-Sukuk.html

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TAKAFUL (ISLAMIC INSURANCE)

Takaful in each region 'faces unique challenges'

Monday, April 26, 2010
Takaful in the Gulf Cooperation Council (GCC) and Malaysia are at very different stages of development with each region facing unique challenges, said a global study on Takaful by Ernst & Young (E&Y).

The *World Takaful Report* report, based on a combination of quantitative data and qualitative comments, had made some observations on areas like on efficiency operations, quality of underwritten business and ensuring investment discipline.

On efficiency operations, the report said most Takaful operators have yet to achieve critical business volume, despite incurring substantial establishment costs over the years. Also, players have combined ratio is much higher than conventional peers while service quality remains sub optimal for many operators.

It made some recommendations on lowering cost of operation, which included targeting economies of scale and scope through organic and inorganic growth; articulate cost strategy for customer acquisition, servicing and retention; improve loss ratios through changed business mix and better claims management; and consider shared service arrangement for back office operations.

On risk retention, it noted that Malaysian Takaful operators, on the average operators cede between 5%-15% of gross premiums to reTakaful entities while retaining a larger proportion of business on their books and converting this into better technical results. "This strategy requires greater underwriting competence and track record (using historical data) to build a quality book," it noted. On the other hand, GCC operators on average cede between 30%-50% of gross premiums to reTakaful companies, which reduces their ability to generate potentially positive underwriting results, and that the broking approach causes excessive reliance on investment returns to generate profitability.

On technical results, Malaysian operators' average claims ratio of between 25%-35% is reflective of stronger underwriting discipline and diversified business. "Strong underwriting results allow operators to benefit from a larger participants pool and ability to re-distribute surplus, generating strong customer confidence. Underwriting results account for the majority of overall profitability," it said.

On the GCC front, the higher average claims ratio of between 40%-60% can be improved through stronger underwriting competence. "As historical data becomes more readily available, operators should strive to build cleaner books of diversified business. Weak technical results have led operators to become heavily reliant upon investment incomes that are volatile, to achieve shareholder expectations," the report noted.

The report noted that global Takaful contributions grew 29% in 2008 to reach US$5.3 billion (RM16.9 billion) and remain on course to surpass US$8.9 billion (RM28.38 billion) by 2010. "Strong growth in health Takaful in GCC, and family Takaful in Malaysia are two noteworthy trends that have delivered growth for many operators. Government safety nets are being reduced providing new opportunities to offer product solutions in these respective business lines," E&Y said in a press release when announcing the report.

Saudi Arabia, with contributions totaling US$2.9 billion in 2008, and Malaysia with US$900 million are the top two Takaful markets in the world. Sudan is the most significant market outside of the GCC and South-East Asia, with contributions totaling US$280 million in 2008, it said.

(This story appeared in The Malaysian Reserve on 26 April 2010. The Malaysian Reserve is a daily business/finance newspaper published out of Kuala Lumpur, with a sectoral page on Islamic finance on Mondays, edited by Habhajan Singh)

http://islamicfinanceasia.blogspot.com/2010/04/Takaful -in-each-region-faces-unique.html

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UK Takaful insurer sold to Kuwaiti buyer

Wednesday, April 28, 2010
Principle Insurance Holdings, parent company of the UK's first Shariah compliant insurance group, has confirmed the conditional sale of its subsidiaries, Principle Insurance Company and Principle Marketing Services, to Al Salam Group Holding

Company – a member company of the Kuwait-based Al Madina Group – for an undisclosed sum.

The Principle Group, which traded under the Salaam Halal insurance brand, was originally authorized by the Financial Services Authority in April 2008 and entered into solvent run-off in October 2009.
Advertisement

Al Salam will now apply to the FSA for a change of control and PIC and PMS will apply for a variation of their permissions which, if approved, would allow them to recommence trading. Al Salam is already a shareholder in Principle through its sister company, Ekttitab Holding Company.

Al Salam intends to issue an announcement tomorrow to the Kuwaiti Stock Exchange regarding the transaction. Al Madina will be making an announcement to KSE and to the Dubai Stock Exchange, on which it is also listed.

Bradley Brandon-Cross, chief executive of Principle Insurance Holdings, stated: “We are very pleased to announce this important and significant step and very much hope that it will lead to the reintroduction of our Shariah compliant insurance to the UK market. However, there is much work to do in re-starting the business.

"In the meantime, our status has not changed. We are still in a period of solvent run-off, which means that while we continue to offer existing policyholders our full support, we are not providing any further policies to new or existing customers at this time.”

http://www.postonline.co.uk/post/news/1603300/uk-Takaful -insurer-sold-kuwaiti-buyer

ISLAMIC INVESTMENTS; EQUITIES/SECURITIES & FUNDS

Al-Rajhi Capital launches three funds

Sunday, April 25, 2010

MANAMA: Al-Rajhi Capital, the investment banking subsidiary of Saudi Arabia Al-Rajhi Bank, has announced the launch of the Al-Rajhi capital protected funds. As the newest additions to Al-Rajhi Capital innovative and diversified product offerings, the capital protected funds are a Shariah-compliant three-year closed-end mutual funds offering quarterly redemption (not exceeding 10 percent of the fund's net asset value).

There are three funds in the capital protected funds family providing varying levels of capital protection from 90 to 95 percent and exposure to local, regional and international markets so as to offer investors greater choice in their overall asset allocation.

The funds include the Al-Rajhi Local Shares Capital Protected Fund, offering 90 percent capital protection; Al-Rajhi GCC Shares Capital Protected Fund, offering 90 percent capital protection and Al-Rajhi International Shares Capital Protected Fund, offering 95 percent capital protection. The funds are open to individuals, corporations and institutions, both local and foreign. They have a minimum subscription of SR10, 000 and are open for investment commencing April 17, 2010 for a period of 44 days ending May 23, 2010. "The objective of the capital protected funds is to present investors with dual benefits. The funds will provide capital protection whilst seeking returns from capital growth through investments in Shariah-compliant equities invested in the Saudi, GCC or international markets," Al-Rajhi Capital in a statement issued in Manama on Saturday said.

"Today more than ever, security is top of mind for investors and we are delighted to introduce a product that considerably eliminates the risk of capital loss. Our capital protected funds are ideal for more cautious investors, allowing them to benefit from the potential upside of more risky asset classes such as equities whilst knowing their capital will be protected all the same," said Marcus Andrade, CEO of Al-Rajhi Capital.

"To achieve these aims, the funds' strategy will be to invest a significant portion of assets through deferred sales of commodities thus ensuring capital is protected. At the same time, to generate capital gains, the remaining assets are invested, through an Arbun mechanism, in a "dynamic portfolio," which is actively managed so as to effectively control the volatility within a given limit while capturing profits from positive trends. Investments in the "dynamic portfolio" will be comprised of both equity instruments and lower risk solutions offered by Al-Rajhi Capital such as its Commodities Fund.

"Investors seeking security and with a time horizon of three years are our target audience. There is considerable institutional and retail client demand for solutions that gravitate toward capital protection. Hence, it is timely for Al-Rajhi Capital to launch these products now to respond to market needs, as well as to provide more choice to investors. These funds are unique in that they offer investors access to a proven equity investment franchise along with reduced risk of capital loss," said Gaurav Shah, head of asset management at Al-Rajhi Capital.

"We expect strong investor demand and are confident that the capital protected funds are the right product for many of our clients and investors who are today looking for the optimal risk and reward proposition, which this suite of Funds offers," he added.

Al-Rajhi Capital is the investment banking subsidiary arm of Al-Rajhi Bank, the largest commercial bank in the GCC in terms of market capitalization and the world's largest Islamic bank.

ARAB NEWS

http://arabnews.com/economy/article46979.ece

Islamic Fund for Green Technology Sector

Tuesday, April 27, 2010

WASHINGTON: Officials from the World Bank and the International Finance Corporation (IFC) will be in Kuala Lumpur next month to discuss the establishment of an Islamic financing facility for the green technology sector, Second Finance Minister Datuk Seri Ahmad Husni Hanadzlah said here Monday.

The officials will be in Kuala Lumpur from May 10 for discussions with Bank Negara and the Ministry of Energy, Green Technology and Water to develop a suitable model in the creation of a Syariah-compliant US$200 million fund.

The first Islamic fund of its kind in Asia, the financing facility would focus on the environmentally-friendly sector, he told Bernama in an interview following a series of meetings with World Bank and IFC officials, senior US officials and his counterparts from Iran and Egypt.

The minister wrapped up his working visit to Washington DC Monday after leading the Malaysian delegation to the International Monetary Fund (IMF) and World Bank Spring Meetings from April 23.

The IMF projected Malaysia's GDP growth at 5.7 per cent in 2010 with growth in the new key targeted areas that include oil and gas, electrical and electronics, agriculture, tourism and financial services.

Husni said, in his meetings with top US officials and the American private sector, there was strong interest to establish closer US-Malaysia economic relations following Prime Mister Datuk Seri Najib Tun Razak's working visit to the US recently.

"There is strong interest on the part of the US to develop closer relations with ASEAN in terms of trade and investment. In this context, Malaysia is viewed as a strategic partner of the US," he said.

American companies seemed to be excited by Malaysia's New Economic Model and viewed it as an impetus for new opportunities in various sectors including services, and the research and knowledge-based industries, Husni said.

He had meetings with Deputy US Trade Representative Demetrios Marantis, Treasury Under Secretary for International Affairs Lael Brainard, and Assistant Secretary of State for East Asia and Pacific Affairs Kurt Campbell, among others. In his bilateral talks with his counterpart from Iran, Seyed Shamsuddin, they discussed ways to enhance trade and investment between Malaysia and Iran.

Husni said Iran wanted Malaysia to increase its investment in that country especially in Islamic banking and finance. Meanwhile, the Egyptian Minister of Investment, Mahmoud Mohiedin was interested in a stronger Malaysia-Egypt collaboration in Islamic financing.

BERNAMA

http://www.bernama.com/bernama/v5/newsbusiness.php?id=493807

ISLAMIC FINANCE EVENTS; SEMINARS, WORKSHOPS & CONFERENCES

NBAD Financial Workshop: Experts Stress Importance of Sukuk

Sunday, April 25, 2010
The National Bank of Abu Dhabi (NBAD) continued its highly successful Second Global Financial Markets Workshop (GFMW) held in Abu Dhabi TODAY with several events on Islamic finance highlighted by a panel discussion comprising of a well-regarded scholar and professionals in field.

During a discussion and Q&A session, one of the world's leading Shariahh scholars Sheikh Nizam Yaquby, specialist Islamic lawyer Neil Miller of Norton Rose and Lawrence Oliver of DD Cap addressed the issues around Sukuk issuance and other important topics of the day in global Islamic finance.

Speaking to participants, Sheikh Yaquby stressed the importance of the role of Sukuk. "Sukuk is one of the most important tools of Islamic finance," Yaquby said.

The daylong event continued with a panel discussion with Abdul Aziz Abu Bakar of CIMB Investment Bank, Lilian Le Falher of Kuwait Finance House, Tariq Rahmat of Qatar Islamic Bank and Rushdi Siddiqui, Thomson Reuters' Global Head of Islamic Finance. Chavan Bhogaita, Head of Credit Research at NBAD moderated the panel.

NBAD's Financial Market Division, which organized GFMW, added a workshop on Islamic Finance to this year's event because of the increasing importance and popularity of Shariah-compliant financial products.

"After witnessing the success of the First GFMW held in October, we were determined to make the Second GFMW more comprehensive for our esteemed investors. So we decided to add a workshop on Islamic Finance given its increasing relevance in today's financial markets," said Sameh Abdulla Al Qubaisi, Head of Institutional & Corporate Coverage, NBAD Financial Markets Division.

The Second GFMW built on last year's three-day event by adding the Islamic Workshop. This year's four-day GFMW began on April 5th and continued on April 7th, 8th and 12th with presentations, panel discussions and workshops on important topics of the day.

The GFMW is organized with corporate partners Bloomberg and Thomson Reuters. NBAD set up three simulated dealing rooms – increased from two because of higher than expected demand - with a capacity of 110 delegates per day to allow delegates to gain experience of the latest financial markets tools and analytics. Bloomberg and Thomson Reuters, as well as key individuals from NBAD provided the expert tuition. The delegates were provided the opportunity to participate in panel discussions and Q&A sessions involving senior officials from high profile UAE entities such as Abu Dhabi

National Islamic Finance (ADNIF), Etihad, TAQA, GHC, Mubadala, Aldar, Qatar Islamic Bank, Kuwait Finance House, CIMB and Al Jaber Group.

In the afternoon participants attended Thomson Reuter's workshops.

Al Bawaba

http://www.albawaba.com/en/countries/UAE/314365

ARTICLES / COMMENTARIES

Islamic banks need to boost image

The only way skeptics will be convinced to use them is if brands are built up

Sunday, April 25, 2010

What is the "elevator" pitch of Islamic finance to the non-Muslim and the skeptical Muslim? Why do news releases often become articles in Islamic finance?

Although, it is a 40-year phenomenon, has an Islamic bank broken in to the top 100 global brands, competing with Coca-Cola, Citibank, Google, etc? How about national or regional trusted brands?

What about an admired company to work for? Should Islamic banks be reaching for such "reachable" aspirations or continue attempting to win Islamic finance awards that appear every other month?

Perception is reality, and, for Islamic finance, the reality is it needs a better perception!

Public and media relations in Islamic finance have been tagged as an overhead or cost rather than being seen as an investment in the equity brand or goodwill.

Islamic finance operates in a conventional macro-environment, so is held hostage to external shocks and stresses.

The media, western or local, wants to know how these external shocks impact banks' operations, (compliant equity) products, depositor confidence, inter-bank liquidity, etc, and a "no comment" or "we don't have exposure to toxic assets," may no longer be responsive enough.

Islamic banks have been accused by some of being product pushers, including pushing conventional products wrapped in an Islamic wrapper, hence, eroding its authenticity. This is ripe for a PR media campaign against loss of integrity.

During the GCC real estate boom, dedicated Islamic financial institutions like Gulf Finance House (GFH), Arcapita, Tamweel, Amlak, Investment Dar and others became recognised brands beyond their borders, but where are they now?

However, if we look at windows and subsidiaries, like HSBC Amanah, Citi-Islamic, Standard Chartered Saadiq, etc., such entities, probably under the guidance of an established parent's policies, have better managed the message. Litmus test question: where would a recent college graduate, interested in Islamic finance, apply for a job?

Lessons

There may be some lessons for Islamic banks from the windows/subs of conventional banks, including building a savvy internal PR team by poaching competent communicators from reputable PR firms.

The local based PR firms probably have a good feel for the Islamic finance client needs and budgets. There are probably only a few Dubai-based agencies, Shamal Marketing, Hill & Knowlton, Asdaa and Financial Dynamics, that have an in-depth understanding of Islamic finance and how to manage an effective Islamic finance communications campaign. But that's another article.

Islamic finance in the (selected) Muslim countries is like a Friday khutbha, preaching to the coverts. We hear about it being ethical (why not "green") financing, does that imply everything else is unethical?

We hear about avoidance of bankruptcies and fiscal support during this crisis, but what about real estate exposure, corporate and retail and provisioning and ensuing confidence factor?

Now, what is the message for Islamic finance in the world's biggest secular democracies like India (150 million Muslims) and the US (nine million Muslims), and Silk Road countries like China (20 million Muslims)?

How much do the external geo-political events and internal flare-ups impact the prospects for Islamic finance in these countries?

Are they looking at Islamic finance differently than Singapore, Hong Kong, Korea, Japan, the UK, Luxembourg, France, and Malta, countries that see themselves as Islamic finance hubs?

Public relations, as part of business development, may say a wholesale approach is better suited than a deposit taking retail strategy in such places, because of the lack of a level regulatory playing field and political sensitivities to external or internal events for the latter.

'Smoke and Mirrors'

What is the message to Muslims who view Islamic finance as "smoke and mirrors?"

If they see, for example, an Islamic mortgage with the same down payment, tenor, and profit rate as a conventional mortgage, a common conclusion is "what's the difference?"

Implied in the comment is the unreasonable conclusion that an Islamic mortgage should be cheaper (why?) or that an Islamic bank should be operated on a non-profit basis. A more appropriate conclusion may be "there is no financial cost of being a Muslim," i.e., market pricing performance!

The real difference is what happens in case of a mortgage default due to hardship? Who will evict the mortgagee first, Islamic or conventional lender, as that should go to the ethical nature of the financial system.

PR is an integral part of Islamic finance, no different than the importance of a good marketing department, and Islamic banks need to think about building their brands and message in good and bad times, strategies across markets, and convincing the skeptics.

Finally, an open challenge to PR firms, is there a more appropriate name for Islamic finance that captures its brand essence?

The writer is the Global Head of Islamic Finance, Thomson Reuters. Views expressed in this column are of the writer and cannot be attributed to his organization.

http://gulfnews.com/business/markets/islamic-banks-need-to-boost-image-1.617339

2010: Active year for Islamic finance in Kingdom

By: MUSHTAK PARKER
Sunday, April 25, 2010

Judging by the number of deals closed, funds launched and the presence of new institutions, 2010 is turning out to be a very active year for the Islamic finance market in Saudi Arabia.

The Kingdom, in terms of pool of funds, is the largest player in the global Islamic finance market, although its industry, like elsewhere, is subject to traditional bottlenecks, scarcity of human capital resources and underdeveloped market awareness.

There is no doubt that the Saudi market is underpinned by its economic fundamentals - that the Kingdom is the world's largest oil producer and exporter. In addition, while the official foreign reserves held by the Saudi Arabian Monetary Agency (SAMA) are just under half a trillion US dollars, private liquidity in the Kingdom is estimated at $1.2 trillion.

The Kingdom has also weathered the storm of the current global financial crisis, with 2009 real GDP growth estimated at 0.2 percent and expected to accelerate to 3.2 percent in 2010. According to Omar Al-Jaroudi, chief executive officer of SHUAA Capital Saudi Arabia, for instance, "The Saudi government's timely and appropriate fiscal and monetary policies have helped to support growth and the stability of the financial system. The key drivers behind our macro view are a sustained global recovery and the associated higher oil prices, continued expansionary fiscal policy and the resumption of local bank lending, easing financing constraints on the private sector. We forecast nominal GDP will reach SR1.5 trillion this year."

The room for optimism in the Islamic finance sector is underlined by a number of developments. Bank AlJazira, which has converted all its activities to Islamic banking, for instance, has recently received approval from the SAMA to set up a Takaful (Islamic insurance) company. The Bank Takaful Ta'awuni Division will be spinned off into a standalone Takaful joint venture with the UK Prudential PLC, one of the world's largest insurance and asset management companies.

The Jeddah-based Islamic Development Bank (IDB), on the other hand, has recently approved its first financing facility - a $120 million co-financing as part of a larger Islamic financing facility for the strategic Jubail Refinery and Petrochemical Project (JRPP) in Saudi Arabia.

The project, which has a total capital cost of $12.8 billion and which is scheduled to be completed in four years, is owned by Saudi Aramco Total Refining and Petrochemical Company (SATORP), a joint venture between Saudi Aramco (62.5 percent) and Total of France (37.5 percent). Technip of Italy is acting as the technical and project coordinator. The facility marks a growing involvement of the IDB Group in financing Saudi utilities and corporations, especially in trade and project finance. The Kingdom is by far the largest equity subscriber to the IDB.

The timing of the project, stressed the IDB, "is strategically important, indicating that Saudi Arabia in particular and the region in general, have remained resilient to the economic crisis and back on track for growth".

Two other major developments include the recent launch of "the world's first Shariah-compliant portfolio based on the Fundamental Index(r) methodology" developed exclusively for Saudi Economic Development Company (SEDCO) Group in Saudi Arabia by Swedish based investment manager IPM Informed Portfolio Management (IPM).

SEDCO is the dedicated Islamic private investment firm of the Bin Mahfouz family, formerly the major shareholders in National Commercial Bank (NCB).

The IPM Global Shariah screened portfolio based on the FTSE RAFI (Research Affiliates Fundamental Index) Global Index weightings, according to SEDCO, will benefit those institutions seeking the additional returns that RAFI offers, but that were previously excluded from existing Fundamental Index platforms.

The Fundamental Index methodology, according to IPM, is "a unique approach to portfolio construction, in which index weights are determined by fundamental measures of company size (cash-flow, book value, dividend and sales), instead of being based on price and valuation."

In the housing finance sector, pursuant to the imminent adoption of a Saudi mortgage law, Deutsche Bank AG and a group of Saudi investors led by Fahad Abdullah Al-Rajhi, launched in April 2010 Deutsche Gulf Finance (DGF), a joint venture Shariah-compliant home financing company owned 40 percent by the Deutsche Bank's Riyadh Branch and 60 percent by a group of prominent Saudi-based investors.

Fahad Al-Rajhi, who is also the head of Al-Rajhi Bank, is confident that DGF, which is capitalized at $110 million, will benchmark itself against international best practices and looks forward to contributing to the growth of home ownership in Saudi Arabia initially and later in Bahrain, Qatar and Kuwait.

Doug Naidus, managing director and global head of residential mortgage backed securities lending and trading at Deutsche Bank, stressed that "Saudi Arabia is a key country in our emerging markets strategy. Islamic home finance continues to be an important part of Deutsche Bank's global mortgage platform. Deutsche Bank's global expertise coupled with the Al-Rajhi family's local prominence and experience makes this an ideal and complementary business relationship."

The launch of Deutsche Gulf Finance comes at a pivotal time for consumer finance in Saudi Arabia. According to Deutsche Bank Research, the total outstanding home finance provided by the private sector in Saudi Arabia aggregates to less than 1 percent of GDP compared with well over 50 percent in most developed countries, and approximately 6 percent in Kuwait and 7 percent in the UAE.

Deutsche Bank Research projects Saudi Arabia will need 1.2 million additional housing units by 2015. In addition, based on market assumptions, it estimates that when the new Saudi mortgage law is enacted it will contribute to incremental demand of approximately 55,000 additional units per year.

Other recent Islamic finance market developments include the $500 million (SR1.875 billion) ARC Real Estate Income Fund launched by Al-Rajhi Capital, the investment banking subsidiary of Saudi Arabia's Al-Rajhi Bank, and Arcapita Bank, the Islamic investment bank incorporated in Bahrain, is potentially an important development and indicator in the revival of the GCC Islamic real estate market.

The Kingdom's largest realty developer, Dar Al-Arkan Real Estate Development Company (DAAR) closed its fourth Sukuk issuance - a $450 million issue - in February 2010. This latest Sukuk was lead arranged by Unicorn Investment Bank, Deutsche Bank and Goldman Sachs.

The fund, which is registered with the Capital market Authority (CMA) in Saudi Arabia, brings together for the first time Al-Rajhi Bank, the largest Islamic bank in the world in terms of its balance sheet, and Arcapita Bank, the former First Islamic Investment Bank, which has pioneered Shariah-compliant real estate and private equity transactions especially in the US market, the UK, Germany and the GCC market. At its peak, Arcapita's real estate and private equity portfolio in the US market alone totaled over $3 billion.

In March 2010, SHUAA Capital Saudi Arabia closed its first land acquisition situated at the Jeddah Corniche on behalf of the SHUAA Saudi Hospitality Fund I, a SR2 billion Shariah-compliant private equity fund, which will be developed into a luxury hotel tower with affiliated serviced hotel apartments to be managed by Rotana Hotel Management Corporation, the leading hotel management company in the MENA region.

ARAB NEWS
http://arabnews.com/economy/islamicfinance/article47227.ece

Syria Mufti, Sheikh Ahmed Hassoun on Islamic Banking Future

By: Mohamed Al-Hamazani

Sunday, April 25, 2010

Damascus, Asharq Al-Awsat- Syria's Mufti, Dr. Ahmed Hassoun edict to rename Islamic banking as "partnership" has caused an uproar in the world of Islamic finance and its followers. Dr Hassoun justifies his call for renaming them as "partnerships" by the fact that he is afraid of hearing in the future of "Jewish banks" or "Christian banks," because now there are those who call for establishing "Hindu banks."

In an interview with Asharq Al-Awsat on the future of Islamic banking, Dr Hassoun says: "We have to think of universality before we are taken and crushed by globalization. The banking and financial dealing is impartial and is subject to the rulings of Shariah. Therefore, by preserving it, and by mastering its ways of investment, when we talk about partnership in business we want the institutions to be based on ethical values and faith." Dr Hassoun adds: "We want the institutions to be based on ethical values and faith, and not on funds and their magnitude."

Syria's mufti continues: "We have no problem with engagement in dealings with the various banks, as long as this is according to the principle of partnership. Financing that combines traditional banks and Islamic banks are allowed if it is based on partnership. Faith descended from God to serve man, and not to exploit him; let faith facilitate the life of man, and not to shackle his life."

[Asharq Al-Awsat] What is your assessment of the latest Islamic banking conference in Syria?

[Hassoun] Since the issuing of the legislative decree approving the establishment of Islamic banks, Syria has started to convene specialized conferences to keep pace with the issue, and to bestow a scientific character upon the actual practices of the banks operating in Syria. This is the fifth conference of Islamic banks and financial institutions.

Scientific conferences increase the cultural awareness of the observers and of those interested in the subject. Through the conferences, experiences are exchanged, in addition to the exchange of theoretical scientific research, and hence the roles are integrated, and the circle is closed in pushing the economy forward in the right and correct direction.

On the basis of the fact that the convening of conferences has not ceased since the work started in Islamic banks and financial institutions in more than one Arab and Muslim country, and on reading the situation of these banks, the Islamic financial institutions achieve many benefits by sponsoring scientific conferences. Moreover, the conferences pave the way for the institutions to get acquainted with the experts - be they in the field of science and knowledge, those who have practical expertise, or even those involved in economic activities.

Recently, Syria has entered the field of economic and banking operations that are based on partnership between the financial capital and work; this comes under the headline of diversity in economic activities, and expanding the economic action.

In Syria we have the public sector and the joint [public-private] sector. Now, the private sector has started to play its role in society in the comprehensive development operation. These partnership financial institutions and banks play their important role in attracting domestic, regional, and international investment, particularly in the light of the expanding capital movement among the world countries. We hope that will have a positive reflection on man in general, and on the people of the region in particular, and on Syria, which has opened its doors for sound investment.

[Asharq Al-Awsat] What do you think of the performance of the Islamic banks in recent years?

[Hassoun] Security is a survival requirement of man. Security is divided into bodily health security, and financial material economic security; the total sum of this leads to the psychological and faith security. This is taken from God Almighty's saying to Adam, (peace be upon him) in Paradise: "There is therein (enough provision) for thee not to go hungry nor to go naked, nor to suffer from thirst, nor from the sun's heat [Sura Taha, Verses 118 and 119]." To satisfy hunger is the body security, saying "nor from sun's heat" there is a reference to health security, and in the complete verses there is a reference to psychological security.

In my talk about the banks, I call them partnerships, because I want these institutions to perform their work out of the desire to exchange benefits, and to fulfill joint interests, and not to exploit the others. Partnership in business and gains makes man secure in his life, because in this case God Almighty will be by his side as it came in the Divine Hadith [Divine Hadith is a Hadith attributed to the Prophet in which God address man]: "I am the third of the two partners as long as neither of them betrays his colleague, and if one betrays the other, I will leave their partnership."

This was what the Prophet, God's prayer and peace be upon him, did in the beginning of his commercial activities in the winter and summer trips. He was a speculating partner offering his effort, work, and expertise in partnership with the money of Khadijah [the Prophet's first wife], the businesswoman of her time who was looking for someone to invest her money and who is honest and trustworthy, until she found our beloved Muhammad, God's prayer and peace be upon him.

If the basis of the work of the Islamic banks and financial institutions is not honesty and trustworthiness in partnership and in business, the fate of these banks will be the same as that of others, they will stumble and this might lead to bankruptcy.

It has been noticed that the Islamic banks and financial institutions have avoided to some extent the world financial crisis as they have not sunk themselves in debt, and have not engaged extensively in mortgages. However, the impact of the world economic crisis on them has started to be seen on the horizon, unless they move from the concept of keenness to regain their capital quickly to the concept of cooperation in business, and linking the deposits to long-term investments that benefit the society and achieve development.

[Asharq Al-Awsat] There is criticism that the Islamic banks have not brought anything new in the field of high profit-sharing [the interest the Islamic banks charge], and also because of their limited social contributions and their limited contribution to offering financial solutions to those on limited income. Do you agree with this opinion? How do you see the reality of the Islamic banks as they are expanding and spreading?

[Hassoun] First of all, let us agree that the Islamic banks and financial institutions are based on partnership in business, and sharing the results of investment according to agreed percentages, and hence they are partnership banks.

This nomenclature (partnership banks) gets us out of the limited framework into wider horizons in which man participates with his fellow man in business, financing, and investment.

Despite the fact that the Islamic banks have not excluded anyone from dealing with them because of his religious or ethnic belonging, the mere name or word [Islamic] might give non-Muslims the impression that these institutions exclude a sector of people from dealing with them.

The criticism leveled at the Islamic banks is a real criticism that cannot be ignored, and it needs a great deal of contemplation. This is because people expected these institutions to help them in their businesses, and not to be a heavy burden that prevents them from achieving their aspirations, or at least part of these aspirations.

The criticism does not only concern the high [profit-sharing] percentages, but also even the other financing methods, such as renting that ends up with ownership [mortgages] and similar methods in which the beneficiary from these contracts is burdened with additional costs and expenses on top of the profits that the bank wants to achieve, such as the expenses of transfer of ownership, despite the fact that the arrangement of the contracts dictates that each side shoulders these expenses for his own property.

In the profit-sharing of buying [a property], the bank ought to transfer the ownership to itself, shoulder the responsibility of the property, and guarantee its risks so that the contract becomes a correct one, and not just a formality, and hence it should shoulder the costs and expenses of the transfer of ownership; in this part, it is wrong to burden the beneficiary with these expenses.

We are working to resolve this problem (repeating the costs of transferring the ownership) with the authorities concerned so that if the transfer of ownership from the bank to the beneficiary takes place within a certain period, the costs should be shouldered by one party, and should not be repeated.

The same applies to the costs of expenses of the contract of renting that ends up with ownership, as in the case of the first ownership by the bank, and receiving the property from the original owner, and before delivering it as letting that ends up with ownership to the client, the costs and expenses should be born by the bank, and it is wrong to burden the beneficiary with them.

With regard to the financing of those with limited incomes, the Islamic banks have not yet reached this level of wide dealing with the various sectors of the society.

If the other banks deal only with those who have capital by giving them credit facilities in exchange for guarantees they can afford, the Islamic banks have not been able - except in a limited way - to get over this obstacle to reach social and economic strata that are less capable.

The technical justification for this is the preservation of the funds of the Muslims and of the depositors. The database necessary for such expansion is still not sufficient. The level of risk might be higher, but we say: The Islamic banks will not be able to achieve the aims of all sides, especially those dealing with them; it is not sufficient to take into consideration those who have capital, as those with scientific qualifications and expertise also ought to have a share in the Islamic banks' plan of action.

[Asharq Al-Awsat] Some schools of jurisprudence or Shariah organizations are reproached for being too complacent with the Islamic banks. How true is this? How do you explain the membership of some Sheikhs in a number of banks? Do you think that the Shariah organizations have enough time to study the products offered by the Islamic banks?

[Hassoun] In the jurisprudence interpretative judgments in general, and in the interpretative judgments of the financial dealings in particular, it is noticed that there are two schools: the school of establishing the origin, and the school of justification. We believe that each school has it place and intellectual arena. Before undertaking an action, the school of establishing the origin ought to prevail, and explain the Shariah ruling based on explicit and clear evidence without exceptions or justifications, because the fatwa here gives strength to the aim and its achievement from the beginning.

However, if something is done, with the doer neglecting the Shariah origin, and then he looks for a fatwa to rescue him from what he has fallen into, at that time, the mufti looks for a way out, even by relying on weak evidence or far-fetched justification, to rectify the deed of the person who did the wrong thing.

This division of fatwa between origin and justification is more suitable in the cases of individual people than it is in the cases of institutions, which are supposed not to start any action except after ascertaining its Shariah origin away from justifications and excuses. This is particularly true as there are Shariah supervision organizations on whose Fatwas these institution rely, and the decisions of the Shariah organizations are binding for the Islamic banks and financial institutions according to the law in some countries, such as Syria.

Therefore, the boards of directors of the Islamic banks and financial institutions do not need to operate according to the justification school, as this might be similar to these boards trying to deceive the Shariah organizations. The jurisprudence rule says: "Judging something is a part of configuring it."

The configuration of the incidents and events is presented by the executive board of directors to the Shariah supervision organization to know the Shariah ruling on the issues. It is said: "A well-asked question is half the answer." The more credible and transparent the presentation of the issue, the clearer the explanation of the Shariah ruling from the organizations responsible for following up the work and the guidance of the honorable Shariah will be.

As for the schools of establishing the origin, we consider them to be extremely necessary, but they need the presence of a department for deep research and studies linked to the Shariah supervising organization. The duty of such department is to establish new products and innovative methods of financing and investment on which the department gets the approval of the Shariah organization, which in its turn presents them to the executive administration to work according to them.

Here, we point out that the new products might not have intellectual property rights protected by Shariah and preserved by law.

As for being complacent with the Islamic banks and financial institutions, the issue is no more than that the Shariah organizations act according to the jurisprudence rule: "the origin in issues and dealings is permission," as the prohibited issues in dealings are limited. The prohibited issues are represented by usury, treachery, lack of knowledge, deception, fraud, and similar things. As for the field of what is allowed, it contains much more than that. This shows that the Shariah organizations allow the board of directors to act in some allowed deeds in a way that might be seen by the outside observer as some kind of complacency.

As for the presence of members of the Shariah supervision organizations in more than one financial institution, this has its positive and negative aspects. The positive aspects are represented by the long practical experience and the sense of jurisprudence enjoyed by these individuals, which motivate the institutions to benefit from their presence; the positive aspects become greater if the Shariah supervision organizations include individuals of expertise and high qualifications together with new individuals who benefit from being together.

Perhaps the negative aspects of the issue are represented by the deprivation of the Islamic banks and financial institutions of the youthful energy and the new scientific qualified people, and hence these groups do not find the opportunity to express their hopes and aspirations through offering finance and investments products; thus the banks and institutions become deprived of sources of funds and results of work that remain imprisoned in the ideas of the new generation.

I suggest that a suitable number [of financial institutions] should be allocated for every Shariah economic expert, the same as it is done in scientific and academic research, and in supervising the scientific theses at universities, as no supervisor is allowed to have more than a certain number of students to supervise their work in order to protect the time of the supervisor, and to ensure the quality of the work. In the same way, a number of Islamic banks and financial institutions ought to be determined for the experts and the members of the Shariah supervision organizations in the Arab and Muslim world.

Today, in Syria the Shariah Advisory Council of the Council on Money and Credit (Syrian Central Bank) has been established. It is a higher commission that supervises the work of Islamic banks, and follows up the sessions of the Shariah supervision organization at every Islamic bank. The aim is to reduce the disparities in Fatwas between the organizations and to ease the situation for the people. Syria has started from where the others have ended, benefited from their experience and expertise, and is leaping forward confidently, masterfully, and well-deservedly.

[Asharq Al-Awsat] There are differences between one Islamic bank and another in Fatwas and in approval of some products. How do you see these differences, such as the organized banking bonds, which are banned by the Islamic Fiqh Academy, but allowed by some Sheikhs?

[Hassoun] One of the challenges facing the Islamic banks and financial institutions is the issue of Fatwas and the difference in opinion between the Shariah supervision organizations in each of these banks. The difference in Fatwas is natural everywhere and in any era, because all people should not be compelled to do the same thing. This has been axiomatic since the era of the Prophet, and it will remain so until Doomsday. The overall fundamentals and general principles are agreed upon, but the side issues and partial details are subject to disagreements.

This justifies the number of schools of jurisprudence, eight of which are approved by the Islamic Fiqh Academy. These schools are approved, and it is allowed under special circumstances to work according to interpretative judgments from schools other then these eight.

I believe that in the same country there should not be diverse Fatwas on the issue of financial dealings followed by the Islamic banks. This is in order that the beneficiary does not feel that there is contradiction in the work of the banks, and Fatwas do not become one of the means of competition that might be dishonest, and which merely aims to achieve more profits. The banking fatwa is not an issue for individuals, each working on his own, but it is an issue of the collective and the society.

Asharq Al-Awsat
http://aawsat.com/english/news.asp?section=6&id=20720

GENERAL ECONOMIC & BUSINESS DEVELOPMENTS

Economic crisis hits global poor

Sunday, April 25, 2010

The global financial crisis will condemn about 53 million more people to extreme poverty and contribute to 1.2 million child deaths in the next five years, according to the World Bank and International Monetary Fund (IMF).

More than one billion people, or one-in-six people on the planet, are struggling to meet basic food needs, leading to disease - and ultimately death - in many young children and pregnant women, a report, published on Friday, said.

However, despite these setbacks, the joint report said the overall number of people living on less than $1.25 a day, the definition of "extreme poverty", would fall to 920 million by 2015 compared to 1.8 billion in 1990.

This puts emerging nations broadly on track to achieve a United Nations "Millennium Development Goal" of halving 1990 rates of extreme poverty by 2015**.**

"The financial crisis was a severe external shock that hit poor countries hard," Murilo Portugal, the IMF deputy managing director, said in a statement.

"Its effects could have been far worse were it not for better policies and institutions in developing countries over the past 15 years."

The report said that the fallout would have been more serious had developing countries had sound macroeconomic policies before the crisis not given them room to maintain social safety nets in hard times.

"The crisis in the developing world has a potentially serious impact in everyday life since the margin of safety for so many people is so slim in even the best of times."

Vested interests

Jeremy Batstone Carr, the head of research at Charles Stanley, a UK financial firm, told Al Jazeera that the IMF protectionism was restricting the ability to pull people out of poverty and reduce inequality.

"The IMF and World Bank have a very strong vested interest in trying to pursue an agenda of globalization, the ultimate goal of which will be to lift people above the $1.25 a day poverty line," he said.

"There are considerable concerns about whether there is real globalization or whether countries around the world concerned about their own economic environments are actually putting protectionist barriers up therefore limiting the scope for globalization, hence the IMF concern.

"In a very powerless economic recovery, as we have in the West, countries tend to look after themselves and don't tend to think about the poorest in the world."

The extra millions condemned to hardship come despite a strong recovery being forecast in the developing countries of Asia, Africa and Latin America.

Indebted world

Aly-Khan Satchu, a financial analyst, told Al Jazeera the developed world "is more indebted than it was after the Second World War" after spending trillions of dollars on stimulating their domestic economies.

"In times of crisis, the developed world has sucked a lot of the liquidity out of the system," he said.

"In an environment where we had these sorts of lurches in the global economy, those in the fringes suffer the most.

"We have lacked progress and achieved an uneven recovery in the last two years."

The IMF is forecasting growth of 6.3 per cent for emerging and developing economies this year and 6.5 per cent for 2011, with much of the stimulus coming from Chinese expansion of around 10 per cent, and strong performances by India, Brazil and Indonesia.

Sub-Saharan Africa, the poorest region, is likely to expand 4.7 per cent in 2010 and 5.9 per cent the year after, putting it back on the growth cycle it enjoyed in the years leading up to the crisis.

Africa, however, has still lagged behind Asia in cutting poverty, with extreme hardship rates falling only to 51 per cent in 2005 from 58 per cent in 1990, the report said.

http://english.aljazeera.net/business/2010/04/2010424102834887331.html

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G-20 hails global economic recovery

Sunday, April 25, 2010

The world's leading economies have hailed a better-than-expected recovery from the global financial crisis, but warned of overconfidence as concerns over Greece's fiscal problems put the focus on growing debt burdens.

After G20 talks in Washington on Friday, the ministers said the pace of recovery was largely due to the $5 trillion of government money pumped into national economies.

"The global recovery has progressed better than previously anticipated largely due to the G20's unprecedented and concerted policy effort," a statement released after the meeting said.

"We should all elaborate credible exit strategies from extraordinary macroeconomic and financial support measures that are tailored to individual country circumstances."

Despite that upbeat assessment, Jim Flaherty, the Canadian finance minister, said the International Monetary Fund had expressed some concerns that countries were overstating their successes in tackling the crisis

"There was some significant concern that some countries had been too optimistic in their economic projections and that cumulatively there was perhaps too much optimism," he said.

Rajiv Biswas, the Southeast Asia director of the Economist Group, told Al Jazeera he agrees with the IMF statement about the state of the global recovery.

"The world economy is recovering from the worst recession that we've seen since World War II. And we do expect momentum to be strong in the first half of this year," he said.

"Overall we expect world growth of about three per cent this year, compared to two per cent last year. The momentum is very much driven out of Asia at the moment, with a strong recovery going on in east Asia and also particularly driven by China and India.

"The greater concern now is what's happening in Europe because European growth is only expected to be one per cent this year - due to the problems in a number of countries in the EU, difficulties in the banking sector and also structural economic problems in the European economies, we don't expect growth to improve next year."

Greek crisis

While Greece was not formally on the agenda, it was a hot topic both among delegates as they rallied behind an aid package of up to $60.5bn (€45bn), potentially the biggest-ever bailout of a country.

"It is of course a source of concern to us," Flaherty said.

"It's essential that some steps be taken, that the Greek government work with the IMF and with the European Commission of course to identify a credible multi-year economic and fiscal programme."

George Papaconstantinou, the Greek finance minister, is due to take part in IMF talks on Saturday after Athens asked for the European Union-IMF bailout to be activated the previous day.

Olli Rehn, the European Union economic and monetary affairs commissioner said European officials expected to complete work on a programme for Greece by May.

The Greek debt crisis has fuelled chronic instability on financial markets, undermining Euro zone stability and the strength of the global economic recovery.

Bank tax

The group rich and emerging countries failed to forge consensus on how best to recover the cost of bailing out financial firms.

"There was not agreement on a global bank tax. Some countries are in favour of that, some countries quite clearly are not," Flaherty said.

IMF experts were asked to consider "how the financial sector could make a fair and substantial contribution towards paying for any burdens associated with government interventions to repair the banking system," the G20 statement said.

It was set to propose two taxes, one to reimburse governments for the cost of bailing out banks hit by the crisis, and another to dissuade banks from taking excessive risks in the future.

But G20 ministers face tough discussions, since opposition to the tax was expressed by countries including Brazil and Canada.

Governments worldwide spent trillions of dollars to prop up financial markets after risky bank investments tanked, driving countries like Greece deep into debt.

They also skirted over the thorny issue of whether China should allow its Yuan currency to rise more rapidly to curb its export-driven growth.

G20 officials said there was no discussion of specific exchange rates.

Finally, the ministers discussed how to rebalance the global economy, a task made more complex by growing differences between the recovery in emerging and advanced economies.

Brazil, China and India have emerged from the downturn in much better shape than European, US and Japanese counterparts.

The IMF has predicted that advanced economies will grow just over three per cent this year, while emerging and developing economies should expand by more than six per cent.

http://english.aljazeera.net/business/2010/04/2010424435138573 67.html

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Goldman 'boasted as market crashed'

Sunday, April 25, 2010

New evidence has emerged that senior executives at US investment bank Goldman Sachs made money by betting against risky mortgages as the US housing market collapsed.

The emails, released by a US senate subcommittee on Saturday, show executives boasting about the money the firm was making as the market collapsed in 2007.

"Of course we didn't dodge the mortgage mess," Lloyd Blankfein, Goldman's CEO, wrote in an email dated November 18, 2007.

"We lost money, and then made more than we lost because of shorts," the email continued, suggesting that Goldman benefited from its bets that securities backed by sub-prime mortgages would lose value.

Goldman restated its position that it did not reap huge profits from bets against the market.

Short positions

As the housing bubble burst, Goldman and a few powerful hedge funds took short positions on the market, which are bets that the market will go down.

Many of those bets required other investors to bet the market would rise, and when the market went bust, people with short positions, like Goldman Sachs, made money on their bets.

One of those bets is at the heart of civil fraud charges the Securities and Exchange Commission (SEC) filed against Goldman this month.

The SEC alleges Goldman misled two investors who bought a complex mortgage-related product that was crafted in part by Paulson & Co, a New York hedge fund led by billionaire John Paulson.

The hedge fund manager was betting the product would fail.

The SEC said that Goldman did not disclose Paulson's role in creating the deal or his negative bet to the investors, IKB Deutsche Industriebank AG, a German bank, and ACA Management LLC, a US bond insurance company.

The deals, called Abacus, led to investors losing $1bn.

'Widows and orphans'

Goldman also released a series of emails from Fabrice Tourre, the trader at the heart of the SEC charges.

In them, Tourre jokes about selling investments to "widows and orphans" when he already expected the market to go bust.

In an email dated March 7, 2007, he wrote that Dan Sparks, leader of Goldman's US sub-prime business, said the business "is totally dead, and the poor little subprime borrowers will not last so long!!!"

That April, he joked about the bonds the SEC charges he misled clients about.

"I've managed to sell a few abacus bonds to widows and orphans that I ran into at the airport, apparently these Belgians adore" the complex investments, Tourre wrote.

The emails are in a mixture of French and English, and are to a woman with whom Tourre appeared to be romantically involved. Goldman provided translations. The same emails were excerpted in the SEC's complaint against Goldman, but the full context was not reported previously.

The subcommittee, whose probe is not connected with the SEC's, has been investigating the causes of the financial crisis for 18 months. Its fourth and final hearing on Tuesday will include testimony from Blankfein and Tourre.

http://english.aljazeera.net/business/2010/04/2010424214714529166.html

Emerging economies get bank boost

Monday, April 26, 2010

Developing countries are to be given more influence in the way the World Bank is run and how its money is spent, member states have decided.

Under the new voting structure announced on Sunday emerging economies will have a greater say in how the 186-nation bank distributes aid.

A key part of the restructuring recognizes China's growing global stature, elevating it to third place in the World Bank hierarchy, behind the US and Japan but well above a number of Western powers such as Germany, France and the UK.

In terms of voting power China's stake at the bank climbs from 2.78 per cent to 4.42 per cent; while the US retains the top spot with a stake of 15.85 per cent, effectively giving it veto power.

Japan continues to hold the number two spot with a 6.84 per cent stake.

Speaking to reporters on Sunday Robert Zoellick, the World Bank's president, said member nations recognized that the shift in voting power was "crucial for the bank's legitimacy."

"It recognizes that we need to consign outdated concepts like 'Third World' to history," he said.

"Today the world is moving toward a new, fast evolving multi-polar economy."

Speaking after a meeting of the bank's policy-setting Development Committee, Zoellick said emerging economies had become critical sources of demand fuelling the world's recovery from recession, and over time "can become multiple poles of growth".

Zoellick said a new formula for calculating voting power was "far from a perfect process but it was one that allowed us to bring 186 shareholders together because there are always sensitivities."

"While all countries agreed they wanted to make this shift, those who had to give up shares obviously would have preferred not to have done so," he said.

Reflecting reality

EU Development Commissioner Andris Piebalgs said the changes relfected a shift in the balance of power in the global economy.

"It is just reflecting reality, and I believe multinational institutions should reflect realities because otherwise they become outdated," he told the Reuters news agency.

Timothy Geithner, the US treasury secretary, said the new system would give emerging economies more influence in the bank's decision-making process.

"The new formula will better reflect the weight of the developing and transition countries in the global economy, while protecting the voice of the smallest and poorest countries," he said in a statement.

He added said that the US decided not to increase its share of voting rights in the new system in recognition of the importance of developing economies.

"Because we believe this overall outcome merits our strong endorsement, the United States agreed not to take up its full shareholding in this new arrangement," he said in a statement.

Japan will shoulder the greatest reduction in voting rights "in order to contribute to realizing a shift of the voting share to the developing and transition countries," Tokyo's finance ministry said on Sunday.

Dilution

However Pravin Gordhan, South Africa's finance minister, expressed disappointment in the outcome. "We are disappointed that the process has resulted in dilution of the voting power of some Sub-Saharan African countries, in spite of the collective acknowledgment of the need to protect them," Gordhan said.

"We strongly believe that more should have been done to prevent such dilutions," he said, adding that South Africa was looking for "more robust outcomes in future".

In another development, the World Bank agreed to the institution's capital by $3.5bn, the first increase in more than two decades, to make up for the heavy lending by the bank during the financial crisis. The increase will fund disaster relief and emergency programmes in the world's poorest countries and was agreed after the World Bank had made "strong and compelling case" for the extra money, Geithner said.

US contributions to the bank will need to be approved by Congress before they are finalized.

http://english.aljazeera.net/business/2010/04/2010425162718841223.html

Vote looms over US finance reform

Monday, April 26, 2010

Democratic leaders in the US senate are preparing for a test vote on sweeping financial regulatory reform expected to take place in congress on Monday.

The bill would create a consumer protection agency and give the US government the power to dismantle large, troubled financial firms.

Barack Obama, the US president, has said the changes are essential to help rebuild the US economy from recession and prevent a repeat of the 2008 meltdown.

But details of the bill are still being hammered out between Democratic and Republican leaders, and if they cannot reach a deal, Monday's test vote could fail.

Democrats currently control 59 seats in the senate, and they need to win over at least one Republican vote to overcome delaying tactics that could kill the bill.

The main disagreement centers on measures to address troubled financial institutions without resorting to costly taxpayer-funded bail-outs.

Appearing on the Fox News network on Sunday, Mitch McConnell, the Republican senate minority leader, said he would work to halt the beginning of debate on the bill, saying he was confident that all 41 Republican votes would be cast in favour of a delay.

Failing firms

McConnell said a proposed $50bn fund as part of the legislation to wind down failing firms would lead to endless bail-outs – a charge the Obama administration has repeatedly denied.

"It's better not to pre-fund, no matter how you fund it, whether it's a tax on banks or whatever it is, a fund that creates expectation it will be used," McConnell said.

"What we need to do is make it virtually, if not impossible, to be too big to fail."

The legislation would bring with it the most sweeping overhaul of the US financial system in decades.

Its main aim is to tighten government oversight of financial firms, with a view to preventing another Wall Street meltdown like the one in 2008 that triggered the recession.

The proposed consumer protection agency would also help fight loan and mortgage abuse, and it would give the government new powers to seize and dismantle huge financial firms on the brink of failure if their collapse threatens the economy.

That is opposed by many Republicans, who say it leaves the door open to big government bail-outs in the future.

Held accountable

Austan Goolsbee, the White House economic adviser, said the changes would end bail-outs and "hold accountable the people that get into the messes, so if they get in trouble, they fail".

The bill, he said, would bring with it "the strongest consumer protections ever in this country".

Last week Obama traveled to Wall Street to urge what he called the "titans of industry" to back regulatory reform and support the new legislation.

He also cautioned against any efforts to undermine moves to tighten regulation of derivatives, the complex and risky financial instruments seen as a crucial factor in triggering the 2008 crisis.

"It is essential that we learn the lessons of this crisis, so we don't doom ourselves to repeat them," Obama said.

"Make no mistake, that is exactly what will happen if we allow this moment to pass."

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World Bank revamps voting structure

Monday, April 26, 2010

In a significant development emerging economies India, China and Brazil have been given more voting rights in the way the World Bank is run and how its money is spent.

The World Bank and the International Monetary Fund approved a slight shift of voting shares in favor of developing countries, while agreeing to raise more money for global aid.

Under the new voting structure announced on Sunday, some emerging economies will have a greater say in how the 186-nation bank distributes aid.

This represents a total shift of 4.59 per cent to developing and transition countries since 2008, the IMF and the World Bank said in a joint statement after the meeting.

As a result, India's voting power has increased from 2.77 per cent to 2.91 per cent while China has emerged as the biggest beneficiary, its rights increasing from 2.77 per cent to 4.42 per cent.

The shift places India at the seventh biggest place after the US (15.85 per cent), Japan (6.84 per cent), China, Germany (4 per cent), France (3.75 per cent) and the UK (3.75 per cent).

South Africa disappointed

Pravin Gordhan, South Africa finance minister, expressed disappointment with the outcome. "We are disappointed that the process has resulted in dilution of the voting power of some sub-Saharan African countries, in spite of the collective acknowledgment of the need to protect them," he said.

"We strongly believe that more should have been done to prevent such dilutions."

Gordhan said South Africa was looking for "more robust outcomes in future".

Speaking to Al Jazeera on Monday, Manu Bhaskaran, chief executive of Centennial Asia, a Singapore-based advisory firm working with major emerging economies, said the new voting structure will not make any difference to China's leverage within the two financial institutions.

"Compared to yesterday and today, there is not that much more that China can do. This simply recognizes an already acknowledged fact which is that China's clout in world bodies, multilateral institutions and so on, is rising," he said.

"But in the real material sense the decision doesn't really make that much difference.

"We do, however, have a fundamental shift in the balance of global economic and political power going on and it's good that there is some kind of recognition of that."

'Significant step'

Robert Zoellick, the World Bank's president, said, he hoped shareholders will review the approach in 2015.

"The change in voting-power helps us better reflect the realities of a new multi-polar global economy where developing countries are now key global players," he said.

"This change in voting share, giving developing countries over 47 per cent, is a significant step."

Membership of the financial institution gives certain voting rights that are the same for all countries, but there are additional votes which depend on a country's financial contributions to the organization.

Zoellick said at a time when multilateral agreements between developed and developing countries have proved elusive, this accord is all the more significant.

Istanbul commitment

The increase fulfils the Development Committee commitment in Istanbul in October 2009 to generate a significant increase of at least three percentage points in Developing and Transition Countries (DTCs) voting power.

"We, in calculating this, looked at size of the world economy, using purchasing power but also exchange rate measures, but also, as a development institution, the contribution to development including the contribution to IDA, our fund for the poorest."

The governments also approved over $90bn in extra money for the World Bank's various arms that provide aid to member countries.

Zoellick said the shift in voting powers was designed to try to reflect past contributions, citing the example of Japan that has been "a very gracious contributor."

Under the changes, China will become the bank's third-largest shareholder, ahead of Germany, after the United States and Japan. Countries like Brazil, India, Indonesia and Vietnam will also have greater representation.

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Greece confident of debt aid

Monday, April 26, 2010

The Greek finance minister has said that European governments and the International Monetary Fund will soon provide billions of dollars in emergency aid.

George Papaconstantinou said on Sunday in Washington that the money will enable the heavily indebted country to make a large repayment on time in May.

He said that bail-out talks aimed at averting the euro-zone's first sovereign debt default went well and he was confident that Greece would secure help to finance its crippling public debt.

He said he expected the IMF executive board to approve the country's request for about $13.4bn in loans.

With a public debt approaching $400bn and a swollen deficit, Greece bowed to intense pressure from financial markets last week and formally requested aid, triggering what would be the first bail-out of a member of the 11-year-old single currency bloc.

Dominique Strauss-Kahn, the IMF managing-director, said he was optimistic that "we will conclude discussions in time to meet Greece's needs".

"We are all aware of the seriousness of the situation and the courageous efforts being made by the Greek people," he said in a statement.

In addition to the $13.4bn from the IMF, Greece is hoping to obtain loans of about $40bn from a group of 16 European countries that use the euro.

Papaconstantinou played down concerns that Germany might block a rescue deal.

Germany reluctant

Berlin has been reluctant to release the money amid strong domestic opposition in advance of a regional election on May 9.

"We are not ready to write a blank cheque," Guido Westerwelle, the German foreign minister, said on Sunday.

"It is not at all agreed that Greece will actually receive aid from Europe. There will only be aid if there is no other way of stabilizing our common currency."

Papaconstantinou said that even if there are delays in getting parliamentary approval in some European countries, IMF support could be matched with bridge loans from other countries that had already cleared the deal.

However, the prospect of the bail-out being blocked has resulted in increased speculation from over the country's economic woes.

For his part, Papaconstantinou warned investors that they would "lose their shirts" by betting on the country's economic collapse.

The Greek government's decision to request an aid package sparked clashes in the capital, Athens, on Friday.

It has also raised fears among workers unions that tougher measures than those already announced for the economy may be on their way.

The government had already announced huge budget cuts, including tax increases and reductions in public-sector wages.

Labour unions are planning protests against the government's economic austerity measures, as part of ongoing demonstrations since the measures were announced.

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US bank overhaul stalls in senate

Tuesday, April 26, 2010

Republican members of the US senate have blocked a debate on sweeping financial regulatory overhaul in a test vote on the Democrat-backed legislation.

Barack Obama, the US president, said he was "deeply disappointed" at Monday's vote, urging all sides to "put the interests of the country ahead of party".

Democrat supporters of the bill needed 60 votes to proceed with a Senate debate on the reforms which Obama has said is essential to help rebuild the US economy from recession and prevent a repeat of the 2008 meltdown.

The legislation includes the most sweeping overhaul of US banking rules since the Great Depression, and could ban banks from several lucrative types of trading and subject them to greater oversight.

But in the vote on Monday evening Republicans united to block debate on the bill, with the final vote 57 in favour to 41 against.

Two Democrats voted with the Republicans although one of those votes, from Harry Reid, the Democrat majority leader, was for procedural reasons.

Reid had initially voted in favour of the bill, but switched his vote in a move that allows him to bring up the bill again at a moment's notice.

Speaking after Monday's vote Reid said he expected to see further votes "this week" on the legislation.

"We remain open to working with our Republican colleagues, but we will not tolerate efforts to slow-walk this process or water down this reform because it is too important to middle-class families," he said in a statement.

The rejection does not mean the death of the reforms, but does give Republicans leverage to extract more concessions on the bill.

'Tighten the screws'

Mitch McConnell, the Republican senate minority leader, denied that his party was siding with big banks, saying that Republicans want to "tighten the screws on Wall Street" but would not be "rushed" into the legislation.

The main aim of the reform bill is to tighten government oversight of financial firms, with a view to preventing another Wall Street meltdown like the one in 2008 that triggered the recession.

The proposed consumer protection agency would also help fight loan and mortgage abuse, and it would give the government new powers to seize and dismantle huge financial firms on the brink of failure if their collapse threatens the economy.

That is opposed by many Republicans, who say it leaves the door open to more big government bail-outs in the future.

Instead Republicans want the legislation to increase the amount of cash financial institutions must keep on hand covering any investment losses.

With continued US public anger at big banks blamed for the 2008 global economic meltdown, and facing November mid-term elections, both Democrats and Republicans say they want tough new rules to govern Wall Street.

But Republicans say they do not want to go ahead with open debate in the senate until year-old closed-door talks on a compromise bill have run their course.

Bail-outs

The main disagreement centers on measures to address troubled financial institutions without resorting to costly taxpayer-funded bail-outs.

Republican leaders have argued that a proposed $50bn fund as part of the legislation to wind down failing firms would lead to endless bail-outs - a claim the Obama administration has repeatedly denied.

"Some of these senators may believe that this obstruction is a good political strategy, and others may see delay as an opportunity to take this debate behind closed doors, where financial industry lobbyists can water down reform or kill it altogether," Obama said in a statement after Monday's vote.

He said the American people could not afford to see the reforms fail, saying that a lack of consumer protections and a lack of accountability on Wall Street had nearly brought the US economy "to its knees."

"The reform that both parties have been working on for a year would prevent a crisis like this from happening again, and I urge the senate to get back to work and put the interests of the country ahead of party."

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Treasury to sell Citigroup shares

Tuesday, April 26, 2010

The US treasury department has announced plans to sell up to $1.5bn worth of shares of Citigroup, the country's largest bank.

It is one of the biggest stock sales in US history and is the latest move to unwind government support given to big banks during the financial crisis.

"Treasury will begin selling its common shares in the market in an orderly fashion under a pre-arranged written trading plan," a statement said on Monday.

The US government owns around a quarter of Citigroup with its total shares in the firm worth around $37bn.

The government received about 7.7 billion shares, or a 27 per cent ownership stake, as compensation for the massive support it extended to the bank during the height of the financial crisis in 2008.

The sales should earn a profit for the government, which purchased the common stock in 2009 at a share price of $3.25.

If the government sold all its 7.7 billion shares at $4.70, it would receive about $36.2bn in proceeds - $11.2bn above the $25bn it originally paid for the shares.

Bank bailout

The announcement comes as Washington tries to draw back the $700bn of taxpayers' money used to prevent the collapse of the global financial system in 2008.At the height of the crisis, the government injected a total of $45bn into Citigroup.

The New York-based company faced massive losses in the wake of the mortgage crisis and despite repaying some $20bn to the authorities in December; Citigroup is still one of the last of the major banks operating in the shadow of a US government bailout.

Last week the bank announced that it had returned to profit after two years spent largely in the red, posting a profit of $4.4bn in the first quarter of this year.

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IMF fears debt crisis 'contagion'

Thursday, April 29, 2010

The head of the International Monetary Fund has warned that Greece's debt crisis could spread and threaten the economies of other countries.

Dominique Strauss-Kahn made the comments in Berlin on Wednesday as he tried to persuade Germany, Europe's biggest economy, to back the terms of a multi-billion dollar rescue package.

Angela Merkel, the German chancellor, has pledged to help push through the bailout but says a long-term solution requires Greece to commit to "ambitious" austerity measures.

Merkel, who faces resistance at home, appeared reluctant to act before a crucial local election on May 9, but time may have run out amid signs that Europe's debt problems are growing.

Fears of a domino effect increased after credit rating agency Standard & Poor's downgraded Spain's debt rating on Wednesday by one notch from AA+ to AA, just a day after Greece had its rating downgraded to BB+ or "junk" status.

Standard & Poor's, which also marked down Portugal's debt status on Tuesday, said Wednesday's move on Spain was due to expectation that the country will suffer an "extended" period of subdued economic growth.

Axel Weber, the president of the German central bank and a European Central Bank Governing Council member, said that the cost of a debt default by Greece would be "incalculable".

"In the current situation, the impact on financial markets and other states would be incalculable," Weber said.

Confidence concerns

Strauss-Kahn said that confidence in all the countries using the euro currency was on the line.

"It is the confidence in the whole Euro zone that is at stake," he said.

Asian markets appeared to stabilize on Thursday after a day of volatility in European markets as investors sought assurances that Germany would come to Athens' aid to keep its financial troubles from spreading to other countries.

Merkel met Strauss-Kahn and Jean-Claude Trichet, the European Central Bank president, in Berlin on Wednesday and said she hoped "accelerated" negotiations between all parties, including the Greek government, could "be wrapped up in the coming days".

The German leader also spoke with Barack Obama, the US president, by phone.

"They discussed the importance of resolute action by Greece and timely support from the IMF and Europe to address Greece's economic difficulties," the White House said.

Investors fear delays in a rescue package could result in Greece being unable to avoid defaulting on $12bn in bond payments on May 19.

The IMF now says a rescue package for Greece may total $159bn over three years.

Wolfgang Schaeuble, Germany's finance minister, said legislation to free up his country's contribution to a rescue package could get through both houses of parliament as early as May 7 if Greece wraps up its ongoing talks with the IMF and the European Union quickly enough.

Protecting the euro

Guido Westerwelle, Germany's foreign minister, echoed that commitment, saying Berlin was ready to act quickly in order to protect the euro.

"We will protect our currency and this is in the deepest interest of every European citizen," he said.

Nicholas Skourias, chief investment officer at Pegasus Securities in Athens, said there was "a very serious risk of contagion".

"It's something like post-Lehman period - everybody is panicking and there is a lot of fear in the market," he said.

Speaking during a cabinet meeting on Wednesday, George Papandreou, the Greek prime minister, said that every EU member must "prevent the fire that intensified through the international crisis from spreading to the entire European and global economy".

Insisting Greece was determined to take its economy in hand, he said: "We will show that we do not run away. In difficult times we can perform, and we are performing, miracles.

"Our government is determined to correct a course that has been followed for decades in a very short time."

http://english.aljazeera.net/news/europe/2010/04/201042914052857162.html

Greece debt fears rattle markets

Thursday, April 29, 2010

Financial markets across the world have continued to experience considerable volatility amid a growing government debt crisis in Europe sparked by Tuesday's downgrading of Greece's debt to junk status.

Investors are looking for reassurance from Germany that it will come to the aid of Athens in order to keep its financial troubles from spreading to other countries.

Angela Merkel, the German chancellor, Dominique Strauss-Kahn, the International Monetary Fund (IMF) chief and Jean-Claude Trichet, the European Central Bank president, held talks in Berlin on Wednesday to discuss the crisis.

Merkel said that negotiations between all parties, including the Greek government, needed to be "accelerated" and that she hoped they could "be wrapped up in the coming days".

Austerity programme

Greece has requested $52bn from Euro zone governments and the IMF to shore up its finances but the reluctance of Germany, the largest country using the euro, to move quickly in providing assistance has sent shudders through markets.

Merkel reiterated on Wednesday that Germany expected Greece to implement an "ambitious" austerity programme if it wanted a helping hand.

Credit ratings agency Standard & Poor's also downgraded Spain's debt on Wednesday, saying its decision to lower its rating by one notch to AA from AA+ was due to its expectation that the country will suffer an "extended" period of subdued economic growth.

The agency said Spain's economic growth in the years to 2016 is likely to average around 0.7 per cent a year against its previous expectation of above one per cent.

Investors fear any rescue package may not reach Greece to enable it to avoid default by May 19, when $12bn in bond payments becomes due.

Strauss-Kahn said on Wednesday that confidence in the Euro zone as a whole was on the line following the crisis.

"It is the confidence in the whole Euro zone that is at stake," he said.

German assurances

Wolfgang Schaeuble, Germany's finance minister, insisted that legislation to free up his country's contribution could get through both houses of parliament within a week, as early as May 7, if Greece wraps up its ongoing talks with the IMF and the European Union quickly enough. Guido Westerwelle, Germany's foreign minister, echoed that commitment, insisting that Berlin is ready to act quickly in order to protect the euro.

"We will protect our currency and this is in the deepest interest of every European citizen," he said.

In Europe, Germany's DAX was down 0.5 per cent in afternoon trading on Wednesday, while France's CAC-40 fell 0.8 per cent. However, Britain's FTSE 100 index of leading shares was up 0.2 per cent amid hopes of an imminent deal

US stocks came back from Tuesday's drubbing on news that the Federal Reserve was unlikely to raise interest rates in the very near future. All major indices on Wall Street were up at the close on Wednesday, with the Dow Jones industrial average gaining 53.28 points or 0.48 per cent to 11,045.27.

Bond 'meltdown'

In addition to downgrading Greece's debt rating on Tuesday, Standard & Poor's also marked down Portugal's debt status. The downgrade [Greece's] has "sent the bond markets into meltdown and equity investors toward the exits," said Michael Hewson, an analyst with CMC Markets in London.

Nicholas Skourias, chief investment officer at Pegasus Securities in Athens, said: "There is a very serious risk of contagion; it's something like post-Lehman period. Everybody is panicking and there is a lot of fear in the market".

"I think that today we will have a lot of pressure as well because there is this fear of contagion."

Speaking during a cabinet meeting on Wednesday, George Papandreou, the Greek prime minister, said that every EU member must "prevent the fire that intensified through the international crisis from spreading to the entire European and global economy".

Insisting Greece was determined to bring its economy into order, he said: "We will show that we do not run away. In difficult times we can perform, and we are performing, miracles.

"Our government is determined to correct a course that has been followed for decades in a very short time."

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US inches towards financial reforms

Thursday, April 29, 2010

US senators have agreed to debate a bill proposing sweeping changes to financial regulation, after days of blocking maneuvers by opposition Republicans.

The US president, who says the overhaul is necessary to avoid a repeat of the crisis that plunged the country into recession, welcomed the vote on Wednesday, that ended three days of deadlock.

"This shouldn't have to be a partisan issue. Everybody was hurt by the crisis on Wall Street," Barack Obama said.

"I hope that we can get this done quickly, reconcile it with the work that was done on the House side and then I can sign this bill into law very soon."

Democrats had threatened to hold an extraordinary all-night session to press the Republicans after the opposition blocked action on the bill for three consecutive days.

'Absurd'

Harry Reid, the Democratic senate majority leader, denounced as "absurd, stunning, unheard of", the Republican resistance to starting debate on the measure, and accused the opposition of siding with Wall Street over US families.

"The American people undeniably demand we protect them from Wall Street, which has run wild."

The senate will begin debate on the bill on Thursday, Reid added.

Polls show the legislation enjoys support of nearly two-thirds of the US public, and continued anger at big banks blamed for the 2008 financial collapse is expected to shape congressional elections set for November.

The bill aims to prevent large firms from taking billions of dollars in government aid when their failure threatens the broader economy and create, for the first time, an agency to protect consumers from shady financial dealings.

It also looks to regulate trade in derivatives, complex financial instruments often used by firms to smooth out volatile commodity prices but blamed for warping the market and encouraging speculation.

'Vigorous debate'

Democrats and the White House have been eager to portray Republicans as siding with Wall Street, while Republicans insist the bill as currently crafted is not ready and must be changed.

Republicans acknowledge a need for reform but say the Democrats' bill is a government overreach, signaling the congressional fight is far from over.

Even after the deadlock was broken on Wednesday, following an agreement over plans to restrict bailout aid, the two sides continued to snipe at each other over the consumer protection agency.

"I cannot agree to his desire to weaken consumer protections given the enormous abuses we have seen," Chris Dodd, the Democrat chairman of the Senate Banking Committee, said.

"It is time for this debate to begin. And it must be a serious, vigorous debate."

But Richard Shelby, the panel's senior Republican, said: "This massive new bureaucracy would have unchecked authority to regulate whatever it wants, whenever it wants, however it wants."

http://english.aljazeera.net/news/americas/2010/04/201042903120466485.html

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Greece economic crisis

Friday, April 30, 2010

Greece is undergoing financial turmoil over its $400bn debt, with increasingly expensive repayments and a continually downgraded credit rating.

The country's credit rating has been lowered to junk status, a risk level that will now force many groups to stop investing in the country's bonds.

Consequently, Athens has even less money to pay back its huge loans and their are now fears that its problems will spread to other EU nations and some countries further a field.

The country's so-called austerity measures, a combination of severe cuts to public expenditure and increases in taxes, has met widespread public opposition.

Greece has requested more than $50bn in emergency loans from the EU and IMF to help pay its immediate debts but so far all the parties concerned have been unable to agree upon the terms.

Greece's debt rose to more than 13 per cent of its gross domestic product (GDP) in 2009.

The Mediterranean nation incurred annual budget deficits of billions of dollars via overspending in several areas.

These included benefit programmes, the public sector and government committees, as well as loss making utilities, such as Olympic Airways, the national airline, that was eventually privatized in 2008.

The government's benevolence allowed civil servants to retire in their 40s and permitted their unmarried or divorced daughters to collect their pension after they had died the latter at a cost of about $70 million annually by some estimates.

As tensions with Turkey have continued, Greece has also spent far more than most other EU members on arms, about six per cent of its GDP in 2009.

However, about 80 per cent of the budget is spent on administrative and staff payments.

The costs of paying off this debt have spiraled since October 2009, when Greece revealed that its budget deficit was double previous estimates.

The announcement led to continued credit rating downgrades, meaning that increasingly investors did not want to buy the government's bonds, making it harder for Greece to gain the finance needed to pay back debt and shore up the economy.

Investors have also not been reassured by measures taken by both the Greek government and the EU to restore confidence in the country's finances.

With the downgrade of its credit rating to junk status on Tuesday, Greece cannot secure the money it needs from the open market to pay its debt and thus has to go to the EU and IMF for bailout money.

Main Effects of the Crisis

With the downgrade to a junk credit rating, Greece's debt became one of the most costly in the world for investors to insure.

Fears mounted that this will affect other nations using the single European currency - the euro.

Therefore, investors have been scarred off putting their finance into Euro zone nations with high debt such as Portugal, Spain and Italy.

Consequently, these countries have now have less money coming into their economies meaning that they are less likely be able to make payments for their own debts.

The euro has fallen to a one-year low against the US dollar due to the crisis.

This has hit US exports since they have become more expensive for Euro zone nations to buy, reducing their demand.

Greece Austerity measures to reduce its debt

Greece has introduced a number of austerity measures in order to tackle its debt, leading to widespread public opposition.

The measures include cutting civil servants' bonuses - for instance, those given for speaking a foreign language and Christmas and Easter windfalls - by between 12 and 30 per cent, saving about $2.25bn.

It is pledging to trim social security payments further by raising the retirement age and banning early retirement in a bill to be produced in May.

The state pension will also be frozen, saving $600m.

It is raising VAT to 21 per cent from the current rate of 19 per cent, raising $1.7bn and is to introduce a two per cent supplemental gas tax to bring in $600m.

A one-off corporate tax will raise $1.3bn and a two per cent supplemental cigarette tax will create an extra $400m.

There will also be a one-off tax on holiday homes and oversized properties, while the commercial activities of churches will also be taxed.

In addition, the government has said that it will merge some state firms and sell stakes in others, in a measure to limit losses.

Military spending is to be scaled back, with arms purchases limited to 0.7 per cent of GDP in 2010.

Where is the bailout coming from?

The EU and IMF have offered more than $50bn in emergency loans to Greece.

However, it is not certain that the aid will be provided as the conditions for its provision need to be agreed.

Initially Athens decided not to take up the aid, preferring instead to secure finance on the open market whenever possible, but when that was no longer possible Greece had to ask for the aid package.

Germany, the Euro zone’s biggest economy, wants greater austerity measures from Athens, including more tax cuts, easier firing of civil servants and increased privatization, for them to commit to the bailout.

A meeting of EU leaders on May 10 is expected to decide whether Greece will meet EU and IMF conditions and thus receive the emergency finance.

It will be held after a local election local election in Germany on May 9 as Berlin does not want any decision to affect the poll.

But Germany also wants to protect the euro and therefore may soften its stance before the vote.

Will the aid and austerity measures succeed?

Greece has to make a debt payment of $11.2bn on May 19. If a deal on the aid package is not secured before then the country could default on its debt or have its debt restructured.

Some analysts have said that while Germany resists providing emergency aid Greece's finances will only deteriorate, with doubts over its future causing money to be pulled out of Greek-provided assets.

However, a balance is needed as increased austerity measures could have a detrimental effect.

Cuts will reduce citizens' income and reduce spending. This has the potential to lead Greece into an even more severe recession, meaning a weaker economy and a reduced ability to repay debts.

Increased unemployment felt during such a recession and cuts to key services could also lead to social unrest.

Although Greece has introduced many of the austerity measures, their economic plan for 2011 and beyond is vague.

Some economists expect Greece's GDP to shrink by three per cent even if deficit cutting measures are only moderately successful.

That is one per cent more than hoped for by the EU and IMF as part of their bailout package.

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Greece gears up for more cutbacks

Friday, April 30, 2010

The Greek government is preparing severe austerity measures to secure a multi-billion-euro aid package and avoid a financial catastrophe, with the prime minister vowing to "do whatever it takes to save the country".

But many Greek citizens are up in arms over proposed cutbacks, and protesters clashed with police when they tried to break through a cordon guarding the finance ministry on Thursday.

"The immediate emergency measures will be a strong bridge to cross over to great changes, secure the life of every citizen and have dynamic growth in a more just society," George Papandreou, the Greek prime minister, said on Thursday.

"We will do whatever it takes to save the country."

Strikes planned

But he has his work cut out as Greek unions have called a series of strikes in the days ahead, with a general strike on May 5, saying the involvement of the EU and IMF was a disaster and that the government had crossed the line.

Greek trade union officials voiced outrage at the conditions for the loans after a meeting with Papandreou, saying the IMF wanted the government to raise sales taxes, scrap bonuses amounting to two extra months of pay in the public sector, and accept a three-year pay freeze.

"They want Greece to cut the deficit by 10 percentage points in 2010 and 2011 ... so that Greece can go back and borrow on markets in the third year of the programme," said a union official who requested anonymity.

Officials from the International Monetary Fund, the European Union and the European Central Bank are in marathon talks in Athens over bailout plans, hoping to have a deal by early next week in a bid to prevent the crisis from spreading to other debt-burdened EU countries.

Economists said Euro zone states could end up footing a bill of half a trillion euros ($650bn) to save several nations if they failed to engineer a Greek bailout that calmed markets.

Markets stabilize

But markets appeared confident the deal would work on Thursday and Greek shares jumped 7.14 per cent by the close of trading and the interest rate that Greece has to pay to sell new debt fell back to below 10 per cent.

New signs that Germany could back the deal also helped global stocks and the euro stabilize after days of losses caused by the demotion of Greek debt to "junk" status and the downgrading of Portugal and Spain's credit ratings.

Germany has expressed deep reservations about handing over loans to Greece, which previously misled the EU over its catastrophic finances, and is demanding fierce budget rigor in return for any cash.

But Wolfgang Schaeuble, the German finance minister, said there was no alternative to aiding Greece to protect the euro, in apparent reference to growing fears of a domino effect of the debt crisis across the EU.

"We have to go this route," Schaeuble said in Berlin on Thursday. "We are not defending Greece; we are defending the stability of our currency."

German politics

Meanwhile Germany's opposition accused Angela Merkel, the German chancellor, of political maneuvering by delaying a decision on aid for Greece until after the May 9 polls.

"The chancellor tried to put off the Greece problem until after the NRW election," Hannelore Kraft, head of the Social Democrats (SPD) in the state of North Rhine-Westphalia (NRW), Germany's largest opposition party, told the Westfaelische Rundschau in an interview to run on Friday.

Merkel's conservatives, who need to win in NRW to retain their majority in the Bundesrat, or upper house of parliament, are concerned that funding a Greek bailout will cost it votes in the polls.

Meanwhile on Thursday, Greece received some reprieve when ratings agency Moody's Investors Service said it would hold off on a possible downgrade of the country's credit rating until it can consider details of a rescue package.

It warned, however, that a "multi-notch downgrade" remained likely, which would make Moody's the second major rating agency, after Standard & Poor's on Tuesday, to downgrade Greece's ratings to "junk" status.

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Goldman 'faces US criminal inquiry'

Friday, April 30, 2010

The US justice department has reportedly opened an investigation into the investment bank Goldman Sachs over mortgage deals it allegedly finalized with knowledge of their high risk.

The criminal investigation was begun in New York on Thursday raising the prospect of the firm or some of its employees being charged, the *Wall Street Journal* newspaper reported.

The investigation follows the US Securities and Exchange Commission (SEC) filing civil fraud charges against Goldman and one of its traders two weeks ago.

"Given the recent focus on the firm, we are not surprised by the report of an inquiry," a spokesman from Goldman said.

"We would fully co-operate with any requests for information."

The justice department's investigation reportedly stems from a referral from the SEC.

Information about mortgage-related securities was said by the SEC to have been hidden by the bank in transactions in 2006 and 2007.

'Investors misled'

The SEC said that the firm misled investors by not telling them that the securities had been selected by Paulson and Co, a Goldman hedge fund client, who was betting that the investments would fail.

Goldman and Fabrice Tourre, the trader said to be involved, deny the charges and have said that they will contest them in court.

Lloyd Blackfein, the CEO, and other Goldman employees were also questioned by a US senate subcommittee in Washington DC over trading the mortgage-related products when the US housing market broke down in 2007.

Congress is attempting to provide legislation to clean up and regulate the financial industry, after widespread criticism over banks' role in the global economic crisis.

The panel accused Goldman of inflating the housing bubble in the past ten years and then profiting from its collapse in 2007, highlighting the alleged incidents that surrounding complex mortgage deals that brought the SEC charges.

It also said the Wall Street giant helped to package toxic mortgages into bonds for fees from 2004 to 2007, and then repackaged those bonds into complex securities known as collateralized debt obligations, magnifying the risk from the mortgages.

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Shanghai kicks off World Expo

Friday, April 30, 2010

The multi-billion-dollar 2010 World Expo has officially opened in Shanghai, China's commercial capital, in what the country hopes will highlight its rising global influence. More than 180 countries and 57 international organizations are expected to showcase their culture in the six-month long event themed around sustainable development. Many are doing in so in pavilions with radical architecture.

Friday's opening ceremony was held amid tight security, featured a song by Hong Kong movie star Jackie Chan, Austrian waltz music, a performance by pianist Lang Lang and a rendition of Puccini's Nessun Dorma by Italian pop tenor Andrea Bocelli. A barrage of fireworks along the Huangpu River and a light show followed.

Relocation

World leaders, including Nicolas Sarkozy, the French president, attended the opening ceremony. The Chinese government spent eight years and more than $50 billion preparing for Expo Shanghai 2010, the country's first world's fair, which aims to showcase the latest technology and inventions through innovative or radical national "pavilions".

The main site has been designed to be environmentally friendly with the creation of the country's largest solar plant and the use of zero-emission vehicles. However, most of the pavilions will be demolished after October 31, when the Expo ends.

The government also had to relocate thousands of people for the Expo, some forcefully, according to rights groups.

"The Shanghai Expo authorities should be mindful that many remember the 2008 Beijing Olympics as much for the arrests and detention of peaceful protesters and journalists as for the achievements of the athletes," Sophie Richardson, the Asia advocacy director at Human Rights Watch, said.

Al Jazeera's Divya Gopalan, reporting from Shanghai, said despite the billions of dollars that had gone into preparing for the Expo, more than what was spent for the 2008 Beijing Olympics, there is more to the event than meets the eye.

"This event is not only about showcasing China's economic strength, it's also about showing the country's strength on the diplomatic front," she said.

"Leaders of countries are here to build ties with China with the view to improving their monetary status and their diplomatic relations.

"If a country chose to not come to this event, it would be regarded as a snub towards China. As a result we have seen 189 countries, ranging from the US and Germany to North Korea and financially troubled Iceland and Greece, come to Shanghai, and many of them have spent lots of money on pavilions to show their support to China."

Tight security

The government also launched the biggest security operation in China since the 2008 Olympic Games in Beijing in preparation for the event. As a result, not all Shanghai residents are celebrating the event, which brings additional traffic restrictions and security checks across the city.

"The traffic restrictions are not convenient for Shanghai residents but in the future, it will bring Shanghai many business opportunities," Xu Qing, a local resident, said.

An additional 8,000 police officers have been brought in to help Shanghai's 46,000-strong police force to patrol the city, according to Xinhua, the official Chinese news agency.

An estimated 70 million people, mainly Chinese, are expected to tour the giant exhibition site, as Shanghai hopes to recreate the glamour of an event that was traditionally seen as one of the most prestigious international events before the rise of the Olympics.

Shanghai allocated $45 billion to upgrade the city's infrastructure, creating the world's longest metro system, two new airport terminals and a $700 million promenade on the historic Bund as well as new roads, parks and bridges.

"They have certain expectations of the international audience," Bo Zhiyue, a Chinese politics expert at the National University of Singapore's East Asian Institute, said.

"They are trying to boost their international image by trying to doing what they think will meet the expectations of foreigners."

The first world fair was held in London's Hyde Park in 1851, in the landmark Crystal Palace which was later destroyed in a fire.

The 1889 Paris Expo saw the creation of another famous landmark as French structural engineer Gustave Eiffel presented his Eiffel Tower as a tribute to developments in science and engineering.

For China's 1.3 billion people, powering an economy likely to soon overtake Japan as the world second-largest, the outcome of the Expo will be cast as another display of the Communist leadership's power and prestige.

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